BASE PROSPECTUS DATED 13 JUNE 2019

PENARTH MASTER ISSUER PLC
(incorporated under the laws of England and Wales with limited liability under registered number 6615304)

Medium Term Note Programme
(ultimately backed by trust property in the Penarth Receivables Trust)

Programme	Penarth Master Issuer plc (the "**Issuer**") has established a medium term note programme (the "**Programme**") and prepared this Base Prospectus to describe it. Under the Programme, notes may be issued from time to time denominated in US Dollars, Sterling, Euro or such other currency as specified in the relevant Final Terms or Drawdown Prospectus, as applicable. Notes will be issued in series (each a "**Note Series**"), each with one of four classes of notes identified as class A, class B, class C and class D Notes.
Final Terms/ Drawdown Prospectus	Each Note Series will be subject to a Final Terms or Drawdown Prospectus, which, for the purpose of that Note Series only, supplements the Conditions of the notes in this Base Prospectus and must be read in conjunction with this Base Prospectus.
Underlying Assets	The Issuer's primary source of funds to make payments on the notes will be derived from, among other things, payments made by Penarth Funding 1 Limited (the "**Loan Note Issuer No. 1**") to the Issuer under the Loan Notes. Each Loan Note is governed by English law and is subject to the jurisdiction of the English courts in the event of proceedings relating to the Loan Notes. The ultimate source of payment on the notes will be collections on consumer credit card accounts originated or acquired in the United Kingdom by Bank of Scotland plc (including credit card receivables acquired in the United Kingdom by Bank of Scotland plc from Lloyds Bank plc). Credit card accounts originated or acquired in the United Kingdom by another company within Lloyds Banking Group plc may also be added to the receivables trust with such company becoming an Additional Transferor, subject to the satisfaction of certain conditions as specified herein.
Denomination	No notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or the equivalent in another currency on the date of issue of those notes as specified in the relevant Final Terms or Drawdown Prospectus, as applicable). In the case of each Note Series denominated in a currency other than Sterling, a separate currency swap transaction will be entered into by the Issuer to (i) convert the US Dollar, Euro or such other currency (as specified in the relevant Drawdown Prospectus) received by the Issuer on the issuance date for that Note Series into Sterling amounts for payment of the subscription amount for the related Loan Note in respect of that Note Series, and (ii) convert the Sterling amounts received by the Issuer into US Dollar, Euro or such other currency as specified in the relevant Drawdown Prospectus, as applicable amounts for payments in respect of that Note Series.
Securities Act	The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to or for the account of or benefit of, "US Persons" (as defined in Regulation S of the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The notes may only be offered, sold or delivered (i) to persons who are not US Persons (as defined in Regulation S) in "offshore transactions" in reliance on Regulation S (the "**Regulation S Notes**") and (ii) (a) within the United States in reliance on Rule 144A under the Securities Act ("**Rule 144A**") only to persons that are "qualified institutional buyers" (each a "**QIB**") within the meaning of Rule 144A (the "**Rule 144A Notes**") or (b) within the United States in reliance on Rule 506 of Regulation D under the Securities Act (the "**Registered Uncleared Notes**").

Credit Enhancement	• subordination of more junior ranking notes (please see "*The Loan Notes*" for further details); • subordination of more junior ranking Investor Interests (please see "*Sources of Funds to Pay the Loan Notes*" for further details); • use of funds (if any) deposited in the Series Cash Reserve Account to provide credit enhancement for any individual Loan Note specified in the related Note Series' Final Terms or Drawdown Prospectus (as applicable) as having the benefit of a Series Cash Reserve Account (please see "*The Loan Notes – Series Cash Reserve Account*" for further details); and • excess spread (please see "*The Penarth Receivables Trust*" for further details).
Liquidity Support	• use of principal to fund shortfalls for the senior Investor Interests (please see "*Sources of Funds to Pay the Loan Notes*" for further details); • use of LNI Available Funds to assist with the payment by Loan Note Issuer No. 1 of the monthly distribution amounts in respect of a Loan Note (please see "*The Loan Notes*" for further details); • use of funds advanced by Bank of Scotland PLC to Loan Note Issuer No. 1 under an Expenses Loan Agreement to fund the expenses related to the issuance of Loan Notes, including the costs of the Issuer as subscriber for those Loan Notes (please see "*The Loan Notes – The Expenses Loan Agreement*" for further details); and • use of funds deposited in the Programme Reserve Account (if any) in respect of any individual Loan Note to assist with the payment by Loan Note Issuer No. 1 of amounts payable in respect of such Loan Note (please see "*The Loan Notes – Programme Reserve Account*" for further details).
Redemption Provisions	Information on any optional and mandatory redemption of the notes is summarised on page 16 and set out in full in Condition 7 (*Redemption and Purchase*).
Rating Agencies	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 Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). Each of Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), Fitch Ratings Ltd ("**Fitch Ratings**") and Moody's Investors Service Limited ("**Moody's**") (each a "**Rating Agency**" and together, the "**Rating Agencies**") is a credit rating agency established and operating in the European Union and registered under the CRA Regulation.
Ratings	Unless specified in the Final Terms or Drawdown Prospectus, as applicable, each Note Series is expected to be assigned ratings on issue by each of Standard & Poor's, Fitch Ratings and Moody's. The ratings assigned by Fitch and Standard & Poor's address the likelihood of (a) timely payment of interest due to the Noteholders on each Interest Payment Date and (b) full payment of principal by a date that is not later than the Final Redemption 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 Redemption Date. Each credit rating assigned to the notes may not reflect the potential impact of all risks related to the transaction structure, the other risk factors in this Base Prospectus, or any other factors that may affect the value of the notes. These ratings are based on the Rating Agencies' determination of, *inter alia*, the value of the Receivables, the

reliability of the payments on the Receivables, the creditworthiness of the Swap Counterparty (where relevant) and the availability of credit enhancement.

The ratings do not address the following:

(i) the likelihood that the principal or the interest on the notes will be redeemed or paid, as expected, on the Scheduled Redemption Dates;

(ii) the possibility of the imposition of United Kingdom or any other withholding tax;

(iii) the marketability of the notes, or any market price for the notes; or

(iv) that an investment in the notes is a suitable investment for you.

Ratings will be assigned to the notes which are to be rated as set out above on or before the Closing Date for the relevant Note Series. **The assignment of ratings to the notes is not a recommendation to invest in the notes. Any credit rating assigned to the notes may be revised or withdrawn at any time.**

Listing

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom. In compliance with the Financial Services and Markets Act 2000 ("**FSMA**"), this Base Prospectus may not be used to offer any notes more than 12 months after the date of this Base Prospectus. Application will be made to have any notes issued under the Programme during the first twelve months following the date of this Base Prospectus admitted to listing on the official list (the "**Official List**") of the FCA and to trading on the regulated market of London Stock Exchange plc (the "**London Stock Exchange**"). The regulated market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU (the "**Markets in Financial Instruments Directive II**") (the "**Regulated Market of the London Stock Exchange**").

In the case of notes listed on the Regulated Market of the London Stock Exchange, a copy of the related Final Terms or Drawdown Prospectus, as applicable will be delivered to the Regulated Market of the London Stock Exchange on or before the date of issue of those notes.

Obligations

The notes offered pursuant to this Base Prospectus are obligations of the Issuer only. In particular, the notes will not be obligations or responsibilities of, nor will they be guaranteed by, any other party, including Bank of Scotland plc or Lloyds Bank plc in any of their respective capacities, any of the Arranger, the Lead Manager, the Dealers, Penarth Funding 1 Limited, Penarth Receivables Trustee Limited or any of their affiliates or advisers, successors or assigns.

EU Retention Undertaking

A note is not a deposit and neither the notes nor the underlying Receivables are insured or guaranteed by Bank of Scotland plc or by any United Kingdom or United States governmental agency. The Issuer will only have a limited pool of assets to satisfy its obligations under the notes.

Bank of Scotland as Transferor Beneficiary confirms that it will be the originator of the securitisation detailed in this Base Prospectus and of which the issue of notes forms part for the purpose of the Regulation (EU) 2017/2402 (the "**Securitisation Regulation**") and confirms that it will (i) retain a material net economic interest of not less than 5 per cent. of the nominal value of the securitisation in accordance with Article 6 of the Securitisation Regulation until the Final Redemption Date by way of a retention in accordance with paragraph 3(b) of Article 6 of the Securitisation Regulation of an originator's interest of not less than 5 per cent. of the nominal value of the securitised exposures and (ii) provide on a timely basis all information required to be made available by the Transferor Beneficiary pursuant to Article 7 of the

Securitisation Regulation as implemented by the Prudential Regulatory Authority, subject always to any requirement of law, **provided that** the Transferor Beneficiary will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond the control of the Transferor Beneficiary. For the purposes of Article 7(2) of the EU Securitisation Regulation, the Issuer is the designated entity. For further information on information to be made available pursuant to the EU Securitisation Regulation, see the sections entitled "*Regulatory Disclosure*" and "*General Information*"

US Credit Risk Retention Undertaking

Section 15G of the Exchange Act and the rules promulgated thereunder (the "**U.S. Credit Risk Retention Rules**") generally require the "sponsor" of a "securitisation transaction" to retain, either directly or through a "majority-owned affiliate," an economic interest in the credit risk of a securitisation transaction equal to at least 5 per cent. Initially, Bank of Scotland, as the "sponsor" of the securitisation transactions intends to satisfy its risk retention requirements under the U.S. Credit Risk Retention Rules by maintaining a "seller's interest" (as defined in the rules) equal to at least 5 per cent of the aggregate outstanding balance of the notes of all series.

Initially, the seller's interest retained by Bank of Scotland for purposes of compliance with the U.S. Credit Risk Retention Rules will be in the form of its interest as Transferor Beneficiary (the "**Transferor Interest**"). See "*The Penarth Receivables Trust—General entitlement of beneficiaries to trust property*" for a description of how the Transferor Interest is computed. As described in "*The Loan Notes - Early Redemption Events*", if the thirty-day average of the Bank of Scotland's Transferor Interest falls below a specified percentage (currently set at 6%) of the average outstanding face value of Eligible Principal Receivables over the same period, an Early Redemption Event occurs. To avoid the occurrence of such an Early Redemption Event, the average Transferor Interest over a thirty-day testing period must be currently maintained at least at 6% of the average outstanding face value of Eligible Principal Receivables (the "**Minimum Transferor Interest**").

The obligation under the U.S. Credit Risk Retention Rules to maintain a seller's interest at least equal to 5 per cent of the aggregate outstanding balance of the notes of all series is different from the requirement to maintain a Minimum Transferor Interest, and each is calculated differently. While the seller's interest determined in compliance with the U.S. Credit Risk Retention Rules is measured against the aggregate outstanding principal amount of notes, the Minimum Transferor Interest is measured against the aggregate face value of Eligible Principal Receivables. Generally, however, compliance with the currently in effect Minimum Transferor Interest will result in a higher seller's interest than is required under the U.S. Credit Risk Retention Rules. See "*Regulatory Disclosure—Credit Risk Retention*".

In the future, Bank of Scotland may elect to comply with the U.S. Credit Risk Retention Rules through any other means permitted thereunder.

Benchmarks

Interest payable under the Notes may be calculated by reference to LIBOR, EURIBOR, SOFR or SONIA, as specified in the relevant Final Terms or Drawdown Prospectus, as applicable.

Central bank-set benchmarks (such as SONIA provided by the Bank of England) are subject to certain exemptions pursuant to Article 2 of Regulation (EU) 2016/1011(the "**Benchmarks Regulation**"), but the Bank of England has issued a statement of compliance with the principles for financial benchmarks issued in 2013 by the International Organisation of Securities Commissioners.

At the date of this base prospectus, the ICE Benchmark Administrator as administrator of LIBOR and USD LIBOR appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") in accordance with the Benchmark Regulation. As at the date of this base prospectus, the European Money Markets Institute, as administrator of EURIBOR, and the Bank of England, as the administrator SONIA, do not appear on the register of administrators and benchmarks established and maintained by ESMA in accordance with article 36 of the Benchmarks Regulation.

As far as the issuer is aware, Article 2 of the Benchmarks Regulation or the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute, as administrator of EURIBOR and the Bank of England, as the administrator of SONIA, is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

THE "*RISK FACTORS*" SECTION ON PAGE 38 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.

THIS BASE PROSPECTUS SUPERSEDES ANY PREVIOUS PROSPECTUS DESCRIBING THE PROGRAMME. ANY NOTES ISSUED UNDER THE PROGRAMME ON OR AFTER THE DATE OF THIS BASE PROSPECTUS ARE ISSUED SUBJECT TO THE PROVISIONS HEREIN AND TO ANY APPLICABLE FINAL TERMS OR DRAWDOWN PROSPECTUS.

Arranger

Lloyds Bank Corporate Markets

Dealer and Lead Manager

Lloyds Bank Corporate Markets

13 June 2019

IMPORTANT NOTICES

If issued under the relevant Final Terms or Drawdown Prospectus, as applicable, Regulation S Notes of each class will be represented on issue by beneficial interests in one or more permanent global note certificates (each a "**Regulation S Global Note Certificate**"), in fully registered form, without interest coupons attached, which will be registered in the name of a nominee of, and deposited with, a common depositary (the "**Common Depositary**") or, in the case of Regulation S Notes to be held under the New Safekeeping Structure, a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). If issued under the relevant Final Terms or Drawdown Prospectus, as applicable, Rule 144A Notes (as defined herein) of each class will be represented on issue by beneficial interests in one or more permanent global note certificates (each a "**Rule 144A Global Note Certificate**"), in fully registered form, without interest coupons attached, which will be deposited with Deutsche Bank Trust Company Americas, as custodian (the "**DTC Custodian**") for, and registered in the name of, Cede & Co. ("**Cede**") as nominee of, The Depository Trust Company ("**DTC**") and/or registered in the name of a nominee of, and deposited with, a Common Depositary or, in the case of Rule 144A Notes to be held under the New Safekeeping Structure, a Common Safekeeper for Euroclear and Clearstream. Ownership interests in the Regulation S Global Note Certificates and in the Rule 144A Global Note Certificates (together, the "**Global Note Certificates**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and DTC (as relevant), and their respective participants. Notes in definitive certificated, fully registered form ("**Individual Note Certificates**") will be issued only in the limited circumstances as described in the Note Trust Deed. In each case, purchasers and transferees of notes will be deemed to have made certain representations and agreements. If specified in the relevant Final Terms or Drawdown Prospectus, as applicable, notes may also be represented on issue in definitive certificated, fully registered form, which will not be cleared through any of the Clearing Systems ("**Registered Uncleared Note Certificates**"). See "*Forms of the notes*", "*Purchase and Transfer Restrictions*" and "*Plan of Distribution*" in the relevant Final Terms or Drawdown Prospectus, as applicable.

If issued under the relevant Final Terms or Drawdown Prospectus, as applicable, Rule 144A Global Note Certificates representing Rule 144A Notes so issued will bear a legend to the effect that such Rule 144A Global Note Certificates, or any interest therein, may not be transferred except to persons that are QIBs within the meaning of Rule 144A under the Securities Act and only in compliance with the transfer restrictions set out in such legend. If issued under the relevant Final Terms or Drawdown Prospectus, as applicable, Registered Uncleared Note Certificates will bear a legend to the effect that such Registered Uncleared Note Certificates may not be transferred except in compliance with the transfer restrictions set out in such legend. No beneficial interest in a Rule 144A Global Note Certificate may be transferred to a person that takes delivery in the form of a beneficial interest in a Regulation S Global Note Certificate unless the transfer is to a person that is not a US Person (as defined in Regulation S) in an offshore transaction (as defined in Regulation S) in reliance on Regulation S under the Securities Act and the transferor provides the relevant Registrar with a written certification substantially in the form set out in the Paying Agency Agreement. No beneficial interest in a Regulation S Global Note Certificate may be transferred to a person that takes delivery in the form of a beneficial interest in a Rule 144A Global Note Certificate unless the transfer is to a person that is a QIB in a transaction in reliance on Rule 144A and the transferor provides the relevant Registrar with a written certification substantially in the form set out in the Paying Agency Agreement. See "*Forms of the notes*" and the applicable Final Terms or Drawdown Prospectus, as applicable.

Governing Law

- The Programme documents are governed by (variously) the laws of England and Wales and Scotland.

- The "**United Kingdom**" and "**UK**" are abbreviated references to the United Kingdom of Great Britain and Northern Ireland. The UK comprises three distinct legal systems, namely those of England (which includes Wales), Scotland and Northern Ireland, each with its own judicial process. However, leaving aside devolution of certain powers to Scottish and Northern Irish legislative bodies, the legislative body for each of these three jurisdictions is the UK Parliament. Accordingly, references to UK law are to laws promulgated by the UK Parliament but which are binding on the United Kingdom.

- The sale of Receivables where the relevant card accountholder is resident in Scotland is governed by Scots law. The consequences of this Scots law sale are discussed under the caption "*Risk Factors — Transfer of benefit of receivables*".

- The "**United States**" and "**US**" are abbreviated references to the United States of America.

This document (which includes the Appendices herein) together with any amendments or supplements constitutes a "Base Prospectus" for the purposes of Article 5(4) of Directive 2003/71/EC as amended (the "**Prospectus Directive**") for the purpose of giving information with regard to the issue of notes under the Programme during the period of twelve months after the date of this Base Prospectus.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference in this Base Prospectus and, in relation to any Note Series, should be read and construed together with the relevant Final Terms or Drawdown Prospectus, as applicable.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arranger, the Lead Manager or any Dealer or any of their respective affiliates, advisers, directors or group companies.

No representation or warranty is made or implied by the Arranger, the Lead Manager, the Dealers, the Security Trustee, the Note Trustee or any of their respective affiliates, advisers, directors or group companies, and neither the Arranger, the Lead Manager, the Dealers, the Security Trustee, the Note Trustee nor any of their respective affiliates, advisers, directors or group companies makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable nor the offering, sale or delivery of any note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true after the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or otherwise since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms or Drawdown Prospectus, as applicable, and the offering, sale and delivery of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable comes are required by the Issuer, the Arranger, the Lead Manager and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of notes and on the distribution of this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable and other offering material relating to the notes, see "*Plan of Distribution*".

Neither this Base Prospectus nor any Final Terms or Drawdown Prospectus, as applicable, constitutes an offer or an invitation to subscribe for or purchase any notes and should not be considered as a recommendation by the Issuer, the Arranger, the Lead Manager, the Dealers, the Security Trustee, the Note Trustee or any of them that any recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable, should subscribe for or purchase any notes. Each recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable, shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

AN INVESTMENT IN THE NOTES IS ONLY SUITABLE FOR FINANCIALLY SOPHISTICATED INVESTORS WHO ARE CAPABLE OF EVALUATING THE MERITS AND RISKS OF SUCH INVESTMENT AND WHO HAVE SUFFICIENT RESOURCES TO BE ABLE TO BEAR ANY LOSSES WHICH MAY RESULT FROM SUCH INVESTMENT. IF PROSPECTIVE INVESTORS ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS BASE PROSPECTUS THEY SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS BASE PROSPECTUS, ALL PERSONS MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE US FEDERAL, STATE AND LOCAL TAX TREATMENT OF THE NOTES AND THE ISSUER, ANY FACT THAT MAY BE RELEVANT TO UNDERSTANDING THE US FEDERAL, STATE AND LOCAL TAX TREATMENT OF THE NOTES AND THE ISSUER AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) RELATING TO SUCH US FEDERAL, STATE AND LOCAL TAX TREATMENT AND THAT MAY BE RELEVANT TO UNDERSTANDING SUCH TAX TREATMENT.

THIS BASE PROSPECTUS IS NOT INTENDED AND WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING US FEDERAL, STATE OR LOCAL TAX PENALTIES. THIS BASE PROSPECTUS WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTION. EACH PROSPECTIVE NOTEHOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

In the event that any withholding or deduction for any taxes, duties, assessments or government charges of whatever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest in respect of the notes by the United Kingdom or any other jurisdiction or political subdivision or any authority in or of such jurisdiction having power to tax, neither the Issuer nor the Paying Agents will be required to make any additional payments to Noteholders or, if Individual Note Certificates are issued, coupons, in respect of such withholding or deduction.

References in this document to "**£**", "**Pounds Sterling**" or "**Sterling**" are to the lawful currency of the United Kingdom. References in this document to "**Euro**", "**Euros**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union (as amended). References in this document to "**$**", "**US Dollars**" or "**Dollars**" are to the lawful currency of the United States.

In connection with the issue of any Note Series, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms or Drawdown Prospectus, as applicable may over-allot notes (provided that in the case of any note series to be admitted to trading on the London Stock Exchange or any other regulated market (within the meaning of the Markets in Financial Instruments Directive II) in the European Economic Area, the aggregate principal amount of such note series allotted does not exceed 105% of the aggregate principal amount of the relevant note series) or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager(s)) will undertake such stabilisation action. Any stabilisation action may begin at any time after the adequate public disclosure of the Final Terms or Drawdown Prospectus, as applicable of the offer of the relevant Note Series and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Note Series and 60 days after the date of the allotment of the relevant Note Series. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with all applicable laws and rules.

NOTICE TO US INVESTORS

With respect to the issue and sale of the notes in the United States, this Base Prospectus is highly confidential and has been prepared by the Issuer solely for use in connection with the issue of the notes. In the United States, this Base Prospectus is personal to each person or entity to whom it has been delivered by the Issuer or a Dealer or an affiliate of such Dealer. Distribution in the United States of this Base Prospectus to any person other than such persons or entities and those persons or entities, if any, retained to advise such persons or entities with respect to the possible offer and sale of the notes is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. A prospective purchaser will not be entitled to, and must not, rely on this Base Prospectus unless it was furnished to such prospective purchaser directly by the Issuer or a Dealer. Each prospective purchaser in the United States, by accepting delivery of this Base Prospectus, agrees to the foregoing and agrees not to reproduce all or any part of this Base Prospectus.

Additionally, each purchaser of any of the notes will be deemed to have made the representations, warranties and acknowledgements that are described in the applicable Final Terms or Drawdown

Prospectus, as applicable. If any Rule 144A Notes are issued, prospective investors are hereby notified that the seller of any such note may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. If Registered Uncleared Notes are issued, prospective investors are hereby notified that the Issuer may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 506 of Regulation D. For a description of certain further restrictions on resale or transfer of the notes, see "*Plan of Distribution*", below.

Offers and sales of the notes which are not Registered Uncleared Note Certificates in the United States will be made by the Dealer through their affiliates which are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

Neither the United States Securities and Exchange Commission (the "**SEC**"), any other securities commission, any state securities commission in the United States nor any other regulatory authority in the United States has approved or disapproved the notes or determined if this Base Prospectus is truthful or complete. Any representation to the contrary is a criminal offence in the United States.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS OF US COURTS

The Issuer is a public limited liability company incorporated under the laws of England and Wales. All of the officers and directors named herein reside outside the US and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the US. As a result, prospective investors may have difficulties effecting service of process in the US upon the Issuer or such persons in connection with any lawsuits related to the notes (including actions arising under federal securities laws of the US) or enforcing 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 US courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

AVAILABLE INFORMATION

If any Rule 144A Notes or Registered Uncleared Notes are issued, the Issuer will agree, for so long as any of such notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, that it will, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act to any holder or beneficial owner of such restricted securities or, in the case of Rule 144A Notes, to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein, in each case at the request of such holder, beneficial owner or prospective purchaser.

By requesting copies of the documents referred to herein or by making any other requests for additional information relating to the issue of the notes or to the Issuer, each potential investor agrees to keep confidential the various documents and all written information which from time to time has been or will be disclosed to it, to the extent that such documents or information are not otherwise publicly available, and agrees not to disclose any portion of such information to any person except in connection with the proposed resale of the notes or as required by law.

The Issuer has agreed, for so long as any of the notes remain outstanding, to provide to the Note Trustee, among other things, audited annual financial statements of the Issuer.

FORWARD LOOKING STATEMENTS

This Base Prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Base Prospectus and reflect significant assumptions and subjective judgments by the Issuer that may or 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 in the United Kingdom under the section described under "*Risk Factors*". Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. Neither the Arranger, the Lead Manager nor any Dealer has attempted to verify such statements, nor does it make any representation, express or implied, with respect thereto. Prospective purchasers of the notes are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this Base Prospectus. Prospective purchasers of the notes also should realise that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialise, actual results could vary materially from the Issuer's projections. The Issuer, the Arranger, the Leader Manager and the Dealers undertake no obligation to update any forward looking statements as a result of future events or developments.

SUPPLEMENTARY BASE PROSPECTUS

The Issuer has undertaken, in connection with the admission of the notes to listing on the Official List and the admission to trading on the Regulated Market of the London Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under "*Terms and Conditions of the Notes*", that is material in the context of issuance of notes under the Programme, the Issuer will prepare or procure the preparation of an amendment or supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of notes to be listed on the Regulated Market of the London Stock Exchange.

The Issuer will, at the Specified Offices of the Arranger, Dealer or Paying Agents, provide, free of charge, upon oral or written request, a copy of this Base Prospectus. Written or telephone requests for such documents should be directed to the Specified Office of any Arranger, Dealer or Paying Agent.

When delivered in the US this Base Prospectus must be accompanied by a Final Terms or Drawdown Prospectus, pursuant to which the Note Series referred to therein will be offered. Such Final Terms or Drawdown Prospectus constitute, with respect to the Note Series offered thereby, the "relevant Final Terms", the "applicable Final Terms", the "relevant Drawdown Prospectus" or the "applicable Drawdown Prospectus" referred to herein.

The Issuer intends to provide post-issuance transaction information regarding the notes to be admitted to trading and the performance of any underlying collateral in the form of the monthly reports to be prepared by the Servicer and the Cash Manager. The reports may be inspected during normal business hours and upon reasonable notice at the registered office of the Issuer.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

The information on page 176 of this Base Prospectus relating to Bank of Scotland plc has been accurately reproduced from information provided by Bank of Scotland plc. So far as the Issuer is aware and/or is able to ascertain from information provided by Bank of Scotland plc, no facts have been omitted which would render the reproduced information materially misleading.

The information on page 177 of this Base Prospectus relating to Lloyds Bank plc has been accurately reproduced from information provided by Lloyds Bank plc. So far as the Issuer is aware and/or is able to ascertain from information provided by Lloyds Bank plc, no facts have been omitted which would render the reproduced information materially misleading.

The information in pages 191 to 192 and pages 188 to 190 of this Base Prospectus relating to, respectively, Penarth Funding 1 Limited and Penarth Receivables Trustee Limited has been accurately reproduced from information provided by Penarth Funding 1 Limited and Penarth Receivables Trustee Limited, respectively. So far as the Issuer is aware and/or is able to ascertain from information provided by each of Penarth Funding 1 Limited and Penarth Receivables Trustee Limited, no facts have been omitted which would render the reproduced information materially misleading.

Bank of Scotland plc accepts responsibility for the section entitled "*Regulatory Disclosure – Securitisation Regulation*" on pages 77 to 78 and declares that, having taken all reasonable care to ensure such is the case, the information in those sections, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect the import of such information.

The Arranger, Dealers and Lead Managers do not accept any responsibility for compliance of the Issuer, the Receivables Trustee, the Loan Note Issuer No.1 or the Transferor with the requirements of the Securitisation Regulation and has not assisted or advised the Issuer, the Receivables Trustee, the Loan Note Issuer No.1 or the Transferor with its compliance with the requirements of the Securitisation Regulation.

Where information has been sourced from any other third party, the Issuer confirms that this information has been accurately reproduced and that 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.

SUITABILITY

Prospective purchasers of the notes of any Note Series should ensure that they understand the nature of such notes and the extent of their exposure to risk, that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in such notes and that they consider the suitability of such notes as an investment in the light of their own circumstances and financial condition.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2016/97/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPS Regulation.

MIFID II PRODUCT GOVERNANCE

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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PROGRAMME STRUCTURAL OVERVIEW

From time to time, Bank of Scotland plc ("**Bank of Scotland**"), as "**Transferor**", may transfer to Penarth Receivables Trustee Limited being a company incorporated in England and Wales (the "**Receivables Trustee**") all of its present and future beneficial interests in receivables coming into existence on revolving credit card accounts in the United Kingdom originated or purchased by Bank of Scotland or on revolving card accounts originated by a Material Originator (as defined below) where the receivables are acquired by Bank of Scotland (the "**Accounts**"). As regards receivables that are governed by English law, such transfers are constituted by way of assignment under the terms of the receivables securitisation deed dated 16 October 2008 (as amended and restated from time to time) (the "**RSD**"). Only the Receivables (excluding Scottish Receivables) will be so transferred. As regards Receivables that are governed by Scots law ("**Scottish Receivables**"), such transfers are constituted by way of assignation and trust. Only the Scottish Receivables will be so transferred. The legal ownership of the Accounts will be retained by Bank of Scotland or a Material Originator in respect thereof (as applicable).

On 8 November 2010, Bank of Scotland acquired all of the present and future beneficial interests in receivables arising on certain designated revolving credit card accounts originated by Lloyds Bank plc ("**Lloyds Bank**") in the United Kingdom pursuant to the terms of a receivables securitisation deed dated 1 November 2010 (as amended and restated from time to time) (the "**Lloyds Bank RSD**"). The legal ownership of such Accounts remains with Lloyds Bank. On 8 November 2010, Bank of Scotland transferred such Receivables pursuant to the terms of the RSD to Penarth Receivables Trustee Limited, a private limited company incorporated under the laws of Jersey with company number 101458, and having its registered office at 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands (the "**Original Receivables Trustee**") and subsequent to 8 November 2010, Bank of Scotland transferred Receivables to the Original Receivables Trustee from time to time to the extent it acquired further Receivables from Lloyds Bank and Bank of Scotland may from the Novation Date transfer Receivables to the Receivables Trustee to the extent it acquires Receivables from Lloyds Bank.

Pursuant to the novation, amendment and restatement deed in respect of the RSD dated 13 June 2019 (the "**Novation Date**"), the entitlement to all Receivables (including those previously transferred to the Original Receivables Trustee) is now held by the Receivables Trustee and the Receivables Trustee now acts as the trustee in respect of the Penarth Receivables Trust.

In addition, the Transferor and the Receivables Trustee have agreed that, subject to the satisfaction of certain conditions, *inter alia*, the delivery of an accession notice, the making of the same representations in relation to the Existing Receivables and Future Receivables, the delivery of a certificate by the Transferor confirming that, in its opinion, formed on the basis of due consideration, such designation will not result in the withdrawal or downgrading by the Rating Agencies of any Associated Debt then outstanding, prior written confirmation from Moody's and Standard & Poor's that such designation will not result in the withdrawal or downgrading by these Rating Agencies of any Associated Debt then outstanding and notification to Fitch Ratings, the Transferor may designate any member of Lloyds Banking Group plc ("**Lloyds Banking Group**") which from time to time originates Accounts or to whom legal and beneficial title to any Accounts has been transferred (an "**Additional Transferor**") from time to time to offer to assign and/or hold on trust all Existing Receivables and Future Receivables arising on such Accounts in accordance with the provisions set out in the RSD. Following such accession, such Additional Transferor will become a Transferor Beneficiary pursuant to the terms of the RTDSA. As at the date of this Base Prospectus, no such Additional Transferor has been designated. At the time when such Additional Transferor accedes to the RSD, information in relation to such Additional Transferor and Receivables originated or acquired by such Additional Transferor will be disclosed to the investors. None of the Dealers (in respect of any notes outstanding at the time when such Additional Transferor accedes to the RSD) will conduct any due diligence in relation to receivables originated or acquired by an Additional Transferor at the time such Additional Transferor accedes to the RSD or thereafter.

"**Material Originator**" means either (i) Lloyds Bank or (ii) any other originator selling and assigning Receivables to the Transferor or to an Additional Transferor and retaining title to designated Accounts representing at least 20 per cent. of the Principal Receivables in the Securitised Portfolio at the date of determination, which is nominated as such to the Receivables Trustee on the date on which such designated Accounts are first offered to the Receivables Trustee.

As at the date of this Base Prospectus, only Lloyds Bank has been designated as a Material Originator in respect of the Transferor.

The Receivables Trustee will hold the Receivables on trust for Bank of Scotland and following the accession of an Additional Transferor, such Additional Transferor (each as a Transferor Beneficiary), and for two special purpose companies incorporated in the United Kingdom, called Penarth Funding 1 Limited and Penarth Funding 2 Limited, each as Investor Beneficiaries.

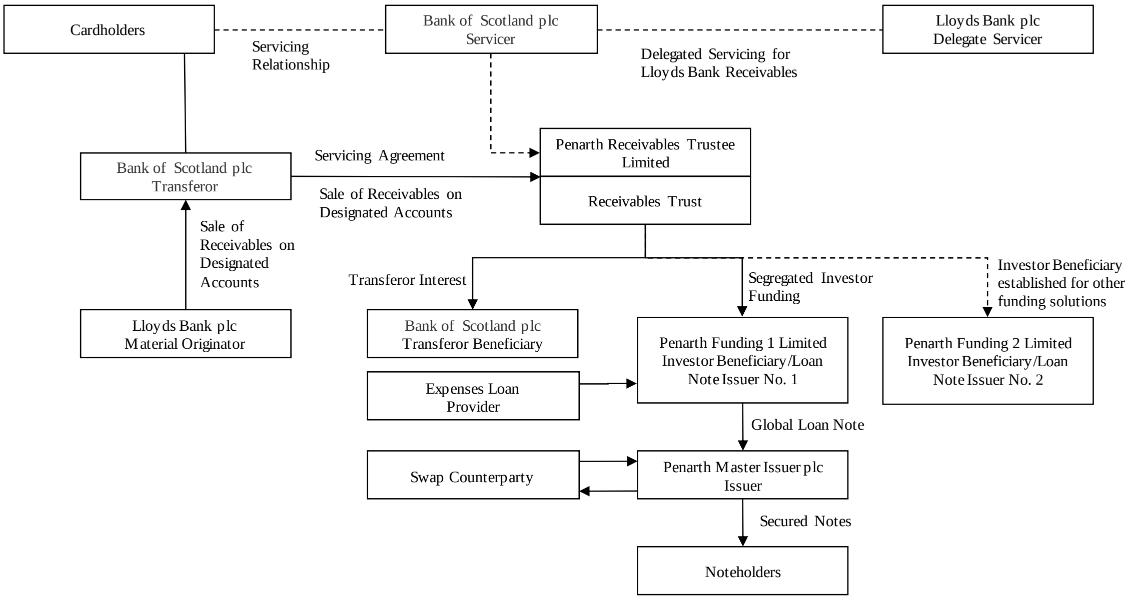
Penarth Funding 1 Limited ("**Loan Note Issuer No. 1**") holds an interest in the Penarth Receivables Trust (and so holds an Investor Interest in the trust property) as a result of its and the Original Loan Note Issuer No.1's Contributions and is funded by the issuance of one or more limited recourse global loan notes. Each global loan note issued has been purchased by the Issuer. It is possible that global loan notes may be issued in the future to another financing vehicle or the Transferor. The amount outstanding under the outstanding global loan notes may be increased from time to time by the creation of additional notional tranches, which will be referred to in this Base Prospectus as "**Loan Notes**", and will be decreased as such notional tranches redeem. The limited recourse nature of the global loan notes and the Loan Notes will ensure that Loan Note Issuer No. 1 is only ever liable to the relevant Loan Note Holder for payments in an amount not to exceed payments of principal and interest received by Loan Note Issuer No. 1 from the Receivables Trustee in respect of its beneficiary interest (see "*The Penarth Receivables Trust*" below).

Where the Issuer is the Loan Note Holder, the Issuer, in turn, will finance its subscription for each Loan Note by issuing notes in separate Note Series from time to time to investors (and, if necessary, after swapping proceeds of the notes in any currency other than Sterling to Sterling). Each separate Note Series will have its own Final Terms or Drawdown Prospectus, setting out the terms of that issuance of notes. The term "**Note Series**" refers to those notes that (i) are issued by the Issuer on a particular issue date and under a particular Final Terms or Drawdown Prospectus, as applicable; (ii) are of the same class; and (iii) share the same terms and conditions.

The proceeds of the issue of a Note Series will be used by the Issuer to subscribe for a new Loan Note or to fund the increase in the amount outstanding under existing Loan Note(s) issued by Loan Note Issuer No. 1 as tranches of Global Loan Note No. 1. Loan Note Issuer No. 1 will use the aggregate proceeds of the Loan Notes (together with an amount drawn under the Expenses Loan Agreement) to fund a Contribution to the trust property in the Penarth Receivables Trust. The portion of the Investor Interest that represents Loan Note Issuer No. 1's beneficial interest in the Penarth Receivables Trust (the "**Funding 1 Beneficial Interest**") will be evidenced by an Investor Certificate (see "*The Issuer*" and "*Loan Note Issuer No. 1*" below). In the future, Loan Note Issuer No. 1 may use the proceeds of further Loan Notes to make further Contributions to the Penarth Receivables Trust which will increase the existing Funding 1 Beneficial Interest. It may also experience defaults on Receivables in the Penarth Receivables Trust, which may reduce the size of the Funding 1 Beneficial Interest.

The Receivables Trustee will annotate the Investor Certificate to show the size of the Funding 1 Beneficial Interest in the Penarth Receivables Trust each time Loan Note Issuer No. 1 increases or reduces the size of its beneficial interest. By owning its beneficial interest in the Penarth Receivables Trust, Loan Note Issuer No. 1 will be entitled to receive payments from the Receivables Trustee in respect of interest, principal and certain other fees paid by cardholders (the "**Obligors**"). The size of Loan Note Issuer No. 1's share of the Collections from Obligors will be in proportion to the size of its beneficial interest in the whole of the Penarth Receivables Trust.

STRUCTURAL DIAGRAM OF THE SECURITISATION PROGRAMME



TRANSACTION OVERVIEW

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

TRANSACTION PARTIES

Party	**Name**	**Address**	**Document under which appointed and further information**
Arranger	Lloyds Bank Corporate Markets plc (the "**Arranger**").	10 Gresham Street, London EC2V 7AE	Not applicable
Lead Manager	Lloyds Bank Corporate Markets plc (the "**Lead Manager**").	10 Gresham Street, London EC2V 7AE	Dealer Agreement
Dealers	Lloyds Bank Corporate Markets plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Note Series in each case in accordance with the terms of the Dealer Agreement (collectively, the "**Dealers**").	With respect to Lloyds Bank Corporate Markets plc, 10 Gresham Street, London EC2V 7AE	Dealer Agreement; please see "*Plan of Distribution*" for further details
Issuer	Penarth Master Issuer plc, a public limited company incorporated under the laws of England and Wales on 10 June 2008 as Victorianway plc, with company number 6615304 (the "**Issuer**").	35 Great St. Helen's, London EC3A 6AP	Not applicable; please see "*The Issuer"* for further details.
Transferor	Bank of Scotland, a public limited company incorporated under the laws of Scotland, with company number SC327000 (the "**Transferor**").	The Mound, Edinburgh EH1 1YZ, United Kingdom	RSD; see "*The Receivables* and "*Bank of Scotland*" for further details.
Receivables Trustee	Penarth Receivables Trustee Limited, a private limited company incorporated under the laws of the United Kingdom on 7 March 2019, with company number 11867448. The shares of the Receivables Trustee are held by the Share Trustee on trust for certain	35 Great St. Helen's, London EC3A 6AP	RTDSA; please see "*The Penarth Cards Receivables Trust*" for further details.

Party	Name	Address	Document under which appointed and further information
	discretionary purposes (see "*The Penarth Receivables Trust*" below).		
Sponsor, Servicer and Cash Manager	Bank of Scotland (the "**Sponsor**", the "**Servicer**" and the "**Cash Manager**").	The Mound, Edinburgh EH1 1YZ, United Kingdom	Bank of Scotland is the initial Servicer of the Penarth Receivables Trust and the initial Cash Manager under the terms of the STDCMA (see "*The Penarth Receivables Trust*", "*The Receivables*", "*Bank of Scotland plc*", "*Credit Card Portfolio*", "*Servicing Of Receivables*", "*The Security Trust Deed and Cash Management Agreement*").
Transferor Beneficiary	Bank of Scotland (the "**Transferor Beneficiary**").	The Mound, Edinburgh EH1 1YZ, United Kingdom	Bank of Scotland is the Transferor Beneficiary under the terms of the Penarth Receivables Trust (see "*The Penarth Receivables Trust*").
Account Bank	Bank of Scotland, acting through its Leeds Branch (the "**Account Bank**").	116 Wellington Street, Leeds LS1 4LT, United Kingdom	Issuer Distribution Account Bank Agreement
Trust Account Bank	Bank of Scotland, acting through its Leeds Branch (the "**Trust Account Bank**").	116 Wellington Street, Leeds LS1 4LT, United Kingdom	Trust Accounts Bank Agreement
Funding 1 Account Bank	Bank of Scotland, acting through its Leeds Branch (the "**Funding 1 Account Bank**").	116 Wellington Street, Leeds LS1 4LT, United Kingdom	Loan Note Issuer No.1 Account Bank Agreement
Loan Note Issuer No. 1	Penarth Funding 1 Limited, a private limited company incorporated under the laws of England and Wales on 7 March 2019, with company number 11867560 (the "**Loan Note Issuer No. 1**"). The shares of Loan Note Issuer No. 1 are held by the LNI Share Trustee on trust for certain discretionary purposes. Loan Note Issuer No. 1 was established to become an Investor	35 Great St. Helen's, London EC3A 6AP	Not applicable; please see "*Loan Note Issuer No. 1*" for further details.

Party	Name	Address	Document under which appointed and further information
	Beneficiary of the Penarth Receivables Trust and to issue Global Loan Note No. 1 (and potentially further global loan notes should alternative sources of funding be sought).		
Loan Note Issuer No. 2	Penarth Funding 2 Limited, a private limited company incorporated under the laws of England and Wales on 7 March 2019, with company number 11867512 ("**Loan Note Issuer No. 2**"). The shares of Loan Note Issuer No. 2 are held by the LNI Share Trustee on trust for certain discretionary purposes. Loan Note Issuer No. 2 was established to become an Investor Beneficiary of the Penarth Receivables Trust and to issue loan notes from time to time in connection with alternative sources of funding. Loan Note Issuer No. 2 will not issue Loan Notes in connection with the Programme.	35 Great St. Helen's, London EC3A 6AP	Not applicable.
Principal Paying Agent, Paying Agent, Agent Bank and Calculation Agent	Deutsche Bank AG, London Branch (the "**Principal Paying Agent**", "**Paying Agent**", "**Agent Bank**" and "**Calculation Agent**").	Winchester House, 1 Great Winchester Street, London EC2N 2DB	Paying Agency Agreement; please see "*The Notes — Overview*" for further details.
Registrar, Exchange Agent and US Paying Agent	Deutsche Bank Trust Company Americas (the "**Registrar**", "**Exchange Agent**" and "**US Paying Agent**").	60 Wall Street 16th Floor, MailStop NYC60-1625, New York, New York 10005, United States of America	Paying Agency Agreement

Party	Name	Address	Document under which appointed and further information
Expenses Loan Provider	Bank of Scotland (the initial "**Expenses Loan Provider**").	The Mound, Edinburgh EH1 1YZ, United Kingdom	Expenses Loan Agreement; please see "*The Loan Notes – The Expenses Loan Agreement*" for further details.
Swap Counterparty	If any Note Series is denominated in a currency other than Sterling, the Issuer will enter into a currency swap transaction or if any Note Series has a fixed rate of interest or a floating rate of interest different from that under the relevant Loan Note, the Issuer may enter into an interest rate swap transaction, in each case pursuant to an ISDA master agreement and related schedules and confirmations (each a "**Swap Agreement**") with Bank of Scotland plc or such other entity as may be specified in a Drawdown Prospectus (the "**Swap Counterparty**"). The relevant Drawdown Prospectus will provide details of any Swap Agreement in respect of a Note Series including the name of the Swap Counterparty.	Not applicable	Swap Agreements; please see "*Description of the Swap Agreements*" for further details.
Note Trustee	Deutsche Bank Trust Company Americas (the "**Note Trustee**").	60 Wall Street 16th Floor, MailStop NYC60-1625, New York, New York 10005, United States of America	Note Trust Deed; please see "*The notes — Overview*", "*Conditions of the Notes*" and "*The Note Trust Deed*" for further details.
Security Trustee	Deutsche Bank Trust Company Americas (the "**Security Trustee**").	60 Wall Street 16th Floor, MailStop NYC60-1625, New York, New York 10005, United States of America	STDCMA; please see "*The Security Trust Deed and Cash Management Agreement*" for further details.

Party	Name	Address	Document under which appointed and further information
Issuer Corporate Services Provider	Intertrust Management Limited, a private limited company incorporated under the laws of England and Wales, with company number 03853947 (the "**Issuer Corporate Services Provider**").	35 Great St. Helen's, London EC3A 6AP	Issuer Corporate Services Agreement; please see "*The Issuer*" for further details.
Loan Note Issuer No. 1 Corporate Services Provider	Intertrust Management Limited, a private limited company incorporated under the laws of England and Wales, with company number 03853947 (the "**Loan Note Issuer No. 1 Corporate Services Provider**").	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement; please see "*Loan Note Issuer No. 1*" for further details.
Receivables Trustee Corporate Services Provider	Intertrust Management Limited, a private limited company incorporated under the laws of England and Wales, with company number 03853947 (the "**Receivables Trustee Corporate Services Provider**").	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement; please see "*The Receivables Trustee*" for further details.
HoldCo	Penarth Asset Securitisation Holdings Limited, a private limited company incorporated under the laws of England and Wales on 13 May 2008 as Elybay Limited, with company number 6590790 ("**Holdco**"). Holdco was established for the purpose of holding the shares of the Issuer. The shares of Holdco are held on trust by the Share Trustee under the terms of a discretionary trust.	35 Great St. Helen's, London EC3A 6AP	Not applicable; please see "*The Issuer*" for further details.
Share Trustee	Intertrust Corporate Services Limited, a company incorporated under the laws of England and Wales.	35 Great St. Helen's, London EC3A 6AP	Not applicable; please see "*The Issuer*" for further details.

Party	**Name**	**Address**	**Document under which appointed and further information**
LNI Share Trustee	Independent Share Trustees Limited, a company incorporated under the laws of England and Wales	35 Great St. Helen's, London EC3A 6AP	Not applicable; please see "*The Loan Note Issuer No.1*" for further details.

THE RECEIVABLES AND SERVICING OF RECEIVABLES

Please refer to the sections entitled "The Receivables" and "Servicing of Receivables" for further detail in respect of the characteristics of the Securitised Portfolio and the sale and servicing arrangements in respect of the Securitised Portfolio.

The Receivables

The Receivables consist of amounts charged by Obligors to certain designated MasterCard®, VISA® and American Express® revolving credit card accounts, which form part of the Transferor's credit card account portfolio (the "**Designated Accounts**").

The Receivables consist of both principal receivables and finance charge receivables. Principal receivables are, generally, amounts charged to the Designated Accounts by Obligors for goods and services and cash advances. Finance charge receivables are the related periodic finance charges and fees charged to the Designated Accounts.

Information regarding the Securitised Portfolio at 28 February 2019 is set out at Appendix D (*Statistical Information*) hereto. The Final Terms or Drawdown Prospectus issued in connection with the issuance of a Note Series may contain information relating to the Securitised Portfolio as at a later date.

Interchange

Under the terms and conditions of the MasterCard®, VISA® and American Express® credit card systems, the Transferor and Lloyds Bank as Material Originator receive fees called "**Interchange**" as partial compensation for, amongst other things, taking credit risk and absorbing fraud losses. Interchange is passed from the banks that clear the transactions for merchants to card issuing banks, such as the Transferor and the Material Originator, and is calculated as a percentage of the value of a credit card transaction for the purchase of goods or services.

Interchange arising on the Designated Accounts has also been assigned to the Receivables Trustee and is treated in the same way as collections of finance charges.

Eligibility Criteria

Only Receivables that meet specified conditions will be added to the Securitised Portfolio. Those conditions, broadly, include:

- that the Receivables be payable in Sterling (or, in the case of Receivables from accounts in other Permitted Additional Jurisdictions, the currency of that jurisdiction);
- that the Receivable does not derive from an account which has been classified by the Transferor as counterfeit, cancelled, fraudulent, lost or stolen;
- that the Receivable is not a Defaulted Receivable; and
- that the relevant Obligor is an individual whose most recent billing address is located in England, Wales, Scotland or a Permitted Additional Jurisdiction.

Sale, assignment and declaration of trust

The Receivables arising on Designated Accounts that are governed by English law will be assigned to the Receivables Trustee pursuant to the RSD and those that are governed by Scots law will be held on trust by the Transferor for the Receivables Trustee pursuant to a Scottish law governed declaration of trust.

Consideration

The consideration payable by the Receivables Trustee for the Receivables and any Acquired Interchange and Acquired Insurance Commissions is an amount equal to the face amount of such Receivables or Acquired Interchange and Acquired Insurance Commissions. In the event that the

Receivables Trustee does not have enough cash available to purchase a Receivable that arises on a Designated Account on any day, such shortfall may be met by an increase of the Transferor Beneficiary's interest in the Penarth Receivables Trust.

Representations and warranties

Each offer of Receivables to the Receivables Trustee will include representations and warranties by the Transferor about the relevant Receivables. The representations and warranties for Receivables in existence at the time of such offer will be given as of the relevant selection date and the representations and warranties for Receivables yet to come into existence will be given as of the date they are processed. Broadly speaking, these representation and warranties will include, in each case, that:

- the Receivable is an Eligible Receivable and has arisen from an Eligible Account;
- each assignment passes good and marketable title for a Receivable to the Receivables Trustee and each Scottish declaration of trust is effective to hold good and marketable title for that Receivable on trust for the Receivables Trustee;
- the relevant assignment or Scottish declaration of trust comply with all applicable laws;
- the Transferor did not use any procedures adverse to the Beneficiaries in selecting the Designated Accounts from the Total Portfolio; and
- the Transferor is the person in whom (a) in relation to Designated Accounts originated by a Material Originator, the entire beneficial interest in such Designated Accounts is held and (b) in relation to all other Designated Accounts, the legal title to such Designated Accounts is held.

If a representation or warranty relating to the eligibility criteria given in connection with any Receivable proves to be incorrect when made, then the Transferor is obliged to repurchase the relevant Receivable and to pay the Receivables Trustee an amount equal to the face value of that Receivable. The Transferor's obligation to pay amounts due as a result of any breach of a representation or warranty can be fulfilled, in whole or in part, by a reduction in the amount of the Transferor Interest but not below zero.

For further details of the eligibility criteria, together with the definitions of Eligible Receivable and Eligible Account, please see "*The Receivables*".

Redesignation and removal of Designated Accounts

Each Designated Account will continue to be a Designated Account until such time as (i) it becomes a Cancelled Account, a Zero Balance Account or a Defaulted Account or (ii) the Transferor reclassifies it as being no longer a Designated Account.

A "**Cancelled Account**" is a former Designated Account which has had its charging privileges permanently withdrawn

A "**Zero Balance Account**" is a Designated Account specified by the Servicer as having had a nil balance of Receivables generated thereon or outstanding thereunder for such period of time that the Servicer has identified such account as a Zero Balance Account pursuant to the Credit Card Guidelines or the Servicer's customary and usual servicing procedures and has removed or will remove such account from the pool index file and the computer master file of Accounts used by the Servicer on such date specified by the Servicer.

A "**Defaulted Account**" is a former Designated Account in respect of which the Servicer has written off the Receivables in such account as uncollectible in accordance with the Credit Card Guidelines or the Servicer's customary and usual servicing procedures for servicing credit card receivables comparable to the Receivables assigned to the Receivables Trustee.

No Principal Receivables arising after a previously Designated Account ceases to be a Designated Account, or Finance Charge Receivables relating to the Principal Receivables of such Designated Account that has ceased to be a Designated Account, will be transferred to the Receivables Trustee but Finance Charge Receivables arising after a previously Designated Account ceases to be a Designated Account and relating to Principal Receivables that were transferred to the Receivables Trustee before such previously Designated Account ceased to be a Designated Account shall continue to be transferred to the Receivables Trustee.

No Receivable which has been assigned to, or is held on trust for, the Receivables Trustee will be reassigned to the Transferor except in limited circumstances following the breach of a representation.

Please see "*The Receivables – Redesignation and removal of accounts*" for further details.

Discount Option Receivables

The Transferor may, by giving prior notice to the Servicer, the Receivables Trustee and the Rating Agencies, nominate a fixed or variable percentage of Principal Receivables arising in the Designated Accounts as the "**Discount Percentage**" or, where a Discount Percentage has been nominated previously, extend the period for which it is to apply. From the date and for the length of time stated in the notice: (i) the amount payable by the Receivables Trustee to accept an offer of Receivables will be reduced by the Discount Percentage and (ii) a percentage of the Principal Receivables equal to the Discount Percentage will be treated by the Receivables Trustee as Finance Charge Receivables.

Notification Events

The Transferor has granted a security power of attorney in favour of the Receivables Trustee, enabling the Receivables Trustee (as attorney of the Transferor) to execute a legal assignment to it of the Transferor's legal title to the Receivables. The Receivables Trustee has agreed that, as regards Receivables that are governed by English law, notices of assignment will not be given to Obligors of the assignment of the benefit of such Receivables and, as regards Receivables that are governed by Scots law, a full assignation followed by notice of assignation will not be required, in each case, unless (a) an Insolvency Event occurs, (b) the Transferor (or the Servicer on behalf of the Transferor) fails to pay any sum due from it to the Receivables Trustee under the RTDSA in respect of the Designated Accounts within five Business Days of the due date thereof or the date of demand, if payable on demand, in the currency and in the manner specified herein, and such failure is not remedied within ten Business Days after the Receivables Trustee has given notice thereof to the Transferor, or (c) the Transferor's long-term senior unsecured indebtedness as rated by any of S&P, Moody's or Fitch were to fall below BBB+, Baa2 or BBB+, respectively.

Accordingly, prior to the execution of such an assignment and the notification thereof to the Obligors, the transfer by the Transferor to the Receivables Trustee of the benefit of the Receivables takes effect in equity only, except in the case of Receivables which are governed by Scots law, in which case the transfer takes effect under a Scottish declaration of trust pursuant to which the beneficial interest in such Receivables is vested in the Receivables

Trustee. This has certain legal consequences as described in the risk factor entitled "*Transfer of benefit of Receivables*" in the section entitled "*Risk Factors*".

Servicing of the Receivables

The Servicer will be appointed pursuant to the RTDSA

to service the Receivables on a daily basis. Among other things, the Servicer's functions include crediting and debiting Obligors' accounts as appropriate.

The appointment of the Servicer may be terminated in accordance with the terms of the RTDSA following the occurrence of a "**Servicer Default**", which includes:

- material non-performance of its obligations;
- material misrepresentations; and
- insolvency events.

The Servicer may resign from its obligations and duties as Servicer if the performance of its obligations and duties is no longer permitted under applicable law and there is no reasonable action that it can take to remedy the situation. The Servicer's resignation will not be effective until a successor Servicer has been properly appointed.

Please see "*Servicing of Receivables*" for further details.

Delegation

The Servicer may delegate some of its servicing function to a third party **provided that** the Servicer remains responsible for the performance of any of its servicing function so delegated. Please see "*Servicing of Receivables – Delegation of Services*" for further details.

OVERVIEW OF 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 and conditions of the Notes.

Ranking

The notes of each Note Series are direct, secured and unconditional obligations of the Issuer which will at all times rank *pari passu* and *pro rata* without preference or priority amongst themselves.

The class B notes will be subordinated to the class A notes. The class C notes will be subordinated to both the class A notes and the class B notes. The class D notes will be subordinated to the class A notes, the class B notes and the class C notes.

Relationship between a particular Note Series and the corresponding Loan Note

The Issuer will, in accordance with the relevant priority of payments, pay interest on and repay the principal of each Note Series from the proceeds of interest payments and principal repayments made by Loan Note Issuer No. 1 in respect of the corresponding Loan Note.

Issuer Security

As security for the payment of all monies payable in respect of a Note Series, the Issuer will, pursuant to the Note Trust Deed and the Note Trust Deed Supplement executed in relation to that Note Series, create a first fixed Security Interest over, amongst other things, its rights to receive payments under the corresponding Loan Note (see "*Terms and Conditions of the Notes*", "*The Loan Notes*" and "*The Note Trust Deed*" below).

The Note Trustee will be the registered holder of each Loan Note so long as such registration is desirable or required to properly create the first fixed Security Interest in respect of each Loan Note (in accordance with the laws of England and Wales) which are assets of the Issuer backing the relevant Note Series (see "*— Global Loan Note No. 1 — Overview*" below).

Loan Note Issuer No. 1 Security

To secure its obligations to the Issuer and certain other secured creditors, Loan Note Issuer No. 1 will enter into the STDCMA, pursuant to which it will create security in favour of the Security Trustee for itself and on trust for the secured creditors under the STDCMA. On each Issue Date, Loan Note Issuer No. 1 will enter into a Supplement to the Global Loan Note with, among others, the Security Trustee, which will result in an increase in the value of the Global Loan Note.

Interest provisions

Please refer to the Final Terms or Drawdown Prospectus for the relevant Note Series for the applicable interest provisions.

Interest Deferral

To the extent that interest payments received by it under the corresponding Loan Note are insufficient for the Issuer to make a payment of interest on a note on any Interest Payment Date, payment of the interest shortfall will be deferred until the Interest Payment Date occurring thereafter on which funds are available to the Issuer to make such payment. Such deferred interest will accrue interest ("**Additional Interest**") at the then current Rate of Interest (or, in the case of a fixed rate note, the Initial Rate (during the Initial Period) or the Redemption Rate (during the Redemption Period)) and payment of any Additional Interest will also be deferred until the Interest Payment Date thereafter on which funds are available to the Issuer to pay such Additional Interest.

Deferral of interest on any class of notes is not an Event of Default.

Gross-up

Neither the Issuer nor any Paying Agent will be obliged to gross-up if there is any withholding or deduction in respect of the notes on account of taxes.

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

- the notes will be redeemed on their Scheduled Redemption Date specified in the relevant Final Terms or Drawdown Prospectus (as applicable) to the extent that principal repayments are made under the corresponding Loan Note on such date, as fully set out in Condition 7 (*Redemption and Purchase*);

- if an Amortisation Period commences on or prior to the relevant Scheduled Redemption Date, the notes will be redeemed on each subsequent Interest Payment Date to the extent principal payments are made under the corresponding Loan Note until the notes are redeemed in full or until the Final Redemption Date, as fully set out in Condition 7 (*Redemption and purchase*);

- the notes will be redeemed in full on their Final Redemption Date specified in the relevant Final Terms or Drawdown Prospectus (as applicable), as fully set out in Condition 7 (*Redemption and Purchase*); and

- on any Interest Payment Date falling on or after the Call Date specified in the relevant Final Terms or Drawdown Prospectus (as applicable), the Issuer may redeem all (but not some only) of the notes of a Note Series upon giving not more than 60 and not less than 30 days' prior written notice to the Noteholders.

Any note redeemed pursuant to the above redemption provisions will be redeemed at 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.

Mandatory Transfer of Notes If specified in the relevant Final Terms or Drawdown Prospectus, as applicable, the Mandatory Purchaser will be obliged to purchase such notes on the Mandatory Transfer Date if the relevant notes have not been redeemed in full prior to the applicable Mandatory Transfer Date. Limitations on the relevant Mandatory Purchaser's ability to purchase the relevant notes are set out in "*Risks relating to the Rule 2a-7 suitability of the relevant Notes*" and "*Inability of the Issuer to procure payment of the Mandatory Transfer Price may affect timely payment on the Notes*" in the section entitled "*Risk Factors*" below.

Swap Agreement The notes to be issued by the Issuer from time to time may be denominated in different currencies and have a fixed or floating Rate of Interest (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable in relation to a Note Series). The Issuer may, in relation to certain classes and sub-classes of notes, enter into a Swap Agreement with a Swap Counterparty. Each Final Terms or Drawdown Prospectus (as applicable) will provide details of any Swap Agreement in respect of a particular class or sub-class of notes including details of the Swap Counterparty.

Events of Default As fully set out in Condition 10 (*Events of Default*), which broadly includes (where relevant, subject to the applicable grace period):

- non-payment of interest or principal on any note of the relevant Note Series (except for non-payment of any amount of Deferred Interest in accordance with the Conditions);

- material breach of contractual obligations by the Issuer under or in respect of the relevant Note Series, the Note Trust Deed (other than, in such case, any obligation for the payment of any principal or interest on the notes) or the Paying Agency Agreement;

- a judgment is made against the Issuer and continues unsatisfied;
- enforcement action is taken against the assets of the Issuer;
- the occurrence of an insolvency event in relation to the Issuer;
- an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer;
- failure by the Issuer to take any action to perform and comply with its obligations under the Related Documents;
- it becomes unlawful for the Issuer to perform or comply with its obligations under or in respect of the notes of a Note Series; and
- the government intervention specified in paragraph (j) (*Government intervention*) of Condition 10 (*Events of Default*) occurs.

Enforcement Following the occurrence of an Event of Default, the Note Trustee may, at its discretion, and, if so required by holders of at least one-quarter of the Principal Amount Outstanding of the relevant Note Series for the time being outstanding or if so directed by an Extraordinary Resolution of the Noteholders of the relevant Note Series for the time being outstanding (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction), shall be bound to give written notice to the Issuer to accelerate the notes and render the Security enforceable.

Limited Recourse If at any time following: (i) the Final Redemption Date or any earlier date upon which a Note Series is due and payable, (ii) the date on which the Issuer has received all sums due to it in respect of such Note Series and (iii) the application in full of any amounts available to pay amounts due and payable under a Note Series and in respect of any other secured obligations in accordance with the relevant priority of payments, there remains any amount then due and payable under such Note Series then such amount shall, on the day following the application in full of the amounts referred to in (iii), cease to be due and payable by the Issuer.

Non-petition No Noteholder or other secured creditor of the Issuer may institute insolvency proceedings against the Issuer.

Certain ERISA and Related Considerations Except as otherwise provided in an applicable Drawdown Prospectus, the US Offered Notes will be eligible for purchase by employee benefit and other plans subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or Section 4975 of the US Internal Revenue Code of 1986, as amended (the "**Code**"), and by certain governmental, church, non-US and benefit plans that are not subject to Title I of ERISA or Section 4975 of the Code but are subject to any US federal, state, local, non-US or other law or regulation that contains one or more provisions that are substantially similar to Title I of ERISA or Section 4975 of the Code, subject to consideration of the issues described in this Base Prospectus under "*Certain ERISA and Related Considerations*." Each purchaser of any such notes (and all subsequent transferees thereof) will be deemed to have made certain representations and warranties explained in "*Certain ERISA and Related Considerations*" as to its status under ERISA and the Code and the purchase, holding and disposition of such notes. In addition, as explained in that section any fiduciary of a plan subject to the fiduciary responsibility provisions of Title I of ERISA or similar provisions of any U.S. federal, state, local, non-US or other law or regulation should consult with their counsel to determine whether an investment in the notes satisfies the prudence, investment diversification and other applicable requirements of those provisions.

Clearing Systems Euroclear, Clearstream, DTC and/or, in relation to any Note Series, any other clearing system as may be specified in the relevant Final Terms or Drawdown Prospectus, as applicable (each a "**Clearing System**"). Alternatively, if specified in

	the relevant Final Terms or Drawdown Prospectus, as applicable, any Note Series may be offered in definitive certificated fully registered form, which will not be cleared through any Clearing Systems.
Governing law	The notes and all non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Payments	The Noteholders will be entitled to payment of interest on Interest Payment Dates and to payment of principal upon final redemption in respect of each note, upon presentation and surrender of the note certificate representing such note. If payment of principal is improperly withheld or refused, the Noteholders will be entitled to receive the interest which continues to accrue in respect of such note in accordance with Condition 6 (*Interest*).
Taxation	The Noteholders will be entitled to receive all payments in respect of the notes free and clear of, and without withholding or deduction for or on account of, any and all present and future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Neither the Issuer nor any Paying Agent will be obliged to gross up any payment if it is subject to an obligation to make any withholding or deduction in respect of tax from the payment.
Currency Indemnity	If any sum due from the Issuer in respect of the notes or any order or judgment given or made in relation thereto has to be converted into another currency for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such conversion and (ii) the rate or rates of exchange at which such Noteholder may, in the ordinary course of business, obtain.
Noteholder meetings	Noteholders are entitled to participate in a Noteholders' meeting convened by the Issuer or Note Trustee to consider any matter affecting their interests.

Notice Periods and Location

Initial Meeting:	at least 21 days and not more than 180 days (exclusive of the day on which notice is given and the day of the meeting)
Adjourned Meeting:	not less than 10 days and not more than 180 days (exclusive of the day on which notice is given and the day of the adjourned meeting)
Location	United Kingdom

Quorums for Extraordinary Resolutions

Initial Meeting:	two or more Persons holding a clear majority of the aggregate Principal Amount Outstanding of the outstanding notes of the relevant class or series of notes (for matters other than those relating to a Basic Terms Modification) and two or more Persons holding at least 75% of the aggregate Principal Amount Outstanding of the outstanding notes of the relevant class or series of notes (for matters relating to a Basic Terms Modification)
Adjourned Meeting:	two or more Persons holding or representing notes of the relevant Note Series whatever the Principal Amount Outstanding of the outstanding notes of the relevant class or series of notes so held or represented for the time being

outstanding (for matters other than those relating to a Basic Terms Modification) and two or more Persons holding not less than 25% of the aggregate Principal Amount Outstanding of the outstanding notes of the relevant class or series of notes (for matters relating to a Basic Terms Modification)

Required Majorities

Extraordinary Resolution: 75 per cent. of votes cast

Written Resolution: 100 per cent. of the aggregate Principal Amount Outstanding for the time being outstanding. A Written Resolution takes effect as an Extraordinary Resolution.

Matters Requiring an Extraordinary Resolution

Broadly speaking, the following matters require an Extraordinary Resolution:

- Basic Terms Modifications;
- delivery of an Enforcement Notice; and
- modification of any provision of the Conditions or the Note Trust Deed or any Note Trust Deed Supplement or the Related Documents in a manner which is either (i) materially prejudicial (in the opinion of the Note Trustee) to the interests of the Most Senior Class of the relevant Noteholders or (ii) not of a formal, minor or technical nature or made to correct a manifest error.

"**Most Senior Class of Notes**" means the Class A notes for so long as there are any Class A notes outstanding, thereafter the Class B notes for so long as there are any Class B notes outstanding, thereafter the Class C notes for so long as there are any Class C notes outstanding, thereafter the Class D notes for so long as there are any Class D notes outstanding.

Right of modification without Noteholder consent

Subject to satisfying the conditions set out in Condition 14(c) (*Additional right of Modification*) and (d) (*Conditions to additional right of Modification*), the Note Trustee shall be obliged, without any consent of any Noteholders or any other secured creditors, to concur with the Issuer in making any modification (other than a Basic Terms Modification, but subject to Condition 14(f) (*Basic Terms Modification*)) to any Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

- for the purposes of changing the Screen Rate or the base rate on the applicable notes issued on or after 12 March 2018 (the "**Base Rate Modification Reference Date**") from the Screen Rate or the base rate that then applies to such notes to an Alternative Base Rate (and such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer or the Cash Manager on its behalf to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to the Screen Rate or the relevant base rate that applies to the notes at such time;
- changing the base rate that then applies in respect of the Swap Agreement solely as a consequence of, and solely for the purpose of aligning such base rate with, the base rate of the notes following a Base Rate Modification; and

- for the purposes of complying with any obligation which applies under the Securitisation Regulation, including, without limitation, to maintain STS status.

The Note Trustee is only obliged to concur with the Issuer in making any of the modifications permitted by Condition 14(c) (*Additional Right of Modification*) if, *inter alia*:

- the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Note Series which would be affected by the proposed modification (together the "**Affected Note Series**") of the proposed modification in accordance with Condition 16 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the notes, in each case specifying the date and time by which Noteholders must respond; and

- Noteholders representing at least 10 per cent. of the aggregate Outstanding Principal Amount of the Most Senior Class of Notes then outstanding across the Affected Note Series have not contacted the Issuer via the Principal Paying Agent in accordance with the notice and the then current practice of any applicable clearing system through which such notes may be held by the time specified in such notice that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Outstanding Principal Amount of the most senior class of the Affected Note Series then outstanding have notified the Issuer via the Principal Paying Agent in accordance with the notice and the then current practice of any applicable clearing system through which such notes may be held by the time specified in such notice that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior class of the Affected Note Series then outstanding is passed in favour of such modification in accordance with Condition 14 (*Meetings of Noteholders; Modification and Waiver*).

Relationship between classes of Noteholders

Subject to the provisions in respect of a Basic Terms Modification, an Extraordinary Resolution of Noteholders of the Most Senior Class of Notes shall be binding on all other classes and would override any resolutions to the contrary of the classes ranking behind such class.

A Basic Terms Modification requires an Extraordinary Resolution of all classes of notes then outstanding.

Communication with Noteholders

Any notice to be given by the Issuer or Note Trustee to Noteholders shall be given in the following manner:

- published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, so long as the notes are held in the Clearing Systems, delivered to the relevant Clearing System for communication by them to Noteholders; or

- so long as the notes are listed on the London Stock Exchange or an equivalent recognised stock exchange, is delivered in accordance with the notice requirements of the London Stock Exchange or such equivalent recognised stock exchange.

Following an Event of Default

So long as no Event of Default has occurred, the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Note 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.

However, following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25% of the Principal Amount Outstanding of the relevant Note Series for the time being outstanding or by an Extraordinary Resolution of the Noteholders of the relevant Note Series for the time being outstanding, direct the Note Trustee to deliver an Enforcement Notice declaring all of the notes of the relevant Note Series to be immediately due and payable, **provided that**, in each case, the Note Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Enforcement

At any time after the notes become due and repayable, Noteholders may, if they hold at least 25% of the aggregate Principal Amount Outstanding of the relevant Note Series then outstanding or by an Extraordinary Resolution of the holders of the relevant Note Series then outstanding, direct the Note Trustee to institute such proceedings as it thinks fit to enforce payment of the relevant Note Series (including the right to repayment of the relevant Note Series together with accrued interest thereon), provided in each case that the Note Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder may institute any proceedings against the Issuer to enforce its rights under or in respect of the notes or the Note Trust Deed unless (i) the Note Trustee has become bound to institute proceedings and has failed to do so within a reasonable time and (ii) such failure is continuing.

Relationship between Noteholders and other Secured Creditors

So long as any notes are outstanding and there is a conflict between the interests of the Noteholders and the other secured creditors, the Note Trustee will only take into account the interests of the Noteholders in the exercise of its discretion.

Provision of information to the Noteholders

Please see "*General Information – Further Information available to noteholders*" on page 289 in relation to the investor reporting to be provided by the Issuer and certain other information distributions to be provided under the Securitisation Regulation (including in relation to STS Securitisations).

THE PENARTH RECEIVABLES TRUST AND THE LOAN NOTES

Please refer to the sections entitled "The Penarth Receivables Trust", "The Loan Notes" and "Sources of Funds to pay the Loan Notes" for further detail in respect of the credit structure and cashflows of the transaction.

Receivables Trust The Receivables Trustee has been established to acquire credit card Receivables from the Transferor and to hold those Receivables and the related Collections on trust for the Transferor Beneficiary and each Investor Beneficiary under the terms of the Penarth Receivables Trust set out in the RTDSA, and to make payments to the Transferor Beneficiary and to each Investor Beneficiary in accordance with the terms of the RTDSA as supplemented from time to time. The Receivables Trustee may not engage in any unrelated activities.

The Penarth Receivables Trust was established on 16 October 2008 under the terms of a declaration of trust by the Original Receivables Trustee (and was novated to the Receivables Trustee on the Novation Date) under which Bank of Scotland (the "**Transferor Beneficiary**"), Penarth Funding 1 Limited, a private limited company incorporated under the laws of Jersey with company number 101459, and having its registered office at 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands (the "**Original Loan Note Issuer No. 1**") and Penarth Funding 2 Limited, a private limited company incorporated under the laws of Jersey with company number 101460, and having its registered office at 44 Esplanade, St. Helier, Jersey JE4 9WG, Channel Islands (the "**Original Loan Note Issuer No. 2**") (each an "**Original Investor Beneficiary**") each received an undivided interest in the trust property equal to the proportion of their Contributions to the Penarth Receivables Trust. The receivables trust deed and servicing agreement dated 16 October 2008 (as amended and restated from time to time) (the "**RTDSA**") will be supplemented by supplements for each series of investor certificates issued from time to time by the Receivables Trustee. The first such supplement designated the "**De-Linked Supplement**" documents the increase in the beneficial entitlement of the Original Loan Note Issuer No. 1 constituting the de-linked Trust Series (the "**De-Linked Trust Series**"). In addition, pursuant to the novation, amendment and restatement deed in respect of the RTDSA dated the Novation Date, the Original Investor Beneficiaries novated their positions and interests in the Penarth Receivables Trust to Loan Note Issuer No. 1 and Loan Note Issuer No. 2 (each an "**Investor Beneficiary**"). Please see the "*Penarth Receivables Trust — Contribution to Trust Property*" for further details.

Investor Interest If an Investor Beneficiary is to become a member of more than one Trust Series, it shall do so by, from time to time, making a further Contribution to the Penarth Receivables Trust and entering into a new Supplement in respect of a new or existing Trust Series, which will have the effect of increasing its Investor Interest. On presentation of such Investor Beneficiary's existing Investor Certificate, the Receivables Trustee will annotate such Investor Certificate to evidence such Investor Beneficiary's increased Investor Interest in the Penarth Receivables Trust (the "**Aggregate Investor Interest**").

Loan Note Issuer No. 1 will make payments of principal and interest on each Loan Note using distributions made to it by the Receivables Trustee with respect to that part of the Aggregate Investor Interest that is referable to the relevant Trust Series.

Adjusted Transferor Interest That part of the Penarth Receivables Trust which is not held on trust for Loan Note Issuer No. 1 is held on trust for the Transferor Beneficiary. The beneficial entitlement of the Transferor Beneficiary is determined by reference to the Adjusted Transferor Interest.

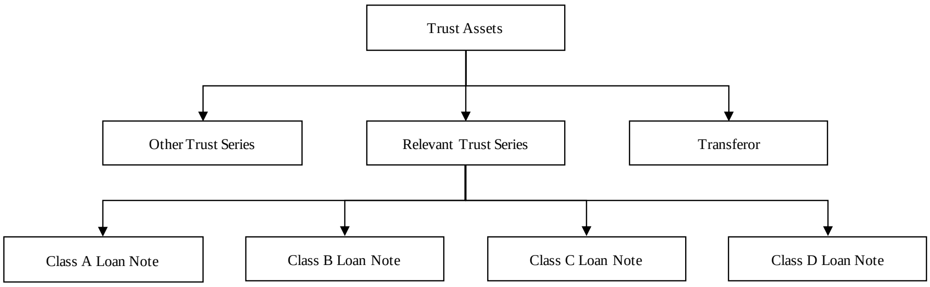
Allocation of Collections The Cash Manager will allocate each of the Transferor Finance Charge Amount, the Transferor Acquired Interchange Amount, the Investor Finance Charge Amount, Investor Acquired Interchange Amount and Investor Acquired Insurance Commission Amount components of the Collections between Loan Note Issuer No. 1, as the Investor

Beneficiary, and the Transferor, as the Transferor Beneficiary, in accordance with the provisions of the RTDSA and the RSD.

The Cash Manager will allocate Collections that are allocated to Loan Note Issuer No. 1 between different Trust Series on the basis of the Trust Series Investor Interest for that Trust Series.

The allocations described above will be made on the basis of varying percentages that are described in more detail below.

The allocation of Collections is summarised in the diagram below:



Collections related to finance charges (together with Interchange, "**Finance Charge Collections**") are treated separately from collections related to principal ("**Principal Collections**").

Allocation of Finance Charge Collections

Finance Charge Collections are allocated to each Trust Series in an amount calculated by reference to the investor percentage applicable to such Trust Series on a *pari passu* and *pro rata* basis with Finance Charge Collections allocated to other Trust Series and to the Transferor Beneficiary. Loan Note Issuer No. 1, as an Investor Beneficiary in respect of the Loan Note Issuer No. 1 Beneficial Interest will be entitled to the Floating Investor Percentage of all Finance Charge Collections and will pay interest on Loan Notes from, *inter alia*, such Finance Charge Collections.

On a daily basis and in respect of each Investor Beneficiary, the Receivables Trustee will transfer an amount equal to the Investor Finance Charge Amount from the Trustee Collection Account to the relevant sub-ledger in the Finance Charge Collections Ledger and such Finance Charge Collections will comprise part of the LNI Available Funds utilised by Loan Note Issuer No. 1 on each Transfer Date.

In addition, on each Transfer Date and in respect of each Investor Beneficiary, the Receivables Trustee will transfer an amount equal to the Investor Acquired Interchange Amount and the Investor Acquired Insurance Commission Amount from the Trustee Collection Account to the relevant sub-ledger in the Finance Charge Collections Ledger.

Allocation of Acquired Interchange and Acquired Insurance Commission

If specified by a Supplement, the Investor Beneficiary in respect of the relevant beneficial interest in the Penarth Receivables Trust will be entitled to a portion of Acquired Interchange and Acquired Insurance Commission. In all cases the Transferor Beneficiary will also be entitled to a portion of Acquired Interchange and Acquired Insurance Commission. In respect of the De-Linked Trust Series, Loan Note Issuer No. 1, as the Investor Beneficiary, will be entitled to the portion of Investor Acquired Interchange Amount and Investor Acquired Insurance Commission Amount as further described in "*Sources of Funds to Pay the Loan Notes*".

Principal Allocation Periods

During the Revolving Period for a Loan Note, Loan Note Issuer No. 1 will not accumulate any amount representing principal in respect of that Loan Note and no payments of principal will be made to the holder of that Loan Note; however, the provisions of any Supplement to a Global Loan Note may require amounts of principal to be retained in the Principal Collections Ledger as Retained Principal Collections, which may subsequently be used to fund interest payments in respect of the relevant

Loan Note, any senior costs shortfall, any class A monthly shortfall, any class B monthly shortfall, any Servicer payment shortfall, any monthly expenses loan shortfall or any class C monthly shortfall.

"**class A monthly shortfall**" means the amount, if any, by which the amount that is available to be transferred on a Transfer Date pursuant to the STDCMA is less than the aggregate Class A monthly distribution amount.

"**class B monthly shortfall**" means the amount, if any, by which the amount that is available to be transferred on a Transfer Date pursuant to the STDCMA is less than the aggregate Class B monthly distribution amount.

"**class C monthly shortfall**" means the amount, if any, by which the amount that is available to be transferred on a Transfer Date pursuant to the STDCMA is less than the aggregate Class C monthly distribution amount.

In general, during the Revolving Period, principal that would otherwise have been allocated to a Trust Series will be used by the Receivables Trustee to purchase further Receivables or shared with other Trust Series. The Revolving Period for each Loan Note is the period from the relevant closing date to the start of an Accumulation Period (which, for the avoidance of doubt, includes a period during which the Targeted Pre-Funding Amount is greater than zero) or Amortisation Period.

Accumulation Period

During the Accumulation Period, Loan Note Issuer No. 1 will on each Transfer Date accumulate in the Principal Funding Account Ledger for a Loan Note principal amounts received by it equal to the Controlled Deposit Amount, with the intention of accumulating enough principal for Loan Note Issuer No. 1 to be able to re-pay the Outstanding Principal Amount in respect of such Loan Note to the Issuer on the Scheduled Redemption Date. No payments of principal will be made to the Issuer during an Accumulation Period.

The amount that can be deposited in the Principal Funding Account in any monthly period is capped at the Controlled Deposit Amount. Any excess Principal Collections above this cap will be used by the Receivables Trustee to purchase further Receivables or shared with other Trust Series. The Accumulation Period is scheduled to begin on a certain date in advance of the Scheduled Redemption Date for the relevant Loan Note but, in certain circumstances, the commencement of the Accumulation Period can be delayed by the Cash Manager. The Accumulation Period will be no shorter than one month. The Accumulation Period ends on the first to occur of (a) the commencement of an Amortisation Period for the relevant Note Series, (b) the day the Outstanding Principal Amount of the relevant Related Loan Note is reduced to zero and (c) the date specified in the relevant Drawdown Prospectus or Final Terms, as applicable.

Rapid Amortisation Period

Following certain specified events (described in "*Rating and Non-Rating Triggers – Non-Rating Triggers*" below), the "**Rapid Amortisation Period**" will commence. During the Rapid Amortisation Period, the Cash Manager will allocate any Principal Collections for a Loan Note that are available for repayment of principal in respect of such Loan Note to redeem such Loan Note. The amount of Principal Collections that can be paid to Loan Note Issuer No. 1 on each Transfer Date during the Rapid Amortisation Period is not capped.

The Rapid Amortisation Period will end on the earlier to occur of (a) the day on which the Outstanding Principal Amount of the relevant Related Loan Note is reduced to zero, (b) the date on which the relevant Loan Note is redeemed in full and (c) the date of the dissolution of the Penarth Receivables Trust.

Accelerated Amortisation Period

If specified in the relevant Final Terms or Drawdown Prospectus, an "**Accelerated Amortisation Period**" may apply. The Accelerated Amortisation Period shall commence at the close of business on the last day of the Monthly Period in which the Transferor Beneficiary and the Investor Beneficiaries deliver a notice to the

Receivables Trustee, in accordance with the applicable Loan Note Supplement, to the effect that they intend to commence an accelerated amortisation period.

The Accelerated Amortisation Period shall end on the earlier of (a) the Rapid Amortisation Period, (b) the Scheduled Redemption Date or (c) the date on which the relevant Loan Note is redeemed in full.

Optional Amortisation Period

If specified in the relevant Final Terms or Drawdown Prospectus, an "**Optional Amortisation Period**" may apply. The Optional Amortisation Period shall begin at the close of business on the date on which notification is given by the Transferor Beneficiary and the Investor Beneficiaries to the Receivables Trustee, in accordance with the applicable Loan Note Supplement, of an optional amortisation in whole or in part of the relevant Loan Note. Such optional amortisation shall be in a minimum amount of £10,000,000 and an integral multiple of £1,000,000 and shall utilise amounts standing to the credit of the Principal Collections Ledger for the relevant series on the date that such optional amortisation is to be made.

The Optional Amortisation Period will end on the date specified in such notification for the completion of such amortisation, which, for the avoidance of doubt will be an Interest Payment Date.

Partial Amortisation Period

If specified in the relevant Final Terms or Drawdown Prospectus, a "**Partial Amortisation Period**" may apply. The Partial Amortisation Period shall begin at the close of business on the Distribution Date as notified by the Transferor Beneficiary and the Investor Beneficiaries to the Receivables Trustee specifying the commencement of a partial amortisation from time to time, in accordance with the applicable Loan Note Supplement. Such partial amortisation shall be in a minimum amount of £10,000,000 and an integral multiple of £1,000,000 and shall utilise amounts to make distributions standing to the credit of the Principal Collections Ledger for the relevant series on each Distribution Date during the Partial Amortisation Period subject to the provisions of the STDCMA.

The Partial Amortisation Period shall end on the earlier of (a) the Distribution Date on which the applicable amount to be amortised shall have been paid in full and (b) the commencement of the Rapid Amortisation Period.

Regulated Amortisation Period

Where specified in any Final Terms or Drawdown Prospectuses prior to the date of this Base Prospectus, the concept of a "Regulated Amortisation Period" will continue to apply to any Note Series issued prior to the date of this Base Prospectus as set out in the relevant base prospectus applicable to that Note Series.

Allocation of Principal Collections

Principal Collections are allocated in amounts determined by reference to the Principal Investor Percentage, which takes into account whether a Note Series and its Related Loan Note is in a Revolving Period, Accumulation Period or Amortisation Period.

Broadly speaking, the Principal Investor Percentage for a Loan Note in an Accumulation Period or an Amortisation Period is determined by reference to the Nominal Liquidation Amount for such Loan Note as of the close of business on the day prior to commencement of such Accumulation Period or Amortisation Period. In contrast, the Principal Investor Percentage for a Loan Note in a Revolving Period is determined by reference to the Nominal Liquidation Amount as of the close of business on the last day of the immediately preceding Monthly Period, taking into account changes in the Principal Amount Outstanding under such Loan Note and any reduction in the pre-funding amount for such Loan Note during such Monthly Period.

Shared Principal Collections

Each Trust Series is expected to be in "**Group One**", which means that it shares with other Trust Series in Group One any excess Principal Collections that it is not required to accumulate or pay down in a specified period. Such reallocation does not result in a reduction of the Investor Interest in the Trust Series that donated the excess Principal Collections.

Defaulted Receivables

If the Servicer determines that the Receivables in a Designated Account are uncollectible, the principal balance of such Defaulted Account will be allocated, on an aggregate monthly basis, to each Trust Series by reference to the Net Floating Investor Percentage. All Principal Receivables which come into existence under a Designated Account prior to such date of determination will be paid for by the Receivables Trustee in accordance with the RSD. All Future Receivables which come into existence under such Defaulted Account after such date of determination which are Principal Receivables or Finance Charge Receivables in respect of Receivables which were not in existence prior to such date of determination will not be assigned to or held on trust for the Receivables Trustee. All Future Receivables which are Finance Charge Receivables in respect of Receivables which were in existence prior to such date of determination, and which Future Receivables came into existence on or following such date of determination, will continue to be assigned to or held on trust for the Receivables Trustee.

The amounts allocated to each Trust Series comprise, *inter alia*, the Investor Default Amount.

On each Transfer Date, if the aggregate Investor Default Amount exceeds the amount of LNI Available Principal Amounts available to cover such aggregate Investor Default Amount, the amount of such Investor Charge-Off will reduce the Loan Note Issuer No. 1 Beneficial Interest in accordance with such shortfall.

Summary of allocation percentages

	Revolving Period	**Accumulation Period**	**Amortisation Period**
Finance Charge Collections	Floating Investor Percentage	Floating Investor Percentage	Floating Investor Percentage
Interchange	Net Floating Investor Percentage	Net Floating Investor Percentage	Net Floating Investor Percentage
Principal Collections...	Principal Investor Percentage	Principal Investor Percentage	Principal Investor Percentage
Defaulted Accounts.....	Net Floating Investor Percentage	Net Floating Investor Percentage	Net Floating Investor Percentage

Application of LNI Available Funds by Loan Note Issuer No. 1

Loan Note Issuer No. 1 will apply Collections allocated to each Note Series in making payments of interest and principal on the relevant Related Loan Note.

On each Transfer Date, the Cash Manager (acting on the instructions of Loan Note Issuer No.1) will apply and transfer LNI Available Funds credited to the Funding 1 Finance Charge Collections Ledger on such Transfer Date, in the following order of priority (such order of priority being the same both prior to and after the enforcement of security):

(i) Senior Costs Items;

(ii) the aggregate class A monthly distribution amount for such Transfer Date, to be paid to the holder(s) of class A Loan Notes;

(iii) the aggregate class B monthly distribution amount for such Transfer Date to be paid to the holder(s) of class B Loan Notes;

(iv) the aggregate class C monthly distribution amount for such Transfer Date which shall be paid to the holder(s) of class C Loan Notes;

(v) the aggregate class D monthly distribution amount for such Transfer Date which shall be paid to the holder(s) of class D Loan Notes, if any;

(vi) Servicer Payment Items;

(vii) an amount equal to the aggregate Investor Default Amount, if any, for the preceding Monthly Period, which shall be paid to the Loan Note Issuer No. 1

principal ledger to form part of LNI Available Principal Amounts for such Transfer Date;

(viii) an amount equal to the Monthly Expenses Loan Amount, if any, for such Transfer Date, which shall be paid to the Expenses Loan Provider on the immediately following Distribution Date in accordance with the terms of the Expenses Loan Agreement;

(ix) an amount equal to the aggregate of (i) the aggregate amount of Investor Charge-Offs and (ii) the aggregate amount of any reductions to the Nominal Liquidation Amount of any Loan Note due to payments of Utilised Required Retained Principal Collections, in each case which have not been previously reinstated, to be paid to the Loan Note Issuer No. 1 principal ledger to form part of LNI Available Principal Amounts for such Transfer Date;

(x) an amount equal to the aggregate amount targeted on such Transfer Date to be transferred to the Accumulation Reserve Account and credited to the relevant Accumulation Reserve Account Ledgers;

(xi) in priority, (i) *first*, on each Transfer Date an amount equal to the aggregate amount targeted to be transferred to the Series Cash Reserve Account to be credited to the relevant Series Cash Reserve Account Ledgers **provided that** in the event of any shortfall, amounts will be credited in priority to the Series Cash Reserve Account Ledgers of a more Senior Loan Note Class prior to being credited to the Series Cash Reserve Account Ledgers of a more Subordinated Loan Note Class, (ii) *second*, on each Transfer Date occurring in the Monthly Period following the date on which the Targeted Pre-Funding Amount is equal to the aggregate Adjusted Outstanding Principal Amount of the class A Loan Notes and each class of Subordinated Loan Notes outstanding other than the most subordinated class of Subordinated Loan Notes outstanding and on each Transfer Date thereafter until such time as the pre-funding amount is reduced by more than the Pre-Funding Additional Amount (otherwise than solely by reason of any pre-funding amount being withdrawn from the Principal Funding Account on a Transfer Date), an amount equal to the Pre-Funding Additional Amount less any amounts paid on previous Transfer Dates in respect of the Pre-Funding Additional Amount since the last pre-funding amount was last reduced by more than the Pre-Funding Additional Amount (otherwise than solely by reason of any pre-funding amount being withdrawn from the Principal Funding Account on a Transfer Date) to be transferred to the Loan Note Issuer No. 1 principal ledger to be treated as LNI Available Principal Amounts and (iii) *third*, an amount up to the excess, if any, of the Required Programme Reserve Account Amount over the amount on deposit in the Programme Reserve Account will be deposited into the Programme Reserve Account;

(xii) an amount (if any) equal to the aggregate of any Approved Conduit Payment to be paid to the affected conduit on the immediately following Distribution Date;

(xiii) Junior Costs Items;

(xiv) the Shared Excess Available Funds for such Transfer Date, to the extent required; and

(xv) an amount equal to the balance, if any, will be available to Loan Note Issuer No. 1 to be paid as further interest in respect of a global loan note with an entitlement to further interest or to the Receivables Trustee as excess LNI Available Funds.

An amount equal to the deferred subscription price, if any, received by Loan Note Issuer No. 1 from the Issuer in respect of a particular Loan Note shall be paid to the

Receivables Trustee as additional consideration for the grant of Loan Note Issuer No. 1's Beneficial Interest in the related Trust Series.

The monthly distribution amount in respect of a Loan Note comprises, in relation to a Monthly Period, the monthly interest amount, any Deferred Interest and any Additional Interest in each case payable in respect of such Loan Note.

Please see "*The Loan Notes; Application of LNI Available Funds*" for further information.

Allocation of Funds by the Issuer

Prior to the service of an Enforcement Notice, the Issuer will apply amounts received from Loan Note Issuer No. 1 under each Loan Note, *inter alia*, in making payments of interest and principal on the relevant Note Series, together with amounts constituting the Loan Note Holder's Costs Amount.

The order of priority prior to the service of an Enforcement Notice under the relevant Note Series is:

(i) the Loan Note Holder's Costs Amount;

(ii) *pari passu* and in no priority between each item (i) payments of Class A monthly distribution amount, and (ii) if a Swap Agreement has been entered into in respect of the Class A notes, payments of Class A monthly distribution amount to the Swap Counterparty for the purpose of paying such monthly distribution amount;

(iii) *pari passu* and in no priority between each item (i) payments of Class B monthly distribution amount, and (ii) if a Swap Agreement has been entered into in respect of the Class B notes, payments of Class B monthly distribution amount to the Swap Counterparty for the purpose of paying such monthly distribution amount;

(iv) *pari passu* and in no priority between each item (i) payments of Class C monthly distribution amount, and (ii) if a Swap Agreement has been entered into in respect of the Class C notes, payments of Class C monthly distribution amount to the Swap Counterparty for the purpose of paying such monthly distribution amount;

(v) *pari passu* and in no priority between each item (i) payments of Class D monthly distribution amount, and (ii) if a Swap Agreement has been entered into in respect of the Class D notes, payments of Class D monthly distribution amount to the Swap Counterparty for the purpose of paying such monthly distribution amount;

(vi) the Loan Note Holder's Profit Amount; and

(vii) the deferred subscription price (if any) in respect of the Loan Notes for which the Issuer is Loan Note Holder.

Following the service of an Enforcement Notice under the relevant Note Series, payments shall be applied in accordance with the priority of payments as set out in Condition 4(c) (*Application of Proceeds Upon Enforcement*).

Please see Condition 4 (*Status, Security and Priority of Payment*) for further information.

Bank accounts and cash management

On a daily basis, the Receivables Trustee will transfer the relevant Investor Finance Charge Amount to the Finance Charge Collections Ledger in the Trustee Collection Account and such amounts will be transferred on a Transfer Date from the Trustee Collection Account to the Loan Note Issuer No. 1 Distribution Account to meet the obligations of Loan Note Issuer No. 1 for the relevant Monthly Period (including payments representing Excess Spread) or will be paid back to the Receivables Trustee as Additional Funds for the grant of Loan Note Issuer No. 1's beneficial interest in the Penarth Receivables Trust.

In addition, on a daily basis, the Receivables Trustee will transfer the relevant amount of Principal Collections to the Principal Collections Ledger in the Trustee Collection Account. The Required Retained Principal Collections Percentage of such Principal Collections will be retained within the Trustee Collection Account of the Penarth Receivables Trust and may be deposited in the Loan Note Issuer No. 1 Distribution Account on a Transfer Date to meet certain payments or distributions to Loan Note Issuer No. 1 in respect of the De-Linked Trust Series which it is not able to satisfy from Finance Charge Collections, Acquired Interchange and Acquired Insurance Commission.

On each Transfer Date, the Cash Manager, acting on the instructions of Loan Note Issuer No.1, will apply and transfer LNI Available Funds credited to the Loan Note Issuer No. 1 Finance Charge Collections Ledger on such Transfer Date, in the order of priority specified under "*The Loan Notes - Application of LNI Available Funds*".

On each Distribution Date, the aggregate of the amounts (other than amounts in respect of principal) transferred on or before the immediately preceding Transfer Date by Loan Note Issuer No. 1 to the Issuer Distribution Account and credited to the Distribution Ledger for the relevant Note Series together with any interest earned on the Distribution Ledger for the relevant Note Series since the previous Distribution Date, shall be applied in the order of priority specified under "*The Note Trust Deed - Monthly Payments of an Income Nature*".

TRIGGERS TABLE

RATING TRIGGERS

Transaction Party	Required Ratings/Triggers	Possible effects of trigger being breached include the following
Transferor	(a) long-term unsecured debt rating must be at least BBB+ by S&P, Baa2 by Moody's and BBB+ by Fitch; or	Notification Event taking place and legal title to the Receivables to be transferred to the Receivables Trustee.
	(b) such other long term rating which is otherwise acceptable to the relevant Rating Agency.	The consequences of the relevant required rating being breached are set out in more detail in "*Risk Factors - Transfer of benefit of Receivables*".
Trust Account Bank	(i) an institution which at all times has (a) a short-term unsecured debt rating of at least A-1 by Standard & Poor's (or, where no short-term unsecured debt rating by Standard & Poor's is available, at least A+ by Standard & Poor's), P-1 from Moody's and a short-term issuer default rating of at least F1 by Fitch Ratings and (b) a long-term unsecured debt rating of at least A2 by Moody's and a long-term issuer default rating of at least A by Fitch Ratings or (ii) such other short-term or long-term rating which is otherwise acceptable to the relevant Rating Agency or (iii) such other institution, **provided that** the Servicer has certified that in its opinion, formed on the basis of due consideration, the appointment of such other institution will not result in the downgrade or withdrawal by the Rating Agencies of the ratings of any Associated Debt.	The Trust Account Bank shall immediately give notice of the rating trigger breach to the Receivables Trustee. As soon as practicable thereafter and in any event within 60 days of such notice, the Trust Account Bank shall transfer the closing credit balance of the relevant Accounts to an appropriate successor account which meets the rating criteria (approved by the Servicer).
Funding 1 Account Bank	(i) an institution which at all times has (a) a short-term unsecured debt rating of at least A-1 by Standard & Poor's (or, where no short-term unsecured debt rating by Standard & Poor's is available, at least A+ by Standard & Poor's), P-1 from Moody's and a short-term issuer default rating of at least F1 by Fitch Ratings and (b) a long-term unsecured debt rating of at least A2 by Moody's and a long-term issuer default rating of at least A by Fitch Ratings or (ii) such other short-term or long-term rating which is otherwise acceptable to the relevant Rating Agency or (iii) such other institution, **provided that** the Servicer has certified that in its opinion, formed on the basis of due consideration, the appointment of such other institution will not result in the downgrade or withdrawal by the Rating Agencies of the ratings of any Associated Debt.	The Funding 1 Account Bank shall immediately give notice of the rating trigger breach to the Loan Note Issuer No. 1. As soon as practicable thereafter and in any event within 60 days of such notice, the Funding 1 Account Bank shall transfer the closing credit balance of the relevant Accounts to an appropriate successor account which meets the rating criteria (approved by the Servicer).
Issuer Account Bank	(i) an institution which at all times has (a) a short term unsecured debt rating of at least A-1 by Standard & Poor's (or, where no short-term unsecured debt rating by Standard & Poor's is	The Issuer Account Bank shall immediately give notice of the rating trigger breach to the

Transaction Party	Required Ratings/Triggers	Possible effects of trigger being breached include the following
	available, at least A+ by Standard & Poor's), F1 from Fitch Ratings and P-1 from Moody's and (b) a long term unsecured debt rating of at least A by Fitch Ratings and A2 by Moody's or (ii) an institution acceptable to each Rating Agency.	Note Trustee, the Issuer's Agent and the Issuer. As soon as practicable thereafter and in any event within 60 days of such notice, the Issuer Account Bank shall transfer the closing credit balance of the Issuer Accounts to an appropriate successor account which meets the rating criteria.
Swap Counterparty	Such ratings as specified in the relevant Drawdown Prospectus relating to a Note Series.	As specified in the relevant Drawdown Prospectus relating to a Note Series.
Series Cash Reserve Account	Such ratings as specified in the relevant Drawdown Prospectus relating to a Note Series.	As specified in the relevant Drawdown Prospectus relating to a Note Series.

NON-RATING TRIGGERS

Description of trigger	Consequence of trigger
Notification events	
The occurrence of any of the following: • an Insolvency Event in relation to the Transferor; • the Transferor (or the Servicer on behalf of the Transferor) fails to pay any sum due from it to the Receivables Trustee under the RTDSA in respect of the Designated Accounts within five Business Days of the due date thereof or the date of demand, if payable on demand, in the currency and in the manner specified herein, and such failure is not remedied within ten Business Days after the Receivables Trustee has given notice thereof to the Transferor; and • the Transferor's long-term senior unsecured indebtedness as rated by any of S&P, Moody's or Fitch were to fall below BBB+, Baa2 or BBB+, respectively.	A number of perfection acts will occur, including Obligors being notified of the sale to the Receivables Trustee and legal title to the Securitised Portfolio being transferred to the Receivables Trustee.
Servicer Termination Events	
The occurrence of any of the following: • payment default by the Servicer which is not remedied within 5 Business Days; • failure by the Servicer to comply with any of its other covenants or obligations which is not remedied for a period of 60 days; • delegation by the Servicer of its duties under the RTDSA to any other entity, except as permitted by the RTDSA; • any relevant representation, warranty or certification made by the Servicer in the RTDSA or in any certificate delivered pursuant hereto proves to have been incorrect when made, which has a Material Adverse Effect on the interests of the Investor Beneficiaries in respect of any outstanding Trust Series and continues to be incorrect in any material respect for a period of 60 days; or • an Insolvency Event in relation to the Servicer.	Termination of appointment of Servicer. Please see the section entitled "*Servicing of the Receivables – Termination of appointment of Servicer*" for further information.
Cash Manager Termination Events	
The occurrence of any of the following: • payment default by the Cash Manager which is not remedied within 5 Business Days; • failure by the Cash Manager to comply with any of its other covenants or obligations which is not remedied for a period of 60 days; • delegation by the Cash Manager of its duties under the STDCMA to any other entity, except as permitted by the STDCMA;	Termination of appointment of Cash Manager.

Description of trigger	Consequence of trigger
• any relevant representation, warranty or certification being incorrect when made, which has a Material Adverse Effect on the interests of the Loan Note Holders in respect of any outstanding Loan Notes and continues to be incorrect in any material respect for a period of 60 days; or • an Insolvency Event in relation to the Cash Manager.	
Rapid Amortisation Trigger Event	
The occurrence of any of the events specified in paragraphs (a) to (e) (*inclusive*) of the definition of "Early Redemption Event" (see "*The Loan Notes - Early Redemption Events*").	Rapid Amortisation Period will begin.
Redemption Trigger	
The occurrence of any of the following: • Rapid Amortisation Period commences on the Scheduled Redemption Date for the relevant Note Series; • the Redemption Protection Period has earlier commenced and on or prior to the Scheduled Redemption Date for the relevant Note Series there have been credited to the Issuer's Distribution Ledger for the relevant Note Series insufficient funds to redeem the relevant Note Series in full; or • in the event that the Rapid Amortisation Period commences on or prior to the Scheduled Redemption Date for the relevant Note Series in relation to a Swap Agreement without the benefit of the Redemption Protection Period.	The termination date under the relevant Swap Agreement shall be amended to be the Redemption Period End Date. Please see "*Description of the Swap Agreements - In relation to foreign exchange Swap Agreements only*" for further information.
Trust Pay Out Events	
The occurrence of any of the following: • the occurrence of an Insolvency Event in relation to the Transferor or a Material Originator in respect of the Transferor; • the Transferor becomes unable to transfer Receivables to the Receivables Trustee in the manner contemplated in the RSD; • the Transferor ceases to be a resident for tax purposes in the United Kingdom or otherwise ceases to be within the charge to United Kingdom corporation tax; or • a change in law or its interpretation or administration results in the Receivables Trustee becoming liable to make any payment on account of tax (other than stamp duty payable in the United Kingdom in respect of any transfer of Receivables pursuant to the RSD).	A Trust Pay Out Event will occur for all series and each Transferor Beneficiary and Investor Beneficiary in respect of each series. Please see "*The Penarth Receivables Trust - Pay Out Events*" for further details.
Trust Series Pay Out Events	
The occurrence of any of the following: • failure on the part of the Transferor (i) to make any payment or deposit required by the terms of the RSD, on or before	A Trust Series Pay Out Event will occur in respect of the relevant Note Series and each Transferor Beneficiary and Investor

Description of trigger	Consequence of trigger
the date occurring five Business Days after the date such payment or deposit is required to be made herein or (ii) duly to observe or perform in any material respect any covenants or agreements of the Transferor set out in the RSD or the De-Linked Supplement, which failure has a Material Adverse Effect on the interests of the Investor Beneficiary (in respect of the De-Linked Trust Series) and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Receivables Trustee, or to the Transferor and the Receivables Trustee by the Investor Beneficiary (in respect of the De-Linked Trust Series) and which continues unremedied during such 60 day period to have a Material Adverse Effect on the interests of the Investor Beneficiary (in respect of the De-Linked Trust Series) for such period; • any representation or warranty made by the Transferor in the RSD or the De-Linked Supplement, or any information required to be delivered by the Transferor pursuant to the RSD, (i) shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Receivables Trustee, or to the Transferor and the Receivables Trustee by the Investor Beneficiary (in respect of the De-Linked Trust Series), and (ii) as a result of which there is a Material Adverse Effect on the interests of the Investor Beneficiary (in respect of the De-Linked Trust Series) and which continues unremedied during such 60 day period to have a Material Adverse Effect for such period; or • any Servicer Default shall occur which would have a Material Adverse Effect on the Investor Beneficiary (in respect of the De-Linked Trust Series).	Beneficiary in respect of such Note Series. Please see "*Sources of Funds to pay the Loan Notes – Funding 1 Pay Out Events*" for further details.
Issuer Events of Default	
Broadly speaking, the occurrence of any of the following: • non-payment of interest or principal on any note of the relevant Note Series (except for non-payment of any amount of Deferred Interest in accordance with the Conditions); • material breach of contractual obligations by the Issuer under or in respect of the relevant Note Series, the Note Trust Deed (other than, in such case, any obligation for the payment of any principal or interest on the notes) or the Paying Agency Agreement; • a judgment is made against the Issuer and continues unsatisfied; • enforcement action is taken against the assets of the Issuer;	An Enforcement Notice may be issued to the Issuer declaring the Notes to be immediately due and payable and the security enforced.

Description of trigger	Consequence of trigger
• the occurrence of an insolvency event in relation to the Issuer; • an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer; • failure by the Issuer to take any action to perform and comply with its obligations under the Related Documents; • it becomes unlawful for the Issuer to perform or comply with its obligations under or in respect of the notes of a Note Series; and • the government intervention specified in paragraph (j) (*Government intervention*) of Condition 10 (*Events of Default*) occurs.	

FEES

The table below sets out the principal on-going transaction fees. Each of these fees is subject to change at any time without noteholder notification or approval, including upon the appointment of any successor transaction party pursuant to the applicable transaction document.

Type of Fee	Amount of Fee	Priority in cashflow	Frequency
Servicing Fee	1 per cent. of Adjusted Investor Interest (inclusive of value added tax) each year	Junior to Noteholders	Each Distribution Date
Corporate expenses of Receivables Trustee	Estimated £4,250 (exclusive of value added tax) each year	Senior to Noteholders	Semi-annually
Corporate expenses of Loan Note Issuer No. 1	Estimated £7,750 (exclusive of value added tax) each year	Senior to Noteholders	Semi-annually
Corporate expenses of Issuer	Estimated £10,250 (exclusive of value added tax) each year	Senior to Noteholders	Semi-annually
Cash Management Fee	£12,000 each year (inclusive of value added tax)	Senior to Noteholders	Semi-annually
Fee payable by Issuer and Loan Note Issuer No. 1 to Note Trustee and Security Trustee	Estimated £22,000 each year	Senior to Noteholders	Annually
Fee payable by Issuer to Principal Paying Agent, U.S. Paying Agent and Agent Bank and Registrar	Estimated £22,000 each year	Senior to Noteholders	Annually

RISK FACTORS

Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Investing in notes issued under the Programme involves certain risks. Prospective investors should carefully consider the following principal risk factors and any additional risk factors set out in a Drawdown Prospectus (if any) before deciding to invest in the notes offered by this Base Prospectus and the applicable Final Terms or Drawdown Prospectus and prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and the applicable Final Terms or Drawdown Prospectus and form their own views prior to making any investment decision. Prospective investors should consider, among other things, the following:

Noteholders cannot rely on any person other than the Issuer to make payments on the Notes

The notes will not represent an obligation or be the responsibility of Lloyds Banking Group, Lloyds Bank, HBOS, Bank of Scotland or any of their affiliates, the Arranger, any Lead Manager, any Dealer, Loan Note Issuer No. 1, the Receivables Trustee, the Security Trustee, the Note Trustee, the Servicer, the Cash Manager, the Paying Agents, the Registrar, the Exchange Agent, the Agent Bank, the Issuer Corporate Services Provider, the Calculation Agent, Loan Note Issuer No. 2, any Investor Beneficiaries, any new issuers or any other party to the transaction documents other than the Issuer. If the assets of the Issuer are not sufficient to make payments of interest and/or principal on the notes when due, such payments may be delayed, reduced or lost.

The Security Trustee and/or the Note Trustee may agree modifications to the transaction documents without Noteholder consent

Pursuant to the terms of the STDCMA and the Note Trust Deed, the Security Trustee and the Note Trustee may concur with any person in making or sanctioning any modifications to the relevant documents without the prior consent of any secured creditors or security beneficiary (in the case of the Security Trustee) or any Noteholders (in the case of the Note Trustee), **provided that**:

- the Security Trustee, or, as the case may be, the Note Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the secured creditors (in the case of the Security Trustee) or the Noteholders (in the case of the Note Trustee); or

- in the sole opinion of the Security Trustee, or, as the case may be, the Note Trustee, such modification is necessary to correct a manifest error or is of a formal, minor or technical nature.

Where each of the Rating Agencies which is then rating the relevant Note Series has given written confirmation that the then current rating of the relevant class of notes would not be adversely affected by such exercise, the Security Trustee, or, as the case may be, the Note Trustee, in considering whether such exercise is materially prejudicial to the interests of any of the secured creditors (in the case of the Security Trustee) or the Noteholders (in the case of the Note Trustee) or, as the case may be, the holders of the Most Senior Class of outstanding notes, shall be entitled to take into account such written confirmation from each Rating Agency, **provided that** the Security Trustee, or, as the case may be, the Note Trustee, shall take into account all other matters which would be relevant to such consideration.

Similarly, in certain circumstances and subject to certain conditions being met, the Security Trustee shall be obliged, without the consent or sanction of any Noteholder or any other secured creditors or security beneficiary (but in the case of the matter summarised in (i) and (ii) below, subject to obtaining the Note Trustee's consent) to concur with the Issuer in making any modification (other than a Basic Terms Modification, but subject to Condition 14(f) (*Basic Terms Modification*)) to any relevant documents to which the Security Trustee is a party or in relation to which the Security Trustee holds security that the Issuer considers necessary as described in "*Rights Of Noteholders And Relationship With Other Secured Creditors – Right of modification without Noteholder consent*".

These modifications include those required in order to (i) enable the Issuer (or the Cash Manager on its behalf) to change the Screen Rate or the base rate that applies to any notes issued on or after the Base Rate Modification Reference Date from such Screen Rate or base rate that applies at such time to an Alternative Base Rate (and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer (or the Cash Manager on its behalf) to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to the Screen Rate or the relevant base rate that applies to any such Notes at such time and (ii) changing the base rate that then applies in respect of the Swap Agreement solely as a consequence of, and solely for the purpose of aligning such base rate with, the base rate of the Notes following a Base Rate Modification.

In respect of proposed modifications to any Transaction Document or any document relating to the matters summarised in (i) and (ii) above, the Note Trustee is bound to concur or provide its consent (as the case may be) **provided that** (among other things) the proposed modification would not adversely affect the current ratings of the Notes (and the Note Trustee may rely on certifications to that effect from a relevant transaction party); and the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Note Series which would be affected by the proposed modification (together the "**Affected Note Series**") of the proposed modification and Noteholders representing at least 10 per cent. of the aggregate Outstanding Principal Amount of the Most Senior Class of Notes then outstanding across the Affected Note Series have not notified the Issuer via the Principal Paying Agent to inform them that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Outstanding Principal Amount of the Most Senior Class of Notes then outstanding across the Affected Note Series have not notified the Issuer via the Principal Paying Agent that such Noteholders do not consent to the modification, the Note Trustee will be bound to concur with the Issuer to implement such modification. In this regard, Noteholders of the most senior class of an Affected Note Series will have to take active steps to notify the Issuer and the Principal Paying Agent of any objections to proposed modifications in the manner described in "*Rights Of Noteholders And Relationship With Other Secured Creditors – Right of modification without Noteholder consent*" and "*Terms and Conditions of the Notes – Meetings of Noteholders; Modification and Waiver*".

Any modifications made in the manner described above will be binding on all Noteholders, including Noteholders who are not the holders of the Most Senior Class of Notes of the Affected Note Series. Noteholders who are not in the Most Senior Class of Notes of the Affected Note Series will not be entitled to object to, or vote on, any proposed modification. There is no guarantee that any modification to the Transaction Documents will not ultimately adversely affect the rights of Noteholders or payments on the Notes.

In addition, as further described in "*The Penarth Receivables Trust – Contributions to Trust Property*", "*The Penarth Receivables Trust – Amendments to the Receivables Trust Deed and Servicing Agreement*", "*The Penarth Receivables Trust – Disposals of beneficial entitlements*", "*The Receivables − Redesignation and removal of accounts*", "*The Receivables − Discount Option Receivables*", "*The Receivables – Representations*" and "*The Loan Notes*" below, the Transferor, the Servicer or the Cash Manager, as the case may be, may make certain changes to the relevant documents provided the Transferor, the Servicer or the Cash Manager, as the case may be, certifies in writing to the Security Trustee or Note Trustee (where applicable) that such modifications are required in order to accommodate, among other things, the addition of new beneficiaries of the Receivables Trust, the provision of additional or substitute enhancement, a change of the definition of Eligible Accounts, or Eligible Receivables, the disposal of a beneficial entitlement in the Receivables Trust, the redesignation and removal of Accounts, changes to Accumulation Period length, or changes to Required Excess Available Funds, subject to applicable conditions. The modifications required to give effect to the matters listed above may include, among other matters, amendments to the provisions of the STDCMA relating to the application of monies. Accordingly, there can be no assurance that the effect of the modifications to the relevant transaction documents will not ultimately adversely affect interests of the Noteholders.

Absence of secondary market, limited liquidity

No assurance is provided that there is an active and liquid secondary market for any class of 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 for the life of their investment in the notes. Any investor in the notes must be prepared to hold its notes for an indefinite period of time or until they are redeemed or alternatively such investor may only be able to sell its notes at a discount to the original purchase price of those notes.

The secondary market for asset-backed securities similar to the notes has, at times, experienced limited liquidity. If limited liquidity were to occur in the secondary market it could have an adverse effect on the market value of asset-backed securities and instruments similar to the notes, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, an investor in the notes may not be able to sell or acquire credit protection on its notes readily and market values of the notes are likely to fluctuate. Any fluctuations may be significant and could result in significant losses to an investor. It is not known whether such market conditions will reoccur.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the European Central Bank's liquidity scheme and the European Central Bank's asset-backed securities purchase programme may provide or have provided an important source of liquidity in respect of eligible securities, restrictions in respect of the relevant eligibility criteria for eligible collateral which apply and will apply in the future under such facilities may impact secondary market liquidity for asset-backed securities in general, regardless of whether the notes are eligible securities for the purpose of such facilities. Moreover, there is no certainty that the notes will be accepted as eligible securities for any such facilities either upon issue or subsequently.

Further, investors should be aware that, if insufficient information is provided to investors on the performance of the Receivables while the notes remain outstanding, potential secondary market purchasers may be less willing to invest in the notes or, for certain classes of investor, be prevented from, or incur significant capital costs as a result of, making such an investment due to regulation applicable to such investors. Moreover, for certain classes of investors, failure of relevant parties to the transaction to maintain the retention required by regulation applicable to them may also result in those investors being prevented from, or incurring significant capital costs as a result of, making any investment in the notes. Each of these situations may adversely affect secondary market liquidity for the notes.

Neither the Issuer, the Arranger nor the Joint Lead Managers are or will be obliged to make a market for the notes.

Risks in relation to the United Kingdom's vote to leave the European Union

On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**EU Referendum**") and on 29 March 2017 the United Kingdom gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on European Union ("**Article 50**") of its intention to leave the European Union. The timing of the UK's exit from the EU remains subject to some uncertainty. The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. This has resulted in a high degree of political, legal, economic and other uncertainty.

The EU Referendum and delivery of the Article 50 Notice have resulted in political (including UK constitutional), legal, regulatory, economic and market uncertainty – the effects of each of which could adversely affect the Programme and the interests of Noteholders. Such uncertainty and consequential market disruption (including volatility and disruption in the capital, currency and credit markets which affect the primary or secondary market for asset-backed securities) may also cause investment decisions to be delayed, reduce job security and damage consumer confidence. The resulting adverse economic conditions could affect obligors' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and ultimately the ability of the Issuer to pay interest and repay principal to Noteholders. For a more general consideration of the consequences of the prevailing market conditions affecting asset-backed securities and how the absence of or limited liquidity in the secondary market could impact the Notes, please see "*Social, legal, political and economic factors may affect repayment*" and "*Absence of secondary market, limited liquidity*" above.

The EU Referendum may also have an adverse effect on counterparties on the Programme. Depending on the terms of the exit from the EU they may become unable to perform their obligations resulting from changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, counterparties may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the EU Referendum, the Article 50 Notice and the conduct and progress of the formal withdrawal negotiations. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on Noteholders. See "*Reliance on third parties*" above.

Finally, the EU Referendum has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's and by Fitch. Standard & Poor's, Fitch and Moody's have all placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action. The rating of the sovereign affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the Programme meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the Programme with others who have the required ratings on similar terms or at all. Moreover, a more pessimistic economic outlook for the UK in general could lead to increased concerns around the future performance of the securitised portfolio and accordingly the ability of the Issuer to pay interest and repay principal to Noteholders and the ratings assigned to the Notes on the Closing Date could be adversely affected.

While the extent and impact of these issues is not possible for the Issuer to predict, Noteholders should be aware that they could have an adverse impact on the Programme, the STS status of any Note issued under the Programme and any Notes Series and the payment of interest and repayment of principal on the Notes.

Risks relating to the Benchmark Regulations and the discontinuation of the applicable Screen Rates

The London Interbank Offered Rate for Sterling ("**LIBOR**"), the London Interbank Offered Rate for US Dollars ("**USD LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. Any changes to LIBOR, USD LIBOR and EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" will also require compliance with the EU Benchmarks Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**").

Under the Benchmarks Regulation, which applied as from 1 January 2018 in general, new requirements apply with respect to the provision of a wide range of benchmarks (including LIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union. In particular, the Benchmarks Regulation will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevent certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices, such as LIBOR, applies to many interest rates, foreign exchange rate indices and other indices where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue (EU regulated market, EU multilateral trading facility, EU organised trading facility) or via a systematic internaliser, certain financial contracts and investment funds.

Based on the foregoing, investors should be aware that any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR, USD LIBOR and EURIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be. In addition, the sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks.

On 27 July 2017, the FCA declared its intention for banks to continue to use LIBOR only until the end of 2021. This is likely to lead to a market transition away from LIBOR, and a transition to alternative screen rates. As such, the FCA is currently reviewing alternatives and planning for a transition period to move away from the use of LIBOR.

These reforms and other pressures may cause such benchmarks to disappear entirely or to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. Generally, any such modification or potential consequence of the discontinuation of LIBOR, USD LIBOR or EURIBOR could have a material adverse effect on the value of and return on any of the Notes. See "*Risks relating to the replacement of the Screen Rate*" below.

Risks relating to the replacement of the Screen Rate

Investors should note the various circumstances in which a modification may be made to the Conditions or any other Transaction Documents for the purpose of changing the Screen Rate or such other related or consequential amendments as are necessary or advisable in the reasonable judgment of the Issuer (or the Cash Manager on its behalf) to facilitate such change (including, but not limited to alignments to the base rate in any related Swap Agreement (a "**Base Rate Modification**"). These circumstances broadly relate to the disruption or discontinuation of Screen Rate, but also specifically include, *inter alia*, market changes to the method of calculating the relevant base rate, any public statements by the administrator of the applicable Screen Rate or certain regulatory bodies that LIBOR, USD LIBOR or EURIBOR, as applicable, will be discontinued or may no longer be used, and a Base Rate Modification may also be made if the Issuer (or the Cash Manager on its behalf) reasonably expects any of these events to occur within six months of the proposed effective date of the Base Rate Modification, subject to certain conditions. Investors should note the various circumstances in which a Base Rate Modification may be made, which are specified in paragraph (c) (*Additional right of Modification*) of Condition 14 (*Meetings of Noteholders; Modification and Waiver*) and should also note the various options permitted as an "**Alternative Base Rate**" specified in paragraph (c) (*Additional right of Modification*) of Condition 14 (*Meetings of Noteholders; Modification and Waiver*).

Investors should also be aware that:

(a) if the Screen Rate is discontinued or is otherwise permanently unavailable and a Base Rate Modification (as described in the paragraph above) has not been made, then the rate of interest on the Notes will be determined for a period by the fall-back provisions provided for under Condition 6 (*Interest*), although such provisions, being dependent in part upon the provision by reference banks of offered quotations for the LIBOR, USD LIBOR and/or EURIBOR rate, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR, USD LIBOR and/or EURIBOR was available in respect of the applicable Note Series;

(b) while an amendment may be made under Condition 14(c)(i) (*Additional right of Modification*) to change the Screen Rate on the Notes to an Alternative Base Rate under certain circumstances broadly related to LIBOR, USD LIBOR and/or EURIBOR dysfunction or discontinuation and subject to certain conditions, there can be no assurance that any such amendment will be made or, if made, that it will (i) fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (ii) be made prior to any date on which any of the risks described in this risk factor may become relevant (in this regard, please also refer to the risk factor above entitled "*The Security Trustee and/or the Note Trustee may agree modifications to the transaction documents without Noteholder consent*"); and

(c) if LIBOR, USD LIBOR and/or EURIBOR is discontinued, there can be no assurance that the applicable fall-back provisions under any Swap Agreements would operate so as to ensure that the rate used to determine payments under the Swap Agreements is the same as that used to determine interest payments under the Notes, or that any such amendment made under Condition 14(c)(i) *(Additional right of Modification*) would be utilised in such a way that the transactions under the Swap Agreements to effectively mitigate currency risks on the Notes in circumstances where the reference rate used in a Swap Agreement was no longer aligned with the Notes.

There can be no assurance that any such amendments will be made, or if made, that they will (i) fully mitigate the interest rate risks or result in an effective replacement methodology for determining the reference rate on the Notes or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant.

The market continues to develop in relation to risk free rates (including overnight rates) as reference rates for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to risk free rates, such as the Sterling Overnight Index Average ("**SONIA**") and the Secured Overnight Financing Rates ("**SOFR**"), as reference rates in the capital markets and their adoption as alternatives to LIBOR and USD LIBOR. In addition, market participants and relevant working groups are exploring alternative reference rates based on risk free rates, including term SONIA and SOFR reference rates (which seek to measure the market's forward expectation of an average SONIA or SOFR rate over a designated term). The market or a significant part thereof may adopt an application of risk free rates that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference a risk free rate issued under this Base Prospectus. Interest on Notes which reference a risk free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk free rates to reliably estimate the amount of interest which will be payable on such Notes. Further, if the Notes become due and payable under Condition 10 (*Events of Default*), the Rate of Interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Notes.

Implementation of, and amendments to, Basel III Risk-weighted Asset Framework may result in changes to the risk-weighting of the Notes

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere have provided additional capital and funding requirements and are implementing other measures including increased regulatory control (including by way of enhanced capital requirements) in their respective financial sectors. It is uncertain how the regulatory climate will impact financial institutions and entities involved in securitisations of assets originated by such financial institutions, including the Issuer and Loan Note Issuer No. 1.

Significant changes to the Basel II regulatory capital and liquidity framework have been approved by the Basel Committee on Banking Supervision ("**Basel Committee**") (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, requirements for the capital base, 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**"). Basel III set an implementation deadline on member countries to implement the new capital standards from 1 January 2013, the new Liquidity Coverage Ratio from 1 January 2015 and the Net Stable Funding Ratio from 1 January 2018. The Basel Committee has proposed further reforms to Basel III, including an introduction of capital floors based on standardised approaches. In December 2017, the Basel Committee agreed to further reforms to Basel III, including reforms relating to the standardised and internal ratings-based approaches for credit risk, and a revised output floor. The Basel Committee expects member countries to implement these 2017 reforms, sometimes referred to as Basel IV, by 1 January 2022 (with the exception of those relating to the output floor, which will be phased in from 1 January 2022).

The Basel III reform package has been implemented in Europe through amendments to the Capital Requirements Directive and through an associated Capital Requirements Regulation (together known as "**CRD IV**"), which were published in the Official Journal of the European Union on 27 June 2013. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time, to be fully effective by 2024. On 23 November 2016, the European Commission published proposals for a package of further bank capital reforms, including updates to CRD IV, in large part to reflect updates to the international standards set by the Basel Committee and the Financial Stability Board.

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 (including, in the European Union, CRD IV) and, as a result, they may affect the liquidity and/or value of the Notes.

Integral multiples of less than €100,000

Although notes which are admitted to trading on a regulated market in the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive are required to have a minimum denomination of €100,000 (or, where the Specified Currency is not euro, its equivalent in the Specified Currency), it is possible that the notes may be traded in the clearing systems in amounts in excess of €100,000 or its equivalent in alternate currencies that are not integral multiples of €100,000 or its equivalent in alternate currencies. In relation to any issue of notes which have a denomination consisting of the minimum specified 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 in alternate currencies that are not integral multiples of €100,000 or its equivalent in alternate currencies. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination may not receive an Individual Note Certificate (should Individual Note Certificates be printed) and may need to purchase an additional principal amount of notes such that its holding is an integral multiple of the minimum specified denomination.

If Individual Note Certificates are issued, Noteholders should be aware that Individual Note Certificates which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Risks relating to the Rule 2a-7 suitability of the relevant Notes

If a note series is specified in the relevant Final Terms or Drawdown Prospectus as being able to be redeemed on a Mandatory Transfer Date, those notes are intended to be "Eligible Securities" for purchase by money market funds under Rule 2a-7 of the Investment Company Act. However, none of the Issuer, the Note Trustee, the Security Trustee, the Arranger, Lead Manager or Dealers nor any other party to any transaction document makes or will make any representation as to the suitability of any notes as "money market notes" for investment by money market funds subject to Rule 2a-7 under the Investment Company Act and any determination as to such qualification and compliance with any aspects of Rule 2a-7 is solely the responsibility of each money market fund and its investment adviser. In particular, the Mandatory Transfer that is associated with the relevant notes would be likely to be deemed to be a "conditional demand feature" (as such item is defined in Rule 2a-7). One of the conditions of determination by the board of directors of the relevant money market fund of the eligibility of the relevant notes for investment by such money market fund will be the determination that there is minimal risk that circumstances would occur that would result in the relevant notes not being able to be transferred on a particular Mandatory Transfer Date. No representation is made and no assurance can be given in this regard. Among other things, no assurance can be given that any such board of directors will be able to satisfy conclusively the pre-condition for Rule 2a-7 eligibility of the relevant notes that it is able to monitor readily the conditions limiting the availability of the Mandatory Transfer, as this is partially dependent on the ability of the Mandatory Purchaser to purchase the relevant notes on the relevant Mandatory Transfer Date and there is no affirmative obligation in the transaction documents that information regarding the Mandatory Purchaser's ability in this regard be made available. Non-compliance with Condition 8(e) (*Mandatory Transfer Arrangements*) for reason of any failure on the part of the Mandatory Purchaser to perform its obligations under the relevant transaction documents shall not constitute an Event of Default (as defined in Condition 10 (*Events of Default*)) under the Conditions. See Condition 8 (*Redemption and Purchase*), Condition 10 (*Events of Default*) below. No representation is made and no assurance can be given in this regard.

In circumstances where the Issuer will enter into a currency swap transaction in respect of the relevant notes, the eligibility of the relevant notes for investment by money market funds will be dependent on timely receipt of proceeds from the relevant swap counterparty. Under the terms of the currency swap transaction in relation to the relevant notes the swap counterparty will be required to make a principal payment under the relevant currency swap agreement to the Issuer to enable the Issuer to redeem the relevant notes in full on their scheduled redemption date **provided that** the swap counterparty has received the corresponding principal payment required to be made by the Issuer under the relevant currency swap transaction. In such circumstances Noteholders in respect of the relevant notes will be dependent on the performance of the Issuer and no assurance can be given that the Issuer will have sufficient funds to make payments on the relevant notes. Further details on the currency swap transaction (if any) in relation to the relevant notes can be found in the section entitled "*Swap Agreements*" below.

Prospective investors should also be aware that, even if a Note Series does, in fact, qualify at the time of issuance as an "Eligible Security" for purposes of Rule 2a-7, there is no assurance that it will continue to so qualify until its maturity, and that, therefore, an investor subject to Rule 2a-7 may be required to dispose of any such Series Note as discussed below.

Inability of the Issuer to procure payment of the Mandatory Transfer Price may affect timely payment on the Notes

The ability of the Issuer to procure payment of the relevant Mandatory Transfer Price by the Mandatory Purchaser will be dependent upon the Issuer exercising its rights under the relevant Mandatory Purchase Agreement against the Mandatory Purchaser to require the relevant Mandatory Purchaser to acquire some or all of the relevant notes.

If a Mandatory Purchaser defaults upon its obligation to pay the amounts otherwise due under the relevant Mandatory Purchase Agreement on the relevant Mandatory Transfer Date, the Issuer may not be able to procure the purchase of all or any of the relevant notes on any Mandatory Transfer Date. The Issuer will not be liable for such failure to the extent such failure is a result of the failure of the Mandatory Purchaser to perform its respective obligations under the relevant Mandatory Purchase Agreement. Accordingly, in such circumstances, failure to pay the Mandatory Transfer Price and complete the purchase of the relevant notes on any Mandatory Transfer Date will not constitute an Event of Default in respect of the notes.

Under Rule 2a-7 a money market fund may be required to dispose of the money market notes upon the occurrence of certain events, including:

- a material default occurs in relation to the money market notes;
- the money market fund determines that the money market notes no longer present minimal credit risk;
- upon certain events of insolvency with respect to the Issuer; or
- the money market notes otherwise cease to meet the eligibility criteria under Rule 2a-7.

Investors should therefore consider carefully the risk posed if the relevant notes cannot be transferred on a Mandatory Transfer Date (for example if the Mandatory Purchaser defaults in its obligation to purchase the relevant notes on such Mandatory Transfer Date under the Mandatory Purchase Agreement) as no assurance can be given that the Mandatory Purchaser will comply with and perform its obligations under a Mandatory Purchase Agreement and in those circumstances a Noteholder of the relevant notes may be unable to sell its notes on the relevant Mandatory Transfer Date or at any other time. In addition, purchasers of the relevant notes will have no recourse against either the Issuer or the relevant Mandatory Purchaser for any default or failure to purchase by the Mandatory Purchaser under the related Mandatory Purchase Agreement. Although the parties to these agreements may be able to enforce their rights against each other, they have no obligation to do so.

The Issuer's ability to meet its obligations under the Notes depends on payments under the Relevant Loan Note

The ability of the Issuer to repay the principal of, and pay interest on, the notes will depend on the receipt by it of payments under the Loan Note issued by Loan Note Issuer No. 1 related to the Note Series of which the notes form a part.

The Issuer is entitled to receive payments under the Loan Notes which will be applied (i) to pay the fees, costs and expenses of the Issuer and the Note Trustee, (ii) to meet its obligations to pay interest (including deferred and additional interest) on the notes to Noteholders (either directly or indirectly via payments made to and received from Swap Counterparties), (iii) to pay amounts representing the profit for the Issuer, and (iv) to meet any other payments required to be made by the Issuer. In addition, the Issuer will be entitled to receive certain principal payments under a Loan Note which will be applied in redeeming the corresponding Note Series.

If the Issuer fails to receive sufficient funds under a Loan Note, then the payment of interest and/or the repayment of principal on the relevant Note Series may be delayed, reduced or lost.

The Issuer's receipt of sufficient funds under each Loan Note to pay the amounts due and to repay the entire principal amount of the corresponding Note Series will be dependent on, amongst other things: (i) payments actually being made by cardholders (from whom no Security has been taken in support of those payments) and the proceeds of any relevant guarantees or insurance policies in respect of cardholders (to the extent the same are capable of assignment), (ii) those payments being collected by the Servicer in accordance with the provisions of the RTDSA and paid to the Receivables Trustee, (iii) distribution being made by the Receivables Trustee to Loan Note Issuer No. 1 of amounts allocable to Loan Note Issuer No. 1 in accordance with the RTDSA, as supplemented from time to time, (iv) payment being made by the Swap Counterparty in respect of its obligations to the Issuer under the Swap Agreements (if any), and (v) payment being made by Loan Note Issuer No. 1 in respect of its obligations to the Issuer under the relevant Loan Notes.

Amounts paid to the Issuer by Loan Note Issuer No. 1 in respect of each Loan Note (including amounts for fees, costs and expenses of the Issuer and the Note Trustee, and amounts representing the profit for the Issuer) will be used to repay principal of, and pay interest on, the notes of the corresponding Note Series in accordance with the terms and conditions for that Note Series.

Permitted Investments

Volatility in financial markets may adversely affect the credit ratings of Permitted Investments (as defined herein). Although Permitted Investments are required to have specified credit ratings by the Rating Agencies at the time of purchase or to otherwise meet rating agency standards intended to minimise risk of loss on such investments, risk of loss cannot be entirely eliminated. Previous adverse market conditions have led to a number of fixed income securities, especially structured finance or asset-backed securities, being downgraded in a short space of time.

Required subordinated amount of Loan Notes

Global Loan Note No. 1 consists of multiple notional tranches. A Loan Note in respect of any Note Series may be issued on any date so long as there is sufficient credit enhancement on that date, either in the form of outstanding Subordinated Loan Notes or other forms of credit enhancement (see "*The Loan Notes*"). The Scheduled Redemption Date and the Final Redemption Dates of Senior and Subordinated Loan Notes may be different. Therefore, Subordinated Loan Notes (as defined below) may have Scheduled Redemption Dates and Final Redemption Dates earlier than some or all Senior Loan Notes (as defined below). Principal on Subordinated Loan Notes or other forms of credit enhancement will not be repaid unless, after payment, the remaining outstanding Subordinated Loan Notes provide the credit enhancement required from Subordinated Loan Notes or other forms of credit enhancement of that class for the Senior Loan Notes. In circumstances where, at the time of the Scheduled Redemption Date of the relevant Subordinated Loan Notes there is insufficient subordination present after repayment of such Subordinated Loan Note, payments of principal on the relevant Loan Notes could be delayed, reduced or lost.

In general, the Subordinated Loan Notes of Global Loan Note No. 1 serve as credit enhancement up to the aggregate required subordinated amount of the relevant Subordinated Loan Notes for all of the Senior Loan Notes of Global Loan Note No. 1, regardless of whether the Subordinated Loan Notes are issued before, at the same time as, or after the Senior Loan Notes of Global Loan Note No. 1. However, certain Senior Loan Notes may not require subordination from each class of Loan Notes subordinated to it. For example, if a class A Loan Note requires credit enhancement solely from class C Loan Notes, the class B Loan Notes will not, in that case, provide credit enhancement for that class A Loan Note. The amount of credit exposure of any particular Loan Note is a function of, among other things, the total amount of Loan Notes issued, the required subordinated amount of such Loan Note, the amount of the required subordinated amount consumed by a senior Loan Note and the amount on deposit in the Senior Loan Notes' Principal Funding Account Ledgers at the relevant time.

Class B Loan Notes, Class C Loan Notes and Class D Loan Notes, if any, are subordinated and bear losses before Class A Loan Notes

Class B Loan Notes are subordinated in right of payment of principal and interest to class A Loan Notes, the class C Loan Notes are subordinated in right of payment of principal and interest to the class A Loan Notes and the class B Loan Notes and the class D Loan Notes, if any, are subordinated in right of payment of principal and interest to the class A Loan Notes, the class B Loan Notes and the class C Loan Notes.

If LNI Available Funds are not sufficient to pay interest on all classes of Loan Notes, the Loan Notes may not receive full payment of interest if there are insufficient Utilised Required Retained Principal Collections to cover such shortfall, and if amounts on deposit in the Programme Reserve Account and amounts standing to the credit of the applicable Series Cash Reserve Account Ledger are insufficient to cover the shortfall.

In respect of the Loan Notes, Utilised Required Retained Principal Collections are used together with LNI Available Funds to pay the senior costs amount, interest on Senior Loan Notes of Loan Note Issuer No. 1 and to pay a portion of the Investor Servicing Fee Amount allocable to the De-Linked Trust Series to the extent that other funds are insufficient to make such payments. In addition, Investor Charge-Offs due to Defaulted Receivables in Penarth Receivables Trust allocable to the De-Linked Trust Series generally are reallocated from the Senior Loan Notes to the Subordinated Loan Notes. If Utilised Required Retained Principal Collections and Investor Charge-Offs are not reimbursed from amounts of LNI Available Funds treated as LNI Available Principal Amounts, the full stated principal amounts of the Subordinated Loan Notes will not be repaid. See "*Sources of Funds to Pay the Loan Notes — Distribution of Principal Collections to Loan Note Issuer No. 1*".

Payment of Class B Loan Notes, Class C Loan Notes and Class D Loan Notes, if any, may be delayed or reduced due to subordination provisions

Subordinated Loan Notes issued by Loan Note Issuer No. 1, except as noted in the following paragraph, will be paid principal only to the extent that sufficient funds are available and such Loan Notes are not needed to provide the required subordination for Senior Loan Notes. In addition, LNI Available Principal Amounts available to Loan Note Issuer No. 1 will be applied first to pay shortfalls in the senior costs amount, interest on Senior Loan Notes, then to pay the shortfall in the Investor Servicing Fee Amount allocable to Loan Note Issuer No. 1 and then to make deposits to the Principal Funding Account Ledgers of, or used to make Principal Payments on, Senior Loan Notes before being applied to make deposits to the Principal Funding Account Ledgers of the Subordinated Loan Notes.

If Subordinated Loan Notes reach their Scheduled Redemption Date, or an Early Redemption Event or a Loan Note Event of Default occurs with respect to such Subordinated Loan Notes prior to their Final Redemption Date, and such Subordinated Loan Notes cannot be paid because of the subordination provisions of the STDCMA and the relevant Loan Note Supplement in relation to such Loan Note, pre-funding of the Principal Funding Account Ledgers for the Senior Loan Notes will begin, as described in "*The Loan Notes — Pre-funding*" below and no LNI Available Principal Amounts will be deposited into the Principal Funding Account Ledger of, or used to make Principal Payments on, the Subordinated Loan Notes. After that time, the Subordinated Loan Notes will be paid only if, and to the extent that:

- enough Senior Loan Notes are repaid so that the Subordinated Loan Notes are no longer necessary to provide the required subordination;
- new Subordinated Loan Notes are issued so that the Subordinated Loan Notes which are payable are no longer necessary to provide the required subordination;
- the Principal Funding Account Ledgers for the Senior Loan Notes are pre-funded so that the Subordinated Loan Notes are no longer necessary to provide the required subordination; or
- the Subordinated Loan Notes reach their Final Redemption Date.

The application of these subordination provisions may result in a delay, reduction or loss of principal payments to holders of Subordinated Loan Notes (see "*The Loan Notes — Pre-funding*" below).

Class A Loan Notes, Class B Loan Notes and Class C Loan Notes can lose their subordination under some circumstances resulting in delayed or reduced payments of Subordinated Loan Notes

Subordinated Loan Notes may have Scheduled Redemption Dates and Final Redemption Dates earlier than some or all of the Loan Notes of the senior classes.

If Loan Notes of a subordinated class reach their Scheduled Redemption Date at a time when they are needed to provide the required subordination for senior classes of the Loan Notes and Loan Note Issuer No. 1 is unable to issue additional Loan Notes of the relevant subordinated class or obtain acceptable alternative forms of credit enhancement, pre-funding of the Senior Loan Notes will continue and such Subordinated Loan Notes will not be paid on their Scheduled Redemption Date. The Principal Funding Account Ledgers for the Senior Loan Notes will be pre-funded with LNI Available Principal Amounts available for that purpose in an amount necessary to permit the payment of those Subordinated Loan Notes while maintaining the required subordination for the Senior Loan Notes (see "*The Loan Notes — Pre-funding*" below).

There will generally be a 24 month period between the Scheduled Redemption Date and the Final Redemption Date of the Subordinated Loan Notes during which pre-funding of the Principal Funding Account Ledgers of the Senior Loan Notes, if necessary, can occur. Subordinated Loan Notes which have reached their Scheduled Redemption Date will not be paid until the other Subordinated Loan Notes (taking into account any pre-funding amount deposited in the Principal Funding Account, as defined below) provide the required subordination for the Senior Loan Notes, which payment may be delayed further as additional Subordinated Loan Notes reach their Scheduled Redemption Date. The Subordinated Loan Notes will be paid on their Final Redemption Date, to the extent that any funds are available for that purpose.

If the rate of repayment of Principal Receivables in the Penarth Receivables Trust were to decline during this pre-funding period, then the Principal Funding Account Ledgers for the Senior Loan Notes may not be fully pre-funded by the Final Redemption Date of the Subordinated Loan Notes. In that event and only to the extent not fully pre-funded, the Senior Loan Notes would not have the required subordination beginning on the Final Redemption Date of those Subordinated Loan Notes unless additional Subordinated Loan Notes of that class were issued or a sufficient amount of Senior Loan Notes have matured so that the remaining outstanding Subordinated Loan Notes provide the necessary subordination. Should additional Subordinated Loan Notes fail to be issued prior to the Final Redemption Date of the relevant Subordinated Loan Notes, Noteholders could incur a loss on their notes.

Each Final Terms or Drawdown Prospectus, as applicable issued in connection with the issuance of a Note Series will contain a cardholder monthly payment rates table setting out the highest and lowest cardholder monthly principal payment rates for the Bank Portfolio during the periods shown in such table. Principal payment rates may change due to a variety of factors including economic, social and legal factors, changes in the terms of credit card accounts by Bank of Scotland or Lloyds Bank (as a Material Originator) or the addition of credit card accounts to Penarth Receivables Trust with different characteristics. There can be no assurance that the rate of principal repayment will remain in this range in the future.

Class B Notes, Class C Notes and Class D Notes, if any, are subordinated and bear losses before Class A Notes

Class B notes are subordinated in right of payment of principal and interest to class A notes; the class C notes are subordinated in right of payment of principal and interest to the class A notes and the class B notes; and the class D notes are subordinated in right of payment of principal and interest to the class A notes, the class B notes and the class C notes.

If the amounts (other than amounts in respect of principal) transferred by Loan Note Issuer No. 1 to the Issuer Distribution Account and credited to the Distribution Ledger for the relevant Note Series are not sufficient to pay interest on the relevant Note Series, the notes comprising such Note Series may not receive full payment of interest. See "*The Note Trust Deed — Cashflows of the Issuer*".

Issuance of additional notes and Loan Notes may affect the timing and amounts of payments to Noteholders and reduce Noteholder's voting rights

From time to time, the Issuer expects to issue notes, the proceeds of which shall be used to purchase a Loan Note issued by Loan Note Issuer No. 1. Loan Note Issuer No. 1 may also issue Loan Notes to persons other than the Issuer. New notes and Loan Notes may be issued without notice to existing Noteholders or Loan Note Holders, and without their consent, and may have different terms from outstanding notes and Loan Notes. For a description of the conditions that must be met before Loan Note Issuer No. 1 can issue new Loan Notes, see "*The Loan Notes — Issuance of new Loan Notes*".

The issuance of new notes or Loan Notes could adversely affect the timing and amount of payments on outstanding notes. For example, if Loan Notes of the same class as the Loan Notes backing the notes which are issued after the existing notes have a higher interest rate than the Loan Notes backing the existing notes, this could result in a reduction in the Available Funds used to pay interest on the existing notes. Also when new notes are issued, the voting rights of the existing Note Series will be diluted.

Allocation of Investor Charge-Offs

Each Beneficiary of the Penarth Receivables Trust will bear a proportionate share of Investor Charge-offs. If any Investor Charge-offs arise on any Transfer Date, Loan Note Issuer No. 1 will bear a proportion of such Investor Charge-offs and the amount paid to the Issuer by Loan Note Issuer No. 1 in respect of a corresponding Loan Note may be reduced. This could cause Noteholders not to receive the full amount of interest and principal due to them. Any loss will be borne first by the class D notes (if any), then the class C notes, then the class B notes, then by the class A notes.

No independent investigation

None of the Arranger, the Lead Manager, the Dealer, the Receivables Trustee, Loan Note Issuer No. 1, the Security Trustee, the Issuer or the Note Trustee has undertaken or will undertake any investigations, searches or other actions to verify the details of the Receivables arising under Designated Accounts (other than, in the case of the Issuer, steps to verify the details of the Receivables which are presented in this Base Prospectus and in any Final Terms or Drawdown Prospectus, as applicable) or to establish the creditworthiness of any cardholder on the Designated Accounts. Each of the Arranger, the Lead Manager, the Dealer, the Receivables Trustee, the Security Trustee, the Note Trustee and Loan Note Issuer No. 1 relies solely on representations given by the Transferor to the Receivables Trustee in respect of the cardholders, the Designated Accounts, the Receivables arising under Designated Accounts, and the effect of the assignment or assignation and holding on trust of such Receivables.

Certain material interests

The Arranger, the Lead Manager, the Dealers, the relevant Swap Counterparty and other counterparties under the Programme and/or their affiliates (the "**Relevant Entities**") may be involved in a broad range of transactions including, without limitation, banking, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research in various capacities in respect of the Notes, the Issuer or any other transaction party, both on its own account and for the account of other persons. In particular, the Relevant Entities may perform multiple roles under the Programme (for example, the Bank of Scotland acting as (among other roles) the Servicer and the Cash Manager) and the Relevant Entities may also hold Notes from time to time and each may exercise their rights as Noteholder in a manner which is adverse to the other Noteholders.

To the maximum extent permitted by applicable law, no Relevant Entity is restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents or the interests described above and may continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders. The Relevant Entities may in so doing act without notice to, and without regard to the interests of, the Noteholders or any other person.

Accordingly, conflicts of interest may exist or may arise as a result of the Relevant Entities:

(a) having previously engaged or in the future engaging in transactions with other parties under the Programme;

(b) having multiple roles in the Programme; and/or

(c) carrying out roles in other transactions for third parties.

Insolvency of the Transferor may result in an inability to repurchase Receivables

If any representation made by the Transferor about the Receivables proves to have been incorrect when made, the Transferor will be required to, *inter alia*, repurchase the affected Receivables from the Receivables Trustee (see "*The Receivables — Representations*"). If the Transferor becomes bankrupt or insolvent, the Transferor may be unable to repurchase Receivables, and Noteholders could incur a loss on their notes or an early redemption of their notes.

Insolvency of the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee could cause an early redemption of the Notes and/or a loss on the Notes

The ability of each of the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee to meet its obligations under the notes, the Loan Notes, the RTDSA or the RSD, as the case may be, will depend upon its continued solvency.

A company that has assets in the UK will be insolvent if its liabilities exceed its assets or if it is unable to pay its debts as they fall due. Each of the Issuer, Loan Note Issuer No. 1 and the Receivables Trustee has been structured so that the likelihood of its becoming insolvent is remote. Each of these entities is or will be contractually restricted from undertaking any business other than in connection with the financings described in this Base Prospectus. Each of them is expressly prohibited from incurring any additional indebtedness, except as permitted by the agreements to which it is a party, having any employees, owning any premises and establishing or acquiring any subsidiaries. Contractual provisions are contained in each of the agreements to which they are a party that will prohibit the other parties to those agreements from taking any actions against these entities that might lead to their insolvency. Together, these provisions help ensure that the likelihood of any of these entities becoming insolvent is remote.

Notwithstanding these actions, it is still possible that the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee could become insolvent. If this were to occur, Noteholders could suffer an early redemption of their notes or a loss on their notes.

Enforcement of the Security for the Notes

The Note Trustee may take steps to enforce the Security created under the Note Trust Deed and each Note Trust Deed Supplement in accordance with the provisions therein **provided that** the Note Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

If the Security for the notes of a Note Series created by the relevant Note Trust Deed Supplement is enforced following an Event of Default in respect of such Note Series, the Note Trustee will have recourse to payments due from Loan Note Issuer No. 1 under the Loan Note securing the Note Series of which the notes are a part. However, enforcement of the Security for the notes of a Note Series will not necessarily result in accelerated repayment of such notes. It is expected that the Note Trustee will only be able to distribute to Noteholders and other Noteholders within a particular Note Series those funds which are available under the Loan Note securing that Note Series. Prospective investors should also note that enforcement of all Security for the notes will not automatically result in acceleration of the payments under the corresponding Loan Note or enforcement of the relevant Loan Note Security. If the Security for the notes of a Note Series is enforced, the monies deposited in respect of the Loan Note securing that Note Series on each Transfer Date in the Issuer Distribution Account will be applied first to meet any remuneration due to any receiver appointed pursuant to the Note Trust Deed and the Note Trustee and to meet, *inter alia*, other fees, costs and amounts due to the Note Trustee as provided in the Note Trust Deed and applicable Note Trust Deed Supplement, secondly (to the extent not already paid) to meet the fees, costs and expenses of the Issuer and the Note Trustee, and then (as qualified by the next paragraph) to meet payments of principal and interest on the notes and payments to the Swap Counterparty. A "**Transfer Date**" means, in relation to any Monthly Period, the day that is one Business Day prior to the Distribution Date in the calendar month immediately following such Monthly Period.

In the event that the Security for the notes of a Note Series becomes enforceable in accordance with the terms and conditions of such note and the Note Trustee takes action in accordance with such terms and conditions and the relevant Swap Agreement is terminated, the net sums realised on assets subject to such Security may be insufficient to pay all the amounts due, if any, to the Swap Counterparty pursuant to such termination of the relevant Swap Agreements. In such event, the shortfall between amounts realised in relation to the relevant Loan Note and such amounts payable to the Swap Counterparty shall be borne simultaneously and equally by the Noteholders of the relevant Note Series and by the Swap Counterparty. However, in the event that a Swap Agreement is terminated as a result of a Counterparty Swap Event of Default (see "*Description of the Swap Agreements*"), then in respect of any termination payment to be paid by the Issuer to the Swap Counterparty, the Swap Counterparty will rank subordinate to the Noteholders of the relevant Note Series. For a complete description of the priority of termination payments please refer to "*The Loan Notes —Application of LNI Available Funds*".

Enforcement of the Loan Note Security

The Security Trustee may take steps to enforce the Loan Note Security created under the relevant Security Trust deed in accordance with the provisions therein **provided that** the Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

Upon enforcement of the Loan Note Security for any Loan Note comprised in the STDCMA, the Security Trustee will have recourse only to Loan Note Issuer No. 1's beneficial entitlement to trust property under the Penarth Receivables Trust to the extent of that part of the Investor Interest backing the relevant Loan Note. However, enforcement of the Loan Note Security in respect of a single Note Series will not result in accelerated repayment of all of the Loan Notes, except in the event of a Funding 1 Pay Out Event or a Trust

Pay Out Event (see "*The Loan Notes — Loan Note Events of Default*"). The Security Trustee will only be able to pay to the Issuer as beneficial holder of the Loan Notes those funds which are credited to the Distribution Ledger for the relevant Series in the Loan Note Issuer No. 1 Distribution Account (in accordance with each Final Terms or Drawdown Prospectus, as applicable). Loan Note Issuer No. 1 and the Security Trustee will have no recourse to Bank of Scotland other than the ability (in certain circumstances) to call upon the Receivables Trustee to exercise its rights against Bank of Scotland as Transferor under the RSD for any breach of certain representations in respect of the Receivables and for any breach of certain other obligations as therein defined. In summary, if the Loan Note Security is enforced, the monies deposited in the Loan Note Issuer No. 1 Distribution Account on each Transfer Date will be applied first to meet any remuneration due to any receiver appointed pursuant to the STDCMA and the Security Trustee, to meet other fees, costs and amounts due to the Security Trustee as provided in the STDCMA and to meet the fees, costs and expenses of Loan Note Issuer No. 1, and secondly to meet payments of principal and interest on the Loan Notes. If funds credited to the Loan Note Issuer No. 1 Distribution Account are insufficient to meet payments of principal and interest on the Loan Notes, payments of principal and interest on the notes may be delayed, reduced or lost.

The obligations of the cardholders under the Designated Accounts are unsecured

The Transferor may in the future assign only (or in the case of Scottish Receivables, declare a trust only in respect of) the benefit of the Receivables arising under Designated Accounts, which consists or will consist of unsecured monetary obligations of cardholders under the credit card agreements establishing the Designated Accounts, together with the benefit of certain amounts of acquired interchange, acquired insurance commission, insurance proceeds and exchange payments (to the extent capable of assignment or being held in a trust, as appropriate). No security has been given by any cardholder for any such monetary obligations, and the Transferor has no interest (and, therefore, cannot assign or hold in trust the benefit of any interest) in any property acquired by a cardholder with the proceeds of any credit extended to a cardholder under a Designated Account.

Reliance on third parties

Each of the Receivables Trustee, Loan Note Issuer No. 1 and the Issuer is a party to contracts with a number of other third parties that have agreed to perform certain services in relation to the Receivables. For example, the Servicer has agreed to provide services in respect of the Receivables under the RTDSA, the Cash Manager has agreed to provide certain cash management services under the STDCMA, the Swap Counterparty may agree to provide currency and/or interest rate swaps under any relevant Swap Agreement and the Paying Agents and the Agent Bank have agreed to provide payment and calculation service in connection with the notes under the Paying Agency Agreement. Each of the Servicer and Cash Manager may delegate all or part of their service obligations to another party in accordance with the RTDSA and STDCMA as applicable.

As part of the integration process as further described in "*Credit Card Portfolio*" below, Bank of Scotland (as Servicer and Cash Manager) may appoint another company within Lloyds Banking Group as the delegate servicer and/or delegate cash manager. On or about 1 November 2010, Bank of Scotland delegated to Lloyds Bank the servicing and administration of the Receivables transferred by Lloyds Bank to Bank of Scotland and subsequently transferred by Bank of Scotland to the Receivables Trustee. Disruptions in the servicing and/or cash management process, which may be caused by the failure to appoint a successor servicer and/or a successor cash manager (or, to the extent that the Servicer and/or Cash Manger are unable themselves to perform their obligations as Servicer and/or Cash Manager, a delegate servicer and/or delegate cash manager) or the failure of the Servicer and/or the Cash Manager to carry out its services, could lead to a loss on the notes and/or early redemption of the notes.

Each of the Receivables Trustee, Loan Note Issuer No. 1 and the Issuer will rely on the relevant third party or its delegate to exercise the rights and carry out the obligations under the respective agreement to which it is a party. In the event that any relevant third party or its delegate was to fail to perform its obligations under the respective agreement, one or more Trust Series and/or Note Series may be adversely affected.

In addition, any of the Receivables Trustee, Loan Note Issuer No. 1 and the Issuer may from time-to-time become subject to regulatory requirements that may require the affected entity to appoint a third party to provide relevant services and/or incur costs and expenses to enable it to comply with the regulatory requirements, for example in relation to the provision of information to one or more websites, such as any website set up (if any) by the European Securities and Markets Authority pursuant to paragraph 4 of Article

8(b) of Regulation (EC) No 462/2013 of the European Parliament and of the Council of 13 May 2013 on credit rating agencies. The Receivables Trustee, Loan Note Issuer No. 1 or the Issuer, as the case may be, could be in breach of the regulatory requirements and adversely affected if it were to be unable to find a third party to provide the relevant services or perform them itself. Moreover, any such regulatory requirements may give rise to additional costs and expenses for the affected entity which would be payable prior to making payments with respect to the notes and thereby reduce amounts available to make such payments.

In the event that the Receivables Trustee, Loan Note Issuer No. 1 and/or the Issuer were to be in breach of regulatory requirements or incur additional costs and expenses one or more Trust Series and/or Note Series may be adversely affected.

Recent changes to the regulatory structure in the United Kingdom may adversely affect a Material Originator

On 1 April 2014, the responsibility for regulating consumer credit was transferred from the Office of Fair Trading (the "**OFT**") to the Financial Conduct Authority (the "**FCA**"). This transition was principally achieved through amendments to the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and relevant secondary legislation, certain retained provisions of the Consumer Credit Act 1974 (as amended by the Consumer Credit Act 2006) (the "**CCA**"), relevant secondary legislation made under the CCA and new rules and guidance introduced into the FCA Handbook, principally the Consumer Credit Sourcebook (CONC).

Since 1 April 2014, all of the FCA's high level standards (with relevant modifications) have applied to firms which conduct consumer credit activities. In addition, the FSMA financial promotions regime now applies to consumer credit firms, which is more stringent than previous CCA advertising requirements.

The FCA has much stronger enforcement powers than were available to the OFT, including the power to bring criminal, civil and disciplinary proceedings, withdraw authorisations, ban firms from undertaking financial services, suspend firms or individuals for up to 12 months, issue unlimited fines and intervening in the consumer credit market, including by imposing restrictions on product features and selling practices or product bans. The FCA also has the power to require firms to reimburse consumers when they have lost out due to a firm's actions. In addition, breach by an authorised person of an FCA rule is actionable at the suit of a private person who suffers loss as a result of that breach.

Consumers continue to have access to the Financial Ombudsman Service (the "**FOS**"). Indeed, the FOS and the FCA have entered into a memorandum of understanding which sets out how they will cooperate with each other in the exercise of their respective functions.

The transfer of responsibilities from the OFT to the FCA represents a significant change to the way consumer credit agreements are regulated. Uncertainties remain about how the FCA will exercise its powers under the new consumer credit regime, which took effect on 1 April 2014 and brought all consumer credit firms operating in the UK within the FCA's supervisory regime. The FCA has the power to introduce new rules for the consumer credit sector as a result of its continuing work in this area. Increased regulation in this area could affect the future yield on the Securitised Portfolio, adversely affect payments on the notes, cause a loss on the notes and/or cause the early redemption of the notes.

Application of the Consumer Credit Act 1974, as amended by the Consumer Credit Act 2006 and other legislation may impede collection efforts, could cause early redemption of the Notes, affect the yield of the Notes or cause a loss on the Notes

There is an increasing volume of legislation that is applicable to consumer credit in the United Kingdom. A credit agreement is regulated by the CCA if, in the case of an agreement originated prior to 1 April 2014, (a) the customer is an "individual" as defined in the CCA (which includes certain small partnerships and certain unincorporated associations); (b) the amount of "credit" as defined in the CCA does not exceed any applicable financial limit in force when the credit agreement was made (since 6 April 2008, no applicable financial limit has been in force); and (c) the credit agreement is not an exempt agreement under the CCA (for example, certain credit agreements for business purposes with an amount of credit exceeding £25,000 are exempt agreements). In relation to charge card agreements entered into prior to November 2010, only the cash withdrawal element of the product is regulated by the CCA.

An agreement originated on or after 1 April 2014 will be regulated by the CCA if it is a "regulated credit agreement" for the purposes of Chapter 14A of Part 2 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "**RAO**"). This defines a "regulated credit agreement" as any agreement which involves the provision of credit of any amount by a lender to an individual and does not fall within any of the exemptions set out in articles 60C to 60H of the RAO).

The main consequences of a credit agreement being regulated by the CCA are set out below.

(a) ***Authorisation and regulation by the FCA***

Firms carrying on consumer credit activities must be authorised by the FCA with appropriate permissions (and, prior to 1 April 2014, had to be licensed by the OFT). If a credit agreement was entered into before 1 April 2014 and, at the time of entering into the credit agreement, either the lender or an introducing broker did not hold a CCA licence, the agreement would only be enforceable by obtaining the permission of the FCA (a "**Validation Order**"). A credit agreement entered into on or after 1 April 2014 would only be enforceable by obtaining a Validation Order from the FCA if the lender was not authorised under FSMA to carry on the regulated activity of entering into a regulated credit agreement (and was not exempt from the authorisation requirement) or if the broker was not authorised to carry on the regulated activity of credit broking (and was not exempt from the authorisation requirement).

Amongst other things, the FCA has the power to render unenforceable any contracts which are made in contravention of its temporary product intervention rules ("**TPIRs**") that prohibit authorised persons from taking a number of actions, such as entering into specified contracts with any person or with a specified person. TPIRs are intended to offer protection to consumers in the short term whilst the FCA and the consumer credit industry develops more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a TPIR, the FCA's rules provide: (i) the relevant agreement or obligation may be unenforceable; (ii) for the recovery of any money or other property paid or transferred under such agreements; or (iii) compensation for any loss sustained under the relevant agreement or obligation. In March 2013, the Financial Services Authority (as precursor to the FCA) published a policy statement entitled "*The FCA's use of temporary product intervention rules*" following a consultation addressing when and how the FCA will consider making TPIRs. The FCA stated that it will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment to the market and to individual customers, including whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment.

The FCA also has the power to make rules limiting the cost of credit and duration of credit agreements. These rules may prohibit an authorised person from entering into regulated credit agreements on terms which infringe these limits. In relation to agreements entered into in breach of the limits, the FCA's rules may: (i) provide for the agreement to be unenforceable; (ii) provide for the recovery of any money or other property paid or transferred under the agreement; or (iii) provide for the payment of compensation for any loss sustained under the agreement.

The FCA has previously consulted on its proposals to introduce a price cap on certain "high-cost short-term credit" products often referred to as payday lending. The rules setting out the terms of the price cap were announced in November 2014 and came into force for "high-cost short-term credit" providers on 2 January 2015. In May 2018, the FCA published a consultation paper (CP18/12), in which the FCA announced proposed rules in relation to overdrafts, home-collected credit, rent-to-own products, catalogue credit and store cards and similar products dealing with, among other items, persistent debt. In December 2018, the FCA published its feedback to CP 18/12, This included a proposal for a price cap for rent-to-own ("**RTO**") products; under the proposed cap, credit charges cannot cost more than the cost of the product. Firms would also be required to benchmark the cost of products against prices charged by three other retailers.

This also contained the final rules on "buy now pay later" ("**BNPL**") for home collected credit, catalogue credit and store cards. Firms will be required to provide adequate explanations of what it will cost the consumer if they fail to repay within the offer period and prompts when the BNPL offer is about to end.

The FCA have also published CP 18/42 as part of their high-cost credit review, in relation to the overdrafts issued considered in CP 18/12. This consultation paper sets out a package of remedies for overly complex overdrafts, which includes preventing firms from charging higher prices when customers use an unarranged overdraft, and simplifying overdraft pricing by removing fixed daily or monthly charges. Responses to both CP 18/42 and CP 18/43 are required by 18 March 2019. If these changes were to be implemented, they may impact the manner in which the Issuer conducts business, and may require new compliance procedures and pricing models to be put in place.

If a Credit Card Agreement related to a Designated Account has not been executed or modified in accordance with the provisions of the CCA and is rendered unenforceable as a result, the principal receivables arising thereon will be treated as Ineligible Receivables.

(b) ***Enforcement of improperly executed or modified credit card agreements***

Any credit card agreement that is regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures and (in so far as applicable) pre-contract disclosure. If a credit card agreement entered into before 6 April 2007 does not comply with these requirements or is made with an unlicensed lender, then it may, depending upon the nature of the non-compliance and origination of the agreement, be either totally unenforceable or enforceable only with a court order. Total unenforceability only applies to agreements entered into before 6 April 2007, where such agreement is improperly executed, in circumstances where the credit card agreement has failed to comply with the requirements of the CCA as to form and content, signing and provision of copies including cancellation notices.

In respect of credit card agreements entered into on or after 6 April 2007, the total unenforceability provisions do not apply. Accordingly, if such an agreement does not comply with the relevant requirements, the court is able to exercise its discretion as to whether the agreement may be enforced.

Where the court is able to exercise its discretion, the court shall have regard to any prejudice suffered by the cardholder on account of the failure to comply with the relevant requirements, and any culpability on the part of the creditor.

In cases where a failure to comply strictly with the CCA requirements renders the agreement unenforceable without a court order, neither the Transferor nor Lloyds Bank can guarantee that a court order could be obtained if required. In deciding whether to enforce the agreement, the court will take into account any prejudice suffered by the cardholder and any culpability on the part of the creditor. The court also has the discretion if it appears just to do so, to amend the credit card agreement, impose conditions upon its performance or to make a time order (for example, give extra time for arrears to be cleared). Where the court is able to exercise its discretion, it will do so on a case-by-case basis and the Transferor and Lloyds Bank are therefore unable to confirm the likelihood of such court orders being obtained.

The drafting requirements which relate to consumer credit agreements are prescriptive and intricate although these requirements were relaxed by the Second EU Directive relating to Consumer Credit in relation to new agreements entered into from November 2010. As is common with many other UK credit card issuers, some Credit Card Agreements do not comply in all respects with the CCA, the Unfair Terms in Consumer Contracts Regulations 1999 (the "**UTCCRs**"), the Consumer Rights Act 2015 ("**CRA**") or other related legislation.

In addition, Bank of Scotland and Lloyds Bank, in common with many other UK credit card issuers, have received and expect to continue to receive correspondence from and to have discussions with, the FCA and the Competition and Market Authority (the "**CMA**") (as applicable) in relation to concerns the FCA and CMA may raise from time to time in respect of compliance of the Credit Card Agreements with the CCA, the UTCCRs, the CRA or other related legislation, or any other concerns that the FCA or CMA may have in respect of the Credit Card Agreements or a Material Originators' advertising, marketing or administration thereof.

If a Credit Card Agreement related to a Designated Account has not been executed or modified in accordance with the provisions of the CCA and is completely unenforceable as a result, the principal receivables arising thereon will be treated as Ineligible Receivables.

(c) ***Remedies for the imposition of an unfair relationship***

The unfair relationship test under Sections 140A to 140C of the CCA is applicable to any agreement (that is not otherwise exempt) between a debtor and a creditor, by which the creditor provides the debtor with credit of any amount, including those entered into prior to the commencement date of the unfair relationship test. There is no statutory definition of what constitutes an unfair relationship. The test allows the courts to be able to consider a wide range of circumstances surrounding the transaction, including matters relating to the creditor and matters relating to the debtor. Once the cardholder alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary.

If a credit card agreement is found to be the subject of an unfair relationship, the court may require the creditor to repay sums to the debtor, to do, not do or cease doing anything in relation to such agreement, reduce or discharge any sums payable by the debtor or surety, return property provided by a surety, otherwise set aside any duty imposed on the debtor, alter the terms of the agreement or direct accounts to be taken. In addition, it is possible that certain clauses of a credit card agreement may be found to be unfair under the UTCCRs or the CRA. Such unfair clauses may be found by the courts to be unenforceable against the consumer.

The possible unenforceability of liabilities due to an underlying Credit Card Agreement constituting an unfair relationship may result in unrecoverable losses on Designated Accounts to which such agreements apply. If losses arise on these accounts, they will be written off and borne by the Investor Beneficiaries and Transferor Beneficiary based on their interests in the Penarth Receivables Trust. Accordingly, this may result in adverse consequences for Noteholders such as a loss on the notes or early redemption of the notes.

With respect to those Credit Card Agreements which may not be compliant such that a court order enforcing such agreement could not be obtained, neither Bank of Scotland nor Lloyds Bank anticipate any material increase in the percentage of these Receivables in the Securitised Portfolio. In respect of those Designated Accounts that do not comply with the CCA, it may still be possible to collect payments and seek arrears from cardholders who are falling behind with their payments. It is unlikely that Bank of Scotland or Lloyds Bank will have an obligation to pay or to account to a cardholder for any payments received by a cardholder because of this non-compliance with the CCA. Any such receivables will be treated by the Receivables Trustee as Ineligible Receivables. See "*The Receivables - Representations*".

(d) ***Liability for supplier's misrepresentation or breach of contract***

Transactions involving the use of a credit card may constitute transactions under debtor creditor supplier agreements for the purposes of section 75 of the CCA. A debtor creditor supplier agreement includes an agreement by which the creditor advances funds to finance the debtor's purchase of goods or services from a supplier.

Section 75 of the CCA provides that if a supplier makes a misrepresentation or commits a breach of contract in relation to a debtor-creditor-supplier agreement, the creditor is jointly and severally liable to the debtor for any claim against the supplier. This right extends only to claims relating to items with a cash price of more than £100 and less than or equal to £30,000. The cardholder's rights under section 75 would survive the sale of the Receivables to the Penarth Receivables Trust. As a result, the Receivables Trustee may not receive the full amount otherwise owed by the cardholder.

The Receivables Trustee has agreed on a limited recourse basis to indemnify Bank of Scotland for any loss suffered by it from a cardholder claim under section 75 of the CCA. This indemnity cannot exceed the original outstanding principal balance of the affected charges on a Designated Account. The Receivables Trustee's indemnity will be payable only from and to the extent of Excess Spread on the Receivables.

Satisfaction by the Receivables Trustee of any such indemnity payment (as described above) could have the effect of reducing or eliminating Excess Spread which might otherwise have been available to Loan Note Issuer No. 1. These consequences could result in Noteholders incurring a loss on their investment or suffering an early redemption of their notes.

Bank of Scotland will have rights of indemnity against suppliers under section 75 of the CCA. Bank of Scotland may also be able to "charge-back" the transaction in dispute with the supplier under the operating regulations of VISA®, MasterCard® or American Express®. Any amounts that Bank of Scotland recovers from the supplier will reduce Bank of Scotland's loss for the purposes of the Receivables Trustee's indemnity.

(e) ***Effect of the EU Multilateral Interchange Fees Regulation***

In line with recent European Court of Justice decisions in respect of card schemes and multilateral interchange fees ("**MIF's**"), in June 2013 the European Commission published its proposal for a Regulation on interchange fees for consumer credit card or debit card based payment transactions (the "**MIF Regulation**"), with the aim of stipulating technical and business requirements for payment card transactions within the EU. The MIF Regulation introduces: (i) maximum interchange fees for consumer debit and credit cards; (ii) rules that allow retailers to choose which cards to accept; and (iii) new transparency rules for all transactions which are intended to remove major obstacles to technological innovation.

The MIF Regulation was published in the Official Journal of the European Union on 19 May 2015. The interchange fee caps came into effect on 9 December 2015 (subject to some transitional periods during which Member States have limited discretion as to how they implement the fee caps) and the majority of provisions relating to business rules came into effect on 9 June 2016.

The MIF Regulation includes a strongly worded anti-circumvention provision, whereby any net compensation received by an issuing bank from a payment card scheme in relation to payment transactions or related activities will be treated as part of the interchange fee. Therefore, it is possible that other payments unrelated to MIF could be caught by these provisions. Restrictions in licensing agreements for issuing or acquiring payment card transactions are also prohibited.

The new rules will not apply to so-called three-party card schemes in circumstances where the card is both issued and processed within the same scheme. Commercial cards will also be exempt from the new rules.

The introduction of caps on interchange fees could affect the future yield on the Securitised Portfolio and thereby decrease funds available to investors and increase the risk of non-payment and/or the early redemption of the notes.

(f) ***EU directive on unfair business-to-consumer commercial practices***

The Consumer Protection from Unfair Trading Regulations (the "**CPR**") implements the EU directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). Such practices include misleading acts or omissions, aggressive sales tactics and failure to comply with the requirements of professional diligence. In addition, the CPR prohibits certain practices, which are deemed to be "unfair" within the terms of the CPR. Breach of the CPR does not (of itself) render an agreement void or unenforceable, but it is an offence and the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit card agreement may result in unrecoverable losses on amounts to which such agreements apply.

On 1 October 2014, the CPR was amended by the Consumer Protection (Amendment) Regulations 2014. The new regulations provide consumers with a direct right of civil action for prohibited practices, including a right to unwind agreements. If losses arise on the Designated Accounts, they will be borne by the Investor Beneficiaries and the Transferor Beneficiary on the basis of their respective interests in the Penarth Receivables Trust. This may result in adverse consequences such as a loss on, or the early redemption of, the notes.

Application of the Unfair Terms in Consumer Contracts Regulations 1999 and Consumer Rights Act 2015 may impede collection efforts and could cause early redemption of the Notes or a loss on the Notes

The CRA received royal assent on 26 March 2015 and its main provisions (including revocation of UTCCR) came into force on 1 October 2015. The FCA has explained in its Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) that the UTCCR will continue to apply to contracts entered into before 1 October 2015. However, the CRA will apply instead in relation to underlying credit agreements entered into on or after 1 October 2015 and announcements or communications made to consumers on or after 1 October 2015 to the extent they relate to the rights and obligations between a trader and a consumer or purport to exclude a trader's liability to a consumer.

(a) ***UTCCR***

The UTCCRs render unenforceable unfair terms in business-to-consumer contracts (subject to certain exceptions). The UTCCRs provide that: (a) a consumer may challenge a standard term in a contract on the basis that it is unfair and not binding on the consumer (although the rest of the contract continues to bind the parties if it is capable of continuing in existence without the unfair term); and (b) the CMA and any qualifying body (such as the FCA and local trading standards authorities) may seek to prevent a business from relying on unfair terms. Were any term of the credit agreements to be rendered unenforceable under the UTCCR, this may reduce the Issuer's ability to make payments of interest and/or principal on the notes.

The FCA addresses unfair terms in its regulation of consumer credit. The OFT had previously carried out an investigation into credit card default fees and on 5 April 2006 issued a statement about the principles that credit card issuers should follow in setting default fees, which were also likely to be relevant to analogous default fees in other contracts. The principles were, in essence, that terms imposing default fees should not have the object of raising more in revenue than was reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of the consumer's default. This guidance now forms part of the Consumer Credit Sourcebook of the FCA Handbook ("**CONC**"), specifically CONC 7.7.5R, which provides that "a firm must not impose charges on customers in default or arrears difficulties unless the charges are no higher than necessary to cover the reasonable costs of the firm".

(b) ***Consumer Rights Act***

The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime replacing both the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR.

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract." Although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason, the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A consumer contract may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it; unless it appears on the "grey list" referenced above. A trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent i.e. that it is expressed in plain and intelligible language and is legible.

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings has explicitly raised the issue of fairness.

The CRA also applies to announcements or communications made to consumers on or after 1 October 2015, to the extent they relate to the rights and obligations between a trader and a consumer or purport to exclude a trader's liability to a consumer.

In May 2018, the FCA published a consultation on new guidance on unfair contract terms, "*Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015*". The finalised guidance (FG 18/7) was published in December 2018, and outlines a comprehensive list of factors financial services firms should consider under the CRA when drafting, reviewing and/or implementing variation terms in their consumer contracts. The factors that the FCA considers to be indicative of fairness and transparency of a variation term include whether the consumer has freedom to exit the contract, in the case of an unfavourable variation, and whether the variation is reasonably necessary to achieve a legitimate purpose.

This new regime, which applies to underlying credit agreements entered into on or after 1 October 2015, does not seem to be significantly different from the regime under the UTCCR. However, this area of law is rapidly developing and new regulatory guidance and case law can be expected as a result of this new legislation.

The broad and general wording of the UTCCR and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a particular term to be unfair. It is therefore possible that any underlying credit agreements made with consumers may be found to contain unfair terms, which may result in the possible unenforceability of those unfair terms. No assurance can be given that any regulatory action or guidance in respect of the UTCCR or the CRA will not have a material adverse effect on the underlying credit agreements relating to the Designated Accounts and accordingly on the Issuer's ability to make payments in full when due on the notes.

Decisions of the FOS could override some of the terms of the loans, which may adversely affect payments on the Notes

Under the FSMA, the FOS is required to make decisions on (among other things) complaints relating to the terms in agreements under its jurisdiction on the basis of what, in the FOS's opinion, would be fair and reasonable in all circumstances of the case, taking into account (among other things) law and guidance. Complaints brought before the FOS 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 FOS. The FOS may make a money award to a borrower, which may adversely affect the value at which loans could be realised and accordingly the ability of the Issuer to make payments in full when due on the notes.

Impact of regulatory initiatives on certain investors

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the notes. In Europe, the US and elsewhere there is increased political and regulatory scrutiny of the asset backed securities industry. This has resulted in a range of measures for increased regulation 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 have a negative impact on the price and liquidity of such securities, including the notes. Investors in the notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Lead Managers, any Dealers or Bank of Scotland makes any representation to any prospective investor or purchaser of the notes regarding the regulatory capital treatment of their investment in the notes on the date of this Base Prospectus or at any time in the future.

On 20 November 2017, the Council of the European Union approved the final versions of Securitisation Regulation (Regulation (EU) 2017/2402) (the "**Securitisation Regulation**") and on 28 December 2017 the Securitisation Regulation was published in the Official Journal of the European Union. Investors to which the Securitisation Regulation applies should also see the section "*Regulatory Disclosure*".

The Securitisation Regulation includes revised risk retention and transparency requirements (now imposed variously on the issuer, originator, sponsor and/or original lender of a securitisation) and new due diligence requirements imposed on Affected Investors (as defined below) in a securitisation. In general, the requirements imposed under the Securitisation Regulation are more onerous and have a wider scope than those imposed under the legislation which the Securitisation Regulation replaced. If the due diligence requirements under the Securitisation Regulation are not satisfied then, depending on the regulatory requirements applicable to such Affected Investor, an additional risk weight, regulatory capital charge and/or other regulatory sanction may be applied to such securitisation investment and/or the Affected Investor. Affected Investors should carefully consult their own regulatory requirements.

Certain, but not all, Affected Investors may be subject to risk weights and/or regulatory requirements. Affected Investors should carefully consider (and, where appropriate, take independent advice) in relation to the risk weights and capital charges associated with an investment in the Notes and any other regulatory sanctions that may apply to them.

The effects of the changes set out above may include, but are not limited to, a decrease in demand for the Notes in the secondary market, which may lead to a decreased price for the Notes. It may also lead to decreased liquidity and increased volatility in the secondary market. Prospective Affected Investors are themselves responsible for monitoring and assessing changes to the EU risk retention rules and their risk weighting and regulatory capital requirements and any regulatory sanction that may apply to them. As a result of the foregoing, an investor's ability to resell its Notes may be further limited, and an investor must be prepared to bear the risk of holding its Notes until maturity.

The Securitisation Regulation provides for, amongst others, favourable capital treatment for transactions that are designated as "simple, transparent and standardised" securitisations ("**STS**" and such transaction being an "**STS Securitisation**"). Notes issued under the Programme are not yet the subject of an STS notification (as defined in the Securitisation Regulation) and thus do not appear on the list of STS Securitisations. Whilst the consequences of such lack of STS status are unclear, it may, amongst other things, adversely affect the liquidity and/or value of the Notes.

In addition, the Securitisation Regulation (and in particular, Article 7 of the Securitisation Regulation) imposes certain enhanced disclosure requirements in respect of all securitisation transactions. As of the date of this Base Prospectus, the final ESMA disclosure templates to be completed in accordance with Article 7 of the Securitisation Regulation were not available. Therefore in accordance with the transitional provisions, compliance with Article 7 of the Securitisation Regulation shall be satisfied using the CRA3 templates (until the final approval of the ESMA templates is available) and is subject to a joint statement published on 30 November 2018 by ESMA and the other European supervisory authorities sought to provide some comfort that competent authorities should use their supervisory powers in relation to the interim requirements for reporting under Articles 7(1)(a) and (e) in a proportionate and risk-based manner. However, it is not possible to predict the manner, if any, in which competent authorities will take account of the joint statement when exercising powers under the EU Securitisation Regulation. The date of publication of the final ESMA disclosure templates, and the process for their implementation, including the availability of any transitional period or grandfathering for securitisation transactions that closed prior to such publication date is unclear, and it may, amongst other things, adversely affect the ability of the Issuer (in its capacity as the designated entity responsible for compliance with Article 7 of the Securitisation Regulation, pursuant to Article 7(2) of the Securitisation Regulation), and thus the transaction contemplated by this Base Prospectus, to comply with the Securitisation Regulation. Such non-compliance and resulting penalties may, amongst other things, adversely affect the ability of the Issuer to make payments under the Notes and may adversely affect the liquidity and/or value of the Notes.

"**Affected Investor**" means each of EU-regulated credit institutions, EU-regulated investment firms, certain alternative investment fund managers, EU-regulated insurers or reinsurers, certain investment companies authorized in accordance with Directive 2009/65/EC, managing companies as defined in Directive 2009/65/EC (together, "**UCITS**"), institutions for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 (subject to certain exceptions), and certain investment managers and authorised entities appointed by such institutions (together, "**IORPs**") subject thereto.

Ongoing regulatory investigations may affect the yield obtained by/on the Securitised Portfolio and cause a loss on and/or the Early Redemption of the Notes

There are various ongoing regulatory investigations into consumer credit and related financial services, in particular by CMA and the FCA. The outcome of these investigations is uncertain but they may have an impact on the yield obtained on the Securitised Portfolio.

Transfer of benefit of receivables

The transfer by the Transferor to the Receivables Trustee of the benefit of the Receivables is governed by both English law and by Scots law, as applicable, and takes effect in equity only, except in the case of Scottish Receivables, in which case the transfer takes effect under a declaration of trust which is governed by Scots law pursuant to which the beneficial interest in the Scottish Receivables as trust property is vested in the Receivables Trustee.

The Receivables Trustee has agreed that, as regards Receivables that are governed by English law, notices of assignment will not be given to cardholders of the assignment of the benefit of such Receivables and, as regards Scottish Receivables, a full assignation followed by notice of assignation will not be required, in each case, unless Bank of Scotland's long-term senior unsecured indebtedness as rated by Standard & Poor's or Fitch Ratings or Moody's were to fall below BBB+, BBB+ or Baa2, respectively.

Until notice of assignment is given to the cardholders (which will be following an assignation occurring in the case of Scottish Receivables), each cardholder will discharge his or her obligations under the Designated Account by making payment to the Transferor or the Material Originator in respect of such Transferor (as applicable).

Until notice of assignment is given to a cardholder (which will be following an assignation occurring in the case of Scottish Receivables) who is a depositor or other creditor of the Transferor or the Material Originator, as applicable, equitable and other set-offs may accrue in favour of that cardholder against his or her obligation to make payments under the credit card agreement to that Transferor or the Material Originator, as applicable, (including any set-off in relation to entitlement of the relevant Obligor to an amount of Cash Back). These rights of set-off may result in the Receivables Trustee receiving less monies than anticipated from the Receivables.

The transfer of the benefit of the Receivables to the Receivables Trustee will be subject both to any prior equities and similar rights that have arisen in favour of the cardholder and to any equities or similar rights that may arise in the cardholder's favour after the transfer. Where a notice of assignment is given to a cardholder (and following an assignation in the case of Scottish Receivables), certain rights of set-off may not arise after the date of the notice of assignment.

Failure to give notice of assignment or assignation, as appropriate, to the cardholder means that the Receivables Trustee would not take priority over any interest of a later encumbrancer or transferee of the Transferor's rights who has no notice of the transfer to the Receivables Trustee. This could lead to a loss on and/or the early redemption of the notes.

Failure to give notice of assignment or assignation, as appropriate, to the cardholder also means that the Transferor or the Material Originator, as applicable, or the cardholder could amend the credit card agreement without obtaining the Receivables Trustee's consent. This could adversely affect the Receivables Trustee's interest in the Receivables, which could lead to an early redemption of, and/or a loss on, the notes.

Competition in the UK credit card industry

The credit card industry in the United Kingdom is highly competitive. There is increased competitive use of advertising, targeted marketing and pricing competition in interest rates, loyalty schemes and cardholder fees as both traditional and new card issuers seek to expand their presence in or enter the UK market and compete for customers.

Certain card issuers may rely on customer loyalty and may have particular ways of reaching and attracting customers. For example, major supermarket retailers are promoting the use of their own cards through extensive in-store campaigns and low introductory interest rates ("**Promotional Rates**").

This competitive environment may affect the Transferor's and Lloyds Bank's ability to originate new accounts and generate new Receivables and may also affect the level of retention of existing accounts. The Transferor and Lloyds Bank have originated new accounts on both Promotional Rates and on the basis of rewards packages and as a result are not as dependent on Promotional Rates as some card issuers. Accounts originated as a result of Promotional Rates or rewards packages may be more susceptible to attrition upon expiration of the Promotional Rate (i.e. at repricing) or the relevant rewards package than accounts originated without a Promotional Rate or rewards package. If the rate at which new Receivables are generated declines significantly and if the Transferor is unable to nominate additional accounts or product lines for the Receivables Trust, a Pay Out Event could occur with respect to any Note Series issued under this Base Prospectus and the relevant Final Terms or Drawdown Prospectus, as applicable. Such a Pay Out Event could result in an early redemption of the notes.

Social, legal, political and economic factors may affect repayment

Changes in card use, the forms of statements, credit and payment patterns, amounts of yield on the card portfolio generally and the rate of defaults by cardholders may result from a variety of social, legal, political and economic factors in the United Kingdom. Social factors include changes in public confidence levels, attitudes toward incurring debt and perception of the use of credit cards. Economic factors include the rate of inflation, the unemployment rate and relative interest rates offered for various types of loans. For example, a further severe deterioration in the economy coupled with rising unemployment and Bank of England base rates could have a negative impact on credit card businesses in the United Kingdom. Political factors include lobbying from interest groups, such as consumers and retailers, and government initiatives in consumer and related affairs. For example, in November 2014, the FCA announced a market study to build up a detailed knowledge of the UK credit card market and assess any potential issues (the "**Credit Card Market Study**"). The Credit Card Market Study focuses on credit card services offered to retail consumers by credit card providers. In particular, the FCA have been exploring three main areas: (i) the extent to which consumers drive effective competition through shopping around and switching credit card providers; (ii) how firms recover their costs across different cardholder groups and the impact of this on the market; and (iii) the extent of unaffordable credit card debt; in particular whether some consumers are over-borrowing or underpaying on their balances and whether firms have incentives to provide unaffordable lending to consumer detriment. The FCA published its interim report in November 2015 and its final report in July 2016 which found that whilst in most of the market, competition is working fairly well for consumers, it proposed certain remedies in relation to (i) shopping around and switching; and (ii) affordability and problem debt. Such remedies include: (i) making new rules, including changes to or potential withdrawal of rules; (ii) using firm-specific enforcement powers, for example changing firm permissions or adding requirements; (iii) making proposals for enhanced industry self-regulation; and (iv) publishing handbook guidance. In relation to problem debt, the FCA published a policy statement (PS18/4) in February 2018 which sets out the final rules and guidance to address (i) persistent debtors (ii) early intervention for problem debtors and (iii) rules to control unsolicited credit line increases. The rules set out in PS18/4 came into effect 1 March 2018 and firms were required to be fully compliant by 1 September 2018.

It is difficult to determine and there is no basis on which to predict accurately whether, or to what extent, social, legal, political or economic factors will affect the future use of credit, default rates or the yield on the portfolio generally or cardholder repayment patterns.

Ability to change terms of the Credit Card Agreements

The Transferor only assigns Receivables arising on Designated Accounts to the Receivables Trustee and does not assign all of its rights under Credit Card Agreements relating to the Designated Accounts. Accordingly, in respect of Designated Accounts owned by the Transferor, the Transferor retains the right to determine the monthly Periodic Finance Charges and other fees which will be applicable from time to time to such Designated Accounts, to alter the minimum monthly payment required on such Designated Accounts and to change various other terms with respect to such Designated Accounts, including increasing or decreasing the annual percentage rate. Similarly, because Lloyds Bank retains the legal ownership of the Lloyds Bank Designated Accounts, it retains the right to determine the Monthly Periodic Finance Charges and other fees which will be applicable from time to time to the Lloyds Bank Designated Accounts and to change various other terms with respect to the Lloyds Bank Designated Accounts, including increasing or decreasing the annual percentage rate. A decrease in the monthly Periodic Finance Charges and a reduction in credit card or other fees would decrease the effective yield on the Designated Accounts and could result in the occurrence of an Early Redemption Event with respect to each Note Series.

Each of the Transferor and Lloyds Bank (as a Material Originator) has agreed that, except as otherwise required by law or as may be determined by the Transferor or Lloyds Bank (as relevant) to be necessary in order to maintain its credit card business, based upon a good faith assessment by the Transferor or Lloyds Bank (as relevant) in its sole discretion of the nature of competition in the credit card business in the UK as a whole or, in the case of Accounts in an additional jurisdiction, the nature of competition in the credit card business in that additional jurisdiction as a whole, the Transferor and Lloyds Bank will not reduce the monthly interest rate assessed on Receivables existing or arising under any Designated Account ("**Periodic Finance Charges**") or other fees otherwise required by law on the Designated Accounts if, as a result of such reduction, the Transferor's or Lloyds Bank's (as relevant) reasonable expectation is that an Early Redemption Event would occur (see "*The Receivables*" and also see "*Credit Card Portfolio*").

In addition, the Transferor or Lloyds Bank (as a Material Originator) may change the terms of the Credit Card Agreements or its usual policies, procedures and practices relating to the operation of its general credit card business (the "**Credit Card Guidelines**") (including without limitation the reduction of the required minimum monthly payment and the calculation of the amount or the timing of finance charges, credit card fees, and charge-offs), if such change (i) would not, in the reasonable belief of the Transferor or Lloyds Bank (as relevant), cause a Pay Out Event to occur and (ii) is made applicable to the comparable segment of revolving credit card accounts owned and serviced by the Transferor or Lloyds Bank (as relevant) which have characteristics the same as or substantially similar to the Designated Accounts which are subject to such change (unless the Transferor or Lloyds Bank (as relevant) may not do so by the terms of an endorsement, sponsorship or other agreement between the Transferor or Lloyds Bank (as relevant) and an unrelated third party or by the terms of the relevant Credit Card Agreement).

Notwithstanding the above, neither the Transferor nor Lloyds Bank may amend the terms and conditions of the Credit Card Agreements relating to the governing law of the agreements, the assignability of the agreements or the ability of the Transferor or Lloyds Bank (as relevant) to provide information regarding cardholders to any person assuming the Transferor's or Lloyds Bank's (as relevant) rights under the Credit Card Agreements.

Except as specified above, there are no restrictions (other than restrictions at law) on the Transferor's or Lloyds Bank's (as relevant) ability to change the terms of the Credit Card Agreements. Changes in applicable law, changes in the marketplace or prudent business practice may result in the Transferor or Lloyds Bank (as relevant) seeking to make changes of terms as referred to above.

A change in the terms of the Credit Card Agreements or Credit Card Guidelines may result in reduced, delayed or accelerated payments on the notes and a reduction of the credit rating of the notes.

Principal on the Notes may be paid earlier than expected – creating a reinvestment risk to Noteholders – or later than expected

The Receivables in the Penarth Receivables Trust may be paid at any time and there can be no assurance that new Receivables will be generated or will be generated at levels needed to maintain the Penarth Receivables Trust. To prevent the early redemption of the notes, new Receivables must be generated and added to the Penarth Receivables Trust or new Accounts must be originated and designated for the Penarth Receivables Trust. The Penarth Receivables Trust is required to maintain a minimum amount of Receivables. The generation of new Receivables or Receivables in new Accounts will be affected by Bank of Scotland's and Lloyds Bank's (as a Material Originator) ability to compete in the then current industry environment and by customers' changing borrowing and payment patterns. If there is a decline in the generation of new Receivables or new Accounts, Noteholders may be repaid the principal on their notes before the Scheduled Redemption Date.

One factor that affects the level of finance charges and principal collections is the extent of convenience usage. Convenience usage means that the cardholders pay their account balances in full on or prior to the due date. The cardholder, therefore, avoids all finance charges on his or her Account. An increase in the convenience usage by cardholders would decrease the effective yield on the Accounts and could cause a Pay Out Event with respect to any Note Series issued under this Base Prospectus and the relevant Final Terms or Drawdown Prospectus, as applicable and therefore possibly an early redemption of the notes.

No premium will be paid upon an early redemption of the notes. If Noteholders receive principal on the notes earlier than expected, Noteholders may not be able to reinvest such principal at a similar rate of return.

Alternatively, a decrease in convenience usage may reduce the principal payment rate on the Accounts. This could result in Noteholders receiving the principal on their notes later than expected.

The Notes will not have the benefit of any external credit enhancement

Credit enhancement for the notes is limited and, unless otherwise indicated in the corresponding Final Terms or Drawdown Prospectus, the notes will not benefit from any external credit enhancement. The only assets that will be available to make payment on the notes are the assets of the Issuer charged to secure payment of the notes (principally the relevant Loan Note in relation to such notes).

Disruptions to cashflow may lead to a loss on the Notes

If problems develop with the Receivables, such as an increase in losses on the Receivables, or if there are problems in the collection and transfer of the Receivables to the Penarth Receivables Trust, or if the Swap Counterparty, if any, fails to make payments on the relevant Swap Agreement, it is possible that Noteholders may not receive the full amount of interest and principal that they would otherwise receive.

Creation of further Trust Series

Additional Trust Series (see "*The Penarth Receivables Trust — General legal structure*" below) may from time to time be created in the Penarth Receivables Trust. Any payments by the Issuer in respect of any Trust Series created after the Trust Series linked to Global Loan Note No. 1 and any notes issued by the beneficial owner at any time of a Loan Note (a "**Loan Note Holder**") in order to finance or refinance the acquisition or holding of the said Loan Note (the "**Associated Debt**") will be ultimately funded by new beneficial entitlements and Related Loan Notes and such amounts will be payable from the Receivables in the Penarth Receivables Trust. The principal terms of new beneficial entitlements will be contained in a new Supplement to the RTDSA. The terms of a new Trust Series contained in a new Supplement to the RTDSA will not be subject to prior review or consent of Noteholders of any Note Series.

The terms of a new Trust Series may include methods for determining the Floating Investor Percentage and the Principal Investor Percentage (collectively, the "**Investor Percentages**") and allocating Collections, provisions creating different or additional Security or other credit enhancement for the new Trust Series, provisions subordinating the new Trust Series to other Trust Series and other amendments of or supplements to the RTDSA that apply only to the new Trust Series. It is a condition to the issuance of a new Trust Series that each Rating Agency that has rated any Associated Debt that is outstanding — including any Note Series — confirms in writing that the issuance of the new Trust Series will not result in a reduction or withdrawal of its then current rating or ratings.

However, the terms of a new Trust Series could adversely affect the timing and amounts of payments on any other outstanding Trust Series including the Trust Series relating to all Note Series issued by the Issuer.

No Trust Series under the Penarth Receivables Trust will be subordinated to any other Trust Series. Loan Note Issuer No. 1 will not be subordinated to any other beneficiary. The addition of further Trust Series to the Penarth Receivables Trust will not vary the terms of any of the other existing Trust Series, but may affect existing Trust Series as set out in the paragraph above.

Addition of trust assets

The Transferor may nominate additional Accounts to become Designated Accounts from time to time and offer to the Receivables Trustee an assignment of (or, in the case of Scottish Receivables, to hold on trust for the Receivables Trustee) the Receivables arising under such additional Accounts. Such additional Accounts may include Accounts originated or acquired using criteria different from those which were applied to Designated Accounts already in existence, because such additional Accounts were originated by the Transferor at a different date or may have been acquired by the Transferor from another institution. In addition and as set out elsewhere in this Base Prospectus, subject to the satisfaction of certain conditions, the Transferor may designate any member of Lloyds Banking Group which from time to time originates Accounts or to whom legal and beneficial title to any Accounts has been transferred from time to time offer to assign and/or hold on trust all Existing Receivables and Future Receivables arising on such Accounts in accordance with the provisions set out in the RSD. Such Accounts may be originated using criteria different from those which were applied to Designated Accounts already in existence and may have terms and conditions and different performance characteristics.

Consequently, there can be no assurance that such additional Accounts or receivables of an Additional Transferor nominated in any Offer made to the Receivables Trustee in the future will be of the same credit quality as the Designated Accounts as at the initial Offer date. In addition, the Transferor may offer to the Receivables Trustee an assignment of (or, in the case of Scottish Receivables, to hold in trust for the Receivables Trustee) participations in other pools of Receivables (see "*The Receivables — Participations*").

Notwithstanding the foregoing, the Transferor is not entitled to nominate additional Accounts which are not Eligible Accounts and which do not satisfy the Maximum Addition Amount criteria without the confirmation from each Rating Agency that it will not withdraw or reduce its then existing rating of any outstanding Associated Debt (including any Note Series) (see "*The Receivables — Assignments of Receivables to the Receivables Trustee*"). In addition, the Transferor may seek confirmation from each Rating Agency in order to offer significant additional amounts of Receivables to the Receivables Trustee which it may acquire from time to time from third party originators.

If the designation of additional Accounts decreases the average credit quality of the Receivables in Penarth Receivables Trust, payments of principal and interest on the notes may be reduced, delayed, lost or accelerated.

Control

Subject to certain exceptions, the Investor Beneficiaries of the Penarth Receivables Trust may take certain actions or direct certain actions to be taken under the RTDSA or any related Supplement. However in certain circumstances, the beneficiaries have agreed upon the terms of the Beneficiaries Deed that the consent or approval of two-thirds of the Aggregate Investor Interest of each other Trust Series or of the combined aggregated Investor Interest, will be required to direct certain actions, for example, requiring the termination of the appointment of the Servicer as Servicer under the RTDSA or amending the RTDSA. Holders of limited recourse Loan Notes (other than the Issuer) may have interests which do not coincide with the interests of the Issuer and in such circumstances, it may be difficult for the Issuer to achieve the results from the vote that it desires (see "*Servicing of Receivables*").

Loan Note Issuer No. 1 has not previously issued Loan Notes in respect of other global loan notes but may, in the future, issue new global loan notes (and Loan Notes in connection therewith) in connection with an increase in its Aggregate Investor Interest. The holder of any global loan note (including the Issuer as beneficial holder of Global Loan Note No. 1) may require Loan Note Issuer No. 1, as an Investor Beneficiary, to enforce its rights against the Receivables Trustee in order to require it to properly perform its role as Receivables Trustee. However, the consent or approval of the holders of a certain percentage of the total principal balance of all global loan notes might be necessary to require or direct those actions. Thus the holder of any global loan notes issued after Global Loan Note No. 1 will have voting rights that will reduce the percentage interest of the Issuer as holder of Global Loan Note No. 1 in all global loan notes. Holders of global loan notes (other than the Issuer) — or persons with the power to direct their actions — may have interests that do not coincide with the interests of the Issuer or the persons with the power to direct the Issuer. This may ultimately restrict the ability of the Noteholders (of any or all Note Series issued by the Issuer) or the Note Trustee on their behalf to direct Loan Note Issuer No. 1 or the Security Trustee to take the actions referred to above. For the purposes of this risk factor ("*Control*") only, the term 'Loan Note' in the context of global loan notes other than Global Loan Note No. 1 should be construed as being either a notional tranche of a global loan note or a separate instrument issued in relation to global loan notes created after the establishment of the Programme.

Basis risk

The Transferor and Lloyds Bank have reserved the right to change the rate of Periodic Finance Charges (see "*— Ability to change terms of the Credit Card Agreements*"), however, if the rate of Periodic Finance Charges is changed, the new rate of Periodic Finance Charges will not be applicable until the second following Monthly Period (unless an account is directly linked to the Bank of England base rate, in which case the rate of Periodic Finance Charges will move automatically). There can be no guarantee that the yield represented by the amount of Finance Charge Collections received during the two Monthly Periods immediately following a change in the rate of Periodic Finance Charges or at any other time will remain at the same level relative to the rate of interest payable by Loan Note Issuer No. 1 on the Loan Notes.

Commingling of Collections with Transferor may delay or reduce payments on the Notes

Collections from Lloyds Bank cardholders are currently initially paid to certain bank accounts of Lloyds Bank held at Lloyds Bank before being cleared on a same-day basis to an account of Lloyds Bank designated the "**Lloyds Bank Operating Account**". The Lloyds Bank Operating Account is currently held at Lloyds Bank plc at its branch located in Bristol. Lloyds Bank has declared a trust over the Lloyds Bank Operating Account in respect of all Collections therein. The sums from time to time standing to the credit of the Lloyds Bank Operating Account shall be held by Lloyds Bank on trust for and to the order of (1) the Transferor, to the extent such sums are Principal Collections, Finance Charge Collections, Ineligible Collections on Designated Accounts, Acquired Insurance Commission or Acquired Interchange and (2) otherwise Lloyds Bank. Should the short term rating of the Lloyds Bank Operating Account bank be downgraded by Standard & Poor's below A-2 or such short term rating which is otherwise acceptable to Standard & Poor's, Lloyds Bank shall, within thirty days of such downgrade, designate an account at a suitable account bank as the substitute Lloyds Bank Operating Account ("**Substitute Lloyds Bank Operating Account**") and transfer all funds standing to the credit of the Lloyds Bank Operating Account to such Substitute Lloyds Bank Operating Account. Collections will be transferred by the Lloyds Bank to an account of the Transferor designated the "**Operating Account**" not later than two Business Days after the Date of Processing of such Collections.

All other Collections from cardholders and other credit card holders are currently initially paid to certain bank accounts of the Transferor held at Bank of Scotland before being cleared on a same-day basis to the Operating Account. The Operating Account is currently held at Bank of Scotland plc at its branch located in Pitreavie. The Transferor has declared a trust over the Operating Account in respect of all Collections therein. The sums from time to time standing to the credit of the Operating Account shall be held by the Transferor on trust for and to the order of (1) the Receivables Trustee, to the extent such sums are Principal Collections, Finance Charge Collections, Ineligible Collections on Designated Accounts, Acquired Insurance Commission or Acquired Interchange and (2) otherwise, the Transferor. Should the short term rating of the Operating Account bank be downgraded by Standard & Poor's below A-2 or such short term rating which is otherwise acceptable to Standard & Poor's, the Transferor shall, within thirty days of such downgrade, designate an account at a suitable account bank as the substitute Operating Account ("**Substitute Operating Account**") and transfer all funds standing to the credit of the Operating Account to such Substitute Operating Account. Collections will be transferred by the Transferor to the Trustee Collection Account not later than two Business Days after the Date of Processing of such Collections.

For the limited period of time (which is not expected to exceed two Business Days) that Collections from Lloyds Bank cardholders remain in the Lloyds Bank Operating Account and Collections (including any insurance and guarantee proceeds) remain in the Operating Account, such monies may be commingled with other monies of Lloyds Bank or the Transferor respectively and/or future beneficiaries and may cease to be traceable. There may be some interruption in the transfer of funds to the Receivables Trustee if Lloyds Bank (or a liquidator or administrator of Lloyds Bank) attempted to freeze the operation of the Lloyds Bank Operating Account (and thereby payments to the Transferor) and/or the Transferor (or a liquidator or administrator of the Transferor) attempted to freeze the operation of the Operating Account (and thereby payments to the Receivables Trustee) pending completion of any rights of tracing.

The possible reductions in amounts received by the Receivables Trustee may affect payments to Loan Note Issuer No. 1 (and hence to the Issuer and to the Noteholders). See "*The Receivables — Defaulted Receivables; Investor Charge-Offs*" and generally "*Sources of Funds to Pay the Loan Notes*".

If the Transferor opts to treat a portion of Principal Receivables as Finance Charge Receivables, an Early Redemption of the Notes could occur or payment on the Notes could be delayed

The Transferor may opt to cause a percentage of Receivables that would otherwise be treated as Principal Receivables to be treated as Finance Charge Receivables. If the Transferor were to exercise this discount option, it could prevent a Pay Out Event from occurring because of a reduction of the portfolio yield, which could delay an Early Redemption of the notes at a time when the performance of the Receivables is deteriorating. Having exercised its discount option, the Transferor may also redesignate all or part of such Discount Option Receivables as Principal Receivables at any time. However, this discount option, if exercised, will reduce the aggregate amount of Principal Receivables, which may increase the likelihood that the Transferor will be required to designate Additional Accounts from which Receivables will be assigned to (or, in the case of Scottish Receivables, held in trust for) the Receivables Trustee. If the Transferor were unable to designate sufficient Additional Accounts, a Pay Out Event with respect to any Note Series issued under this Base Prospectus and a Final Terms or Drawdown Prospectus, as applicable could occur and Noteholders could receive payments of principal on their notes before they otherwise would. See "*The Receivables – Discount Option Receivables*".

If Optional Early Redemption occurs, it will result in an Early Redemption of the Notes, creating a reinvestment risk

If a Note Series is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as being able to be redeemed on any Call Date, the Issuer has the option to redeem the notes in full. This early redemption ("**Optional Early Redemption**") may result in an early return of the investment. No premium will be paid in the event of an exercise of the early redemption option. If Noteholders receive principal on the notes earlier than expected, they may not be able to reinvest the principal at a similar rate of return.

If Cardholders are concentrated in a geographic region, economic downturn in that region may adversely affect Collections of Receivables

If the Penarth Receivables Trust has a high concentration of Receivables from cardholders located in a single region, an economic downturn in that region may have a magnified adverse effect on the Penarth Receivables Trust because of that concentration. The relevant Final Terms or Drawdown Prospectus, as applicable will contain a geographic breakdown of accounts and the amount of Receivables generated in the regions of the UK although geographic concentrations may vary from time to time. See "*Appendix A - Form of Final Terms - Receivables Information: Geographic Distribution of Accounts – Securitised Portfolio*".

Future adverse economic conditions affecting any of these regions or any of the other regions could adversely affect the performance of the Receivables which could result in a loss on the notes.

Securitisation company tax regime

The Taxation of Securitisation Companies Regulations 2006 as amended from time to time (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 (and now have effect under Chapter 4, Part 13 of the Corporation Tax Act 2010). The TSC Regulations deal with the corporation tax position of securitisation companies with effect for periods of account beginning on or after 1 January 2007. Each of the Issuer and Loan Note Issuer No.1 has been advised that it should be taxed in accordance with the TSC Regulations.

Investors should note, however, that the TSC Regulations are in short form and that, when considering the scope and operation of the TSC Regulations, advisers are required to rely to a significant extent upon guidance from the UK tax authorities.

Prospective Noteholders should note that if the Issuer and/or Loan Note Issuer No.1 was not 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 or the Loan Note Issuer No.1 could have an adverse effect on the Issuer's ability to make payments to Noteholders.

The proposed Financial Transactions Tax ("FTT") could apply to dealings in the Notes and/or adversely affect the amounts available to the Issuer to make payments of Interest and Principal on the Notes

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in notes (including secondary market transactions) in certain circumstances. The issuance and subscription of notes should, however, be exempt.

Under the Commission's proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

Interests of Noteholders may be adversely affected by a change of law in relation to withholding tax

In the event that amounts due under the notes are subject to withholding or deduction for or on account of any tax, none of the Issuer, any Paying Agent nor any other person will be obliged to pay additional amounts in relation thereto. The applicability of any UK withholding tax under current English law is discussed under "*United Kingdom Taxation Treatment of the Notes*" below.

Under current law, amounts due from Loan Note Issuer No. 1 under Global Loan Note No. 1 to the Issuer should not be subject to withholding tax. In the event of a change of law should Loan Note Issuer No. 1 be required to withhold tax on its payments to the Issuer under Global Loan Note No. 1, it will not be required to pay additional amounts in relation thereto.

Interests of Noteholders may be adversely affected if the Notes are redenominated

It is possible that, prior to the maturity of any notes, that the currency that such notes are denominated in may cease to exist and another currency may supersede it. For example, should the UK become a participating member state in the European economic and monetary union, the euro may become the lawful currency of the UK and the notes may be redenominated into euros in accordance with the Conditions (although we would note that the UK Government has ruled out preparing for or joining the euro). In the event that notes were to be redenominated, (a) all amounts payable in respect of any notes may become payable in another currency; (b) applicable provisions of law may allow or require the Issuer to re-denominate such notes and take additional measures in respect of such notes; and (c) there may be changes to the way in which the rates of interest on such notes are determined or changes in the way those rates are calculated, quoted and published or displayed.

The credit ratings assigned to the Notes are not guarantees that Noteholders will receive all payments owed to them under the Notes

Credit ratings assigned to the notes reflect the relevant Rating Agency's assessment only of either the likelihood of the full payment of interest and principal on the notes on a date that is not later than the Final Redemption Date or the likelihood of the timely payment of interest and the ultimate payment of principal in full on the notes on a date that is not later than the Final Redemption Date, not that it will be paid when expected or scheduled, and may not reflect the potential impact of all risks related to the transaction structure, the other risk factors discussed in this Base Prospectus and a Drawdown Prospectus (if any) or any other factors that may affect the value of the notes.

These ratings are based on the Rating Agencies' determination of, *inter alia*, the value of the Receivables, the reliability of the payments on the Receivables, the creditworthiness of the Swap Counterparty and the availability of credit enhancement. A rating or rating confirmation does not impose or extend any actual or contingent liability for the Rating Agencies to the Noteholders or any other party or create any legal relations between the Rating Agencies and the Noteholders or any other party.

The ratings do not address the following:

(i) the likelihood that the principal or interest on the notes will be redeemed or paid, as expected, on the Scheduled Redemption Dates;

(ii) the possibility of the imposition of United Kingdom or any other withholding tax;

(iii) the marketability of the notes, or any market price for the notes; or

(iv) whether an investment in the notes is a suitable investment for Noteholders.

A rating is not a recommendation to purchase, hold or sell notes.

Ratings can be lowered or withdrawn after Noteholders purchase their Notes

Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the notes has declined or is in question or for other tangible and intangible reasons. If any rating assigned to the notes is lowered or withdrawn, the market value of the notes may be reduced.

Any Rating Agency may also lower or withdraw its rating with respect to the Swap Counterparty. Under the terms of any Swap Agreement that may be entered into in respect of a Note Series, the Swap Counterparty shall be required to transfer or novate the Swap Agreement to a replacement Swap Counterparty or enter into other suitable arrangements (including posting collateral) if the relevant credit rating of the Swap Counterparty is withdrawn or reduced below certain thresholds. It cannot be assured, however, that a replacement Swap Counterparty would be found, or the Swap Agreement would be transferred or novated and/or other suitable arrangements (including posting collateral) would be entered into in this event or that the ratings of the notes will not be lowered or withdrawn in this event. If any rating assigned to the notes is lowered or withdrawn then the market value of such notes (or other notes of a different Note Series) may be reduced.

In addition, rules adopted by the United States Securities Exchange Commission require nationally recognised statistical rating organisations ("**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) an unsolicited 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 affected class or classes of the notes could be materially and adversely affected and, in certain circumstances, the affected notes could become ineligible for investment by a Rule 2a-7 money market fund. In addition, the mere possibility that such a rating could be issued may affect price levels in any secondary market that may develop.

Early termination of a Swap Agreement could result in an early redemption of the Notes and/or an inability of the Issuer to acquire sufficient amounts in the relevant currency to pay the amounts due on the Notes

Each Swap Agreement may be terminated upon the occurrence of certain events described under "*Swap Agreements*" below. There can be no assurance that a Swap Agreement will not be terminated prior to the payment in full of the notes of the relevant Note Series.

Each of the Issuer and the Swap Counterparty will represent in each Swap Agreement (to which they are a party) that, under current applicable law, they are entitled to make all payments required to be made by them under such Swap Agreement (other than interest under the Swap Agreement and deliveries, transfers and payments to be made pursuant to any Credit Support Annex) free and clear and without deduction or withholding for or on account of any taxes, assessments or other charges. In the event that either party is required to make any such deduction or withholding, however, such party will not be required to indemnify the other party for such deduction unless the terms of a Swap Agreement contain an obligation to gross up payments in such circumstances. If the terms of the relevant Swap Agreement do not provide for an obligation of the Swap Counterparty to gross up payments, or if the Swap Counterparty fails to effect the gross up as required, payments to the Issuer will be correspondingly reduced. In such circumstances, the Issuer may terminate the relevant Swap Agreements but, until such Swap Agreement is terminated, amounts available to make payments to the Noteholders of the relevant Note Series will be reduced by an amount withheld for any withholding taxes, and the amount that Noteholders receive on the notes may accordingly be reduced.

If a Swap Agreement is terminated before its scheduled termination date, the Issuer or the Swap Counterparty may be liable to make an early termination payment to the other party. The amount of such termination payment will be based on the market value of the terminated Swap Agreement. This market value will be computed on the basis of market quotations of the cost of entering into a replacement swap transaction with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties. Any such termination payment could, for example, if interest rates or currency exchange rates (as the case may be) have changed significantly, be substantial. The termination of a Swap Agreement may reduce, accelerate or delay payments of interest and principal on the relevant Note Series.

Characterisation of a Swap Agreement for regulatory purposes may result in amendments for Transaction Documents and could materially adversely affect the Issuer

The Issuer will be subject to certain regulatory requirements in relation to Swap Agreements that it enters into as a consequence of the implementation of Regulation (EU) No 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 ("**EMIR**") which entered into force on 16 August 2012. EMIR provides for certain OTC derivative contracts to be submitted to central clearing and imposes, amongst other things, margin posting and other risk mitigation techniques, reporting and record keeping requirements.

Investors should be aware of the following:

(i) regardless of the Issuer's classification under EMIR, the Issuer may need to appoint a third party and/or incur costs and expenses to enable it to comply with the regulatory requirements imposed by EMIR in particularly in relation to reporting and record-keeping (see "*Reliance on third parties*" above for considerations in this regard); and

(ii) the characterisation of the Issuer under EMIR as is currently in force will determine whether, among other things, it is required to comply with margin-posting requirements in relation to the affected Swap Agreements. If it were required to post margin, it is unlikely that the Issuer would be able to comply with such an obligation.

The Transferor has confirmed that it will regard the Issuer as an "NFC-" and consequently it will not be subject to margin-posting requirements. However, there is no certainty that the Issuer's status as an "NFC-"will not change in the future which could then result in margin-posting requirements (or other requirements under EMIR) applying to the Issuer. This could ultimately lead to an Event of Default in respect of a Note Series which may cause the Noteholders to incur a loss on their notes and/or an early redemption of their notes.

A Finding that the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee should have registered under the Investment Company Act could materially adversely affect such entity

Neither the Issuer, Loan Note Issuer No. 1 nor the Receivables Trustee has registered with the SEC as an investment company pursuant to the Investment Company Act.

If the SEC or a court of competent jurisdiction were to find that the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee is required, but in violation of the Investment Company Act, had failed to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee could sue the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee and recover any damages caused by the violation; and (iii) any contract to which the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee is party that is made in, or whose performance involves, a violation of the Investment Company Act would not be enforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee be subjected to any or all of the foregoing, the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee would be materially and adversely affected.

Unless and until Individual Note Certificates are issued, persons acquiring Notes (other than Registered Uncleared Note) will only hold Book-Entry Interests, which may result in delays in distributions and hamper their ability to both participate in votes of Noteholders and pledge their Notes

Unless and until Individual Note Certificates are issued in exchange for book-entry interests in a Global Note Certificate (other than in the case of Registered Uncleared Notes), holders and beneficial owners of book-entry interests will not be considered the legal owners or holders of such Global Note Certificate. After payment to the Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to DTC, Euroclear or Clearstream or to holders or beneficial owners of book-entry interests.

DTC, Euroclear or Clearstream or its nominee or to the extent notes are deposited with a Common Safekeeper, a nominee of the Common Safekeeper will be the registered holder and sole legal Noteholder of the Regulation S Notes and Rule 144A Notes while any notes are represented by Reg S Global Note Certificates or Rule 144A Global Note Certificates (as the case may be). 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 Note Trust Deed.

Holders of beneficial interests in the Global Note Certificates denominated in a currency other than US Dollars held directly with DTC or through its participants must give advance notice to DTC or the relevant participant in accordance with DTC's procedures that they wish payments on such Global Note Certificates to be made to them in the relevant currency outside DTC. If such instructions are not given in accordance with DTC's procedures, payments on such Global Note Certificates in the relevant currency will be exchanged for US Dollars by the exchange rate agent prior to their receipt by DTC and the affected holders will receive US Dollars on the relevant Distribution Date.

Except as noted in the previous paragraph, payments of principal and interest on, and other amounts due in respect of, the Global Note Certificates will be made by the Principal Paying Agent through DTC, Euroclear and/or Clearstream, as specified in the applicable Final Terms or Drawdown Prospectus. Upon receipt of any payment from the Principal Paying Agent, DTC, Euroclear and/or Clearstream, will promptly credit direct participant's accounts with payments 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 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 registered in "streetname", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Principal Paying Agent, the Exchange 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 legal owners or holders of the notes, holders of the book-entry interests held through DTC will not have the right under the Note Trust Deed to act upon solicitations by or on behalf of the Issuer or consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of book-entry interests held through DTC will be permitted to act only to the extent it has received appropriate proxies to do so from DTC and, if applicable, its 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 held through DTC to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default or an Insolvency Event, holders of book-entry interests held through DTC will be restricted to acting through DTC unless and until Individual Note Certificates are issued in accordance with the conditions of the notes. There can be no assurance that the procedures to be implemented by DTC under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

Although DTC, Euroclear and Clearstream have agreed to certain procedures to facilitate transfers of book-entry interests among participants of DTC and participants of Euroclear and Clearstream, 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 or the Note Trustee, or any of their agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

Because transactions in the Global Note Certificates held by DTC or its nominee will be effected only through DTC, direct and indirect participants in DTC's book-entry system and certain banks, the ability of a holder of a beneficial interest in such a Global Note Certificate 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 interest, may be limited due to the lack of physical security representing such interest.

Certain transfers of notes or interests therein may only be affected in accordance with, and subject to, certain transfer restrictions and certification requirements. The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently the ability to transfer interests in a Global Note Certificate to such persons may be limited.

Changes of law may adversely affect interests of Noteholders

The structure of the Penarth Receivables Trust and the ratings of the notes are based on English law, UK tax law and (in relation to the Scottish Receivables) Scots law in effect as at the date of this Base Prospectus. The transactions described in this Base Prospectus (including the issuance of the notes) and the ratings which are to be assigned to the notes are based on the relevant law and administrative practice in effect as at the date hereof, 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 the law in any country (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Base 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.

Risks relating to the Banking Act 2009

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England (including the Prudential Regulation Authority (the "**PRA**")) and the FCA (together, the "**Authorities**") as part of the special resolution regime (the "**SRR**"). These powers enable the Authorities to engage with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part 4A of the FSMA that are failing or are likely to fail to satisfy the FSMA's threshold conditions (within the meaning of section 55B of the FSMA). The SRR consists of five stabilisation options, which could be imposed on any bank that does not meet the threshold conditions: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a third-party private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established and wholly owned by the Bank of England under the bail-in option; (iii) transfer all or part of the relevant entity or "bridge bank" to an asset management vehicle; (iv) making of one or more resolution instruments by the Bank of England; and (v) the relevant entity may be taken into temporary public ownership. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances.

In addition, pursuant to amendments made to the Banking Act, provision has been made for the stabilisation tools to be used in respect of banking group companies. These amendments to the Banking Act allow all of the current stabilisation options under the SRR to be applied to any entity that meets the definition of a "banking group company".

If an instrument or order were to be made under the Banking Act in respect of a relevant entity as described above, 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 (such as the trusts relating to the Penarth Receivables Trust) 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 Transferor) 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 as described above may affect the ability of the Issuer to meet its obligations in respect of the notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

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

Risks relating to the Bank Recovery and Resolution Directive and the Banking Act 2009

On 2 July 2014, Directive 2014/59/EU of the European Parliament and the Council on Bank Recovery and Resolution Directive (the "**BRRD**") came into force. The stated aim of the BRRD is to provide supervisory authorities, including the relevant UK authorities, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. These tools include, among other things, powers to transfer shares or property of an entity subject to resolution measures to a third party (including a "bridge bank" or an "asset management vehicle"), a "bail-in" power and a "writedown and conversion of capital instruments" power.

In the UK, the BRRD is implemented by the Banking Act, which includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society. In addition to the tools provided for under the BRRD, the Banking Act also provides the UK authorities with certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made.

The relevant transaction entities for these purposes may include the Transferor and the Material Originator. The obligations of the Issuer under the Transaction Documents, including in respect of payments to be made to the Noteholders, are not subject to bail-in as they are secured under the Security Trust Deed.

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

If an instrument or order were to be made under the Banking Act in respect of a relevant entity, as described above, such instrument or order may (amongst other things) affect the scope of such relevant entity's obligations under the transaction documents and/or the ability of such entities to satisfy their obligations under the transaction documents and/or result in modifications to such transaction documents. In particular:

(a) pursuant to the "bail-in" power, the unsecured obligations of a relevant entity under the transaction documents may be reduced or extinguished (which would not include the notes as they are a secured obligation of the Issuer); and

(b) modifications may be made 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).

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

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a Swap Counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so called "flip clauses"). Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of the amount equal to any termination payment due and payable to a Swap Counterparty pursuant to the relevant Swap Agreement where the relevant Swap Agreement has been terminated as a result of the default of the Swap Counterparty, including as a result of the Swap Counterparty's insolvency.

The English Supreme Court has affirmed the decisions of the English High Court and Court of Appeal that such a subordination provision is valid under English law.

In contrast, in parallel proceedings in New York, the U.S. Bankruptcy Court for the Southern District of New York held that such subordination provisions constituted unenforceable *ipso facto* clauses in violation of the U.S. Bankruptcy Code. The Bankruptcy Court acknowledged its decision resulted in U.S. courts coming to a decision "directly at odds with the judgment of the English Courts". In a more recent decision, the U.S. Bankruptcy Court for the Southern District of New York departed from certain aspects of the prior decision, finding that certain types of subordination provisions did not constitute *ipso facto* clauses and that, more generally, distributions made in accordance with such provisions were protected by safe harbours in the U.S. Bankruptcy Code. On appeal, the U.S. District Court for the Southern District of New York upheld the Bankruptcy Court's decision without directly ruling on the interpretation of *ipso facto* provisions under the U.S. Bankruptcy Code. It is clear that there has been a divergence in approach both within the U.S. courts and between the U.S. courts and the English courts which, in the case of an unfavourable decision either in England or New York, may adversely affect the Issuer's ability to make payments on the notes. There remains the issue whether in respect of the 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 particularly in respect of multi-jurisdictional insolvencies.

If a creditor of the Issuer (such as the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, and it is owed a payment by the Issuer (such as a termination payment due under a Swap Agreement which has been subordinated as a result of that Swap Counterparty's insolvency), a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed transaction documents (such as a provision relating to the ranking of the Swap Counterparty's payment rights under the Swap Agreement). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy law. If a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the notes and/or the ability of the Issuer to satisfy its obligations under the notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the transaction documents include terms providing for the subordination of certain termination payments due to the Swap Counterparty, there is a risk that the final outcome of the dispute (including any recognition action by the English courts) may result in negative rating pressure in respect of the notes. If any rating assigned to the notes is lowered, the market value of the notes may reduce.

Lloyds Banking Group's businesses are subject to substantial regulation and regulatory and governmental oversight, legal and regulatory risk and legal and regulatory actions. Adverse legal or

regulatory developments or exposure to legal or regulatory risk could have a material adverse effect on Lloyds Banking Group entities performing roles in relation to the Receivables and the Programme and/or the Notes

Lloyds Banking Group's businesses are subject to substantial on-going regulation and to legal and regulatory risks, including the effects of changes in the laws, regulations, policies, court rulings, voluntary codes of practice and interpretations in the UK, the European Union and the other markets in which they operate. The legal and regulatory environment is uncertain and rapidly evolving. The UK Government, the FCA and other regulators in the UK, the European Union or overseas may intervene further in relation to areas of industry risk already identified, or in new areas, which could affect Lloyds Banking Group. Implementation of legal and regulatory developments could result in additional costs or limit, restrict or change the way that Lloyds Banking Group entities conduct their business. Increased regulatory oversight (for example in respect of conduct issues) could significantly affect the way such entities do business. Future changes in laws and regulations and the impact of increased oversight by regulators are difficult to predict but such matters could materially adversely affect Lloyds Banking Group entities that undertake roles in relation to the Receivables and the Programme and their businesses and this could in turn have a material adverse effect on the Notes.

In addition, Lloyds Banking Group entities undertaking roles in relation to the Receivables and the Programme are exposed to various forms of legal and regulatory risk in their current, past and future operations, including the risk of acting in breach of legal or regulatory principles or requirements, any of which could have a material adverse effect on such entities, their businesses and/or the Notes. These risks include, but are not limited to:

(a) certain aspects of Lloyds Banking Group's businesses may be determined by the relevant authorities, the FOS or the courts not to have been conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion;

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

(c) the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians; the FCA in particular continues to drive focus on conduct of business activities through its supervision activity;

(d) contractual obligations may either not be enforceable as intended or may be enforced in an adverse way;

(e) Lloyds Banking Group entities may be liable for damages to third parties (including customers) harmed by the conduct of their business; and

(f) the risk of regulatory proceedings and/or private litigation arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions.

Risks identified above may materially adversely impact Lloyds Banking Group entities undertaking roles in relation to the Receivables and the Programme and/or may impact or relate to the businesses or products of such entities including businesses and products directly relevant to Receivables and the Programme, for example, Bank of Scotland as Transferor and Lloyds Bank as Material Originator (who own and manage the Accounts that generate the Receivables that are transferred to the Receivables Trustee) and Bank of Scotland as Servicer (who services such Receivables).

Further, claims, proceedings or investigations in respect of any such matters could lead to such entities being subject to substantial monetary damages or fines or being required to provide restitution to affected customers (which may include Obligors under the Programme) or being required to indemnify entities under the Programme or lead to other consequences which could have a material adverse effect on the Notes. Any such amounts due to affected parties may be difficult to predict. In addition, including as a result of regulatory actions, Lloyds Banking Group entities may be subject to other penalties, censure and injunctive relief, civil or private litigation arising out of a regulatory investigation or otherwise, the potential for criminal prosecution in certain circumstances and regulatory restrictions on the business of such entities.

Furthermore, Lloyds Banking Group entities may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Such entities may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when Lloyds Banking Group believes that it has no liability. Such entities may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, such entities may, for similar reasons, reimburse counterparties for their losses even in situations where Lloyds Banking Group does not believe that it is legally compelled to do so.

Lloyds Banking Group's operations, in particular related to its treatment of customers, are subject to supervision by the FCA and other regulatory authorities in the UK or elsewhere. In recent periods, the UK banking industry has been subject to heightened attention from these regulatory authorities, as well as the press and the UK Government. The FCA in particular continues to focus on conduct of business issues through its supervision activities and its establishment of a new Payment System Regulator. In February 2018, following discussions with credit card providers through UK Finance, the FCA published a policy statement setting out rules to deal with (i) persistent debt, (ii) early intervention for problem debtors and (iii) providing greater control over how and when unsolicited credit line increases can take effect. The rules came into effect on 1 March 2018, although lenders had until 1 September 2018 to implement the requirements. The rules define what is meant by a customer in "persistent debt" (broadly, a customer whose balance is continually above £200 for a period of 18 months and whose payments of interest, fees and other charges exceed his or her repayments of principal over such period) and require firms (i) not to offer such customers unsolicited credit limit increases in certain circumstances, (ii) to communicate with such customers at specified intervals, in order to encourage them to pay down their balance more quickly, and (iii) if customers continue to be in persistent debt 18 months after being identified as such, intervene in order to help them repay their balance over a period of 3-4 years or, where customers cannot afford to do this, exercise forbearance. In July 2018, the FCA published a further Policy Statement (PS18/19), which amended the rules in CONC 5 and 6 in relation to responsible lending and affordability. These changes require firms to adhere to new requirements relating to assessing a customer's creditworthiness, and subsequent assessments for post-contractual credit increases. For further information on the Credit Card Market Study, see " – *Social, legal, political and economic factors may affect repayment*" above.

All such matters are subject to many uncertainties, and the outcome of individual matters is not predictable. Failure to manage these risks adequately could impact Lloyds Banking Group adversely and materially, both financially and reputationally. The financial impact of legal and regulatory risks might be material but is difficult to quantify. Amounts eventually paid may materially exceed the amount of provisions set aside to cover such risks. Any of the above risks could have an adverse impact on the operations, financial results, condition and prospects of Lloyds Banking Group entities undertaking roles in relation to the Receivables and the Programme and could impact their businesses and products including businesses and products directly relevant to the Receivables and the Programme.

Lloyds Banking Group and its subsidiaries perform various roles in relation to the Receivables and the Programme, including Bank of Scotland as Transferor and Lloyds Bank as Material Originator who own and manage the Accounts that generate the Receivables that are transferred to the Receivables Trustee, and Bank of Scotland as Servicer of such Receivables and Cash Manager for the Programme. As a result, adverse events and risks relating to the Lloyds Banking Group and its businesses including, but not limited to those events and risks described above could impact such Lloyds Banking Group entities and their businesses including their ability to or the way in which they undertake their roles in relation to the Receivables and the Programme and also the market for the Notes, which could result in risks to Noteholders including, but not limited to, an early redemption of the Notes and/or the Noteholders incurring a loss on their investment. For further information on the role of third parties, see "- *Reliance on third parties*" above.

Companies within Lloyds Banking Group are responsible for contributing to compensation schemes such as the UK Financial Services Compensation Scheme (the "**FSCS**") in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Going forward, further provisions in respect of these costs are likely to be necessary. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material adverse effect on the results of operations and financial condition of Lloyds Banking Group entities performing their roles in relation to the Receivables and the Programme.

For additional information, Noteholders should also read the detailed information on specific legal and/or regulatory risks and developments set out elsewhere in these risk factors.

REGULATORY DISCLOSURE

The following outlines certain matters that may be relevant to some investors. It does not purport to be a comprehensive list of regulatory matters that pertain to investors. All investors are responsible for analysing their own regulatory position.

Please refer to "*Risk Factors - Impact of regulatory initiatives on certain investors*" for more information.

Securitisation Regulation

The Transferor Beneficiary (as originator for the purposes of the Securitisation Regulation) will:

(a) retain, on an ongoing basis, a material net economic interest of not less than 5 per cent. in the securitisation as required by Article 6(1) of the Securitisation Regulation;

(b) at all relevant times comply with the requirements of Article 7(l)(e)(iii) of the Securitisation Regulation by confirming in the investor reports the risk retention of the seller as contemplated by Article 6(1) of the Securitisation Regulation;

(c) not change the manner in which it retains such material net economic interest, except to the extent permitted by the Securitisation Regulation; and

(d) not sell, hedge or otherwise enter into any credit risk mitigation, short position or any other credit risk hedge with respect to its retained material net economic interest, except to the extent permitted by the Securitisation Regulation.

The Transferor Beneficiary intends to retain a material net economic interest of not less than 5 per cent. in the securitisation by way of a retention in accordance with paragraph 3(b) of Article 6 of the Securitisation Regulation. Any change to the manner in which such interest is held will be notified to noteholders in accordance with the conditions.

Transparency requirements

The Issuer as the SSPE has been appointed as the designated entity under Article 7(2) of the Securitisation Regulation. The Issuer has appointed the Servicer to perform all of the Issuer's obligations under Article 7 of the Securitisation Regulation. In relation to any Notes which are awarded STS status, Bank of Scotland as the sponsor and the originator is responsible for compliance with Article 7 of the Securitisation Regulation. For further information in relation to the provision of information please refer to the section entitled "*General Information*".

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Base Prospectus and to the monthly and quarterly reports to investors (that are set out in the section entitled "*General Information*") that are prepared pursuant to the Receivables Trust Deed and Servicing Agreement.

Investors to assess compliance

Each prospective investor is required to independently assess and determine the sufficiency of the information described above, in this Base Prospectus, and the related Drawdown Prospectus or Final Terms (as applicable) generally for the purposes of complying with Article 5 of the Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Receivables Trustee, Loan Note Issuer No.1, the Transferor, any Material Originator, the Arranger, any Lead Manager, any Dealer or any of the other transaction parties makes any representation that any such information described above or elsewhere in this Base Prospectus, any Drawdown Prospectus and any Final Terms (as applicable) is sufficient in all circumstances for such purposes.

Please refer to the section entitled "*Risk Factors - Impact of regulatory initiatives on certain investors*" for further information on the implications of the EU risk retention requirements and the Securitisation Regulation.

Please see *"The Receivables*", "*Servicing of the Receivables*" and "*Credit Card Portfolio*" for further information.

STS Status

The Transferor confirms that it will, if set out in the relevant Final Terms or Drawdown Prospectus, as applicable, make an STS notification (as defined in the Securitisation Regulation) to ESMA that the relevant Notes are an STS Securitisation pursuant to Article 18 of the Securitisation Regulation. Such STS compliant securitisations appear on the list of STS Securitisations established and maintained by ESMA in accordance with Article 27(5) of the Securitisation Regulation (each an "**STS Securitisation**"). The STS notification and accompanying explanation from the Transferor of such transaction's compliance with Articles 20 to 22 of the Securitisation Regulation (compliance with such articles being required to qualify as an STS Securitisation) will be available for inspection at the website set out in the section entitled "*General Information*".

The Transferor confirms that prior to the issuance of a Note Series which is to be an STS Securitisation, a representative sample of the relevant Securitised Portfolio will be the subject of external verification by an appropriate and independent third party. This verification will extend to both compliance with certain lending criteria and verification of certain data set out herein.

U.S. Credit Risk Retention

Section 15G of the Exchange Act and the rules promulgated thereunder (the "**U.S. Credit Risk Retention Rules**") generally require the "sponsor" of a "securitisation transaction" to retain, either directly or through a "majority-owned affiliate," an economic interest in the credit risk of a securitisation transaction equal to at least 5 per cent. Initially, Bank of Scotland, as the "sponsor" of the securitisation transactions, intends to satisfy its risk retention requirements under the U.S. Credit Risk Retention Rules by maintaining a "seller's interest" (as defined in the rules) equal to at least five percent of the aggregate outstanding balance of the notes of all series.

Initially, the seller's interest retained by Bank of Scotland for purposes of compliance with the U.S. Credit Risk Retention Rules will be in the form of its interest as Transferor Beneficiary (the "**Transferor Interest**"). See "*The Penarth Receivables Trust—General entitlement of beneficiaries to trust property*" for a description of how the Transferor Interest is computed. As provided in the STDCMA, if the thirty-day average of the Bank of Scotland's Transferor Interest falls below a specified percentage (currently set at 6%) of the average outstanding face value of Eligible Principal Receivables over the same period, an Early Redemption Event occurs. To avoid the occurrence of such an Early Redemption Event, the average Transferor Interest over a thirty-day testing period must be currently maintained at least at 6% of the average outstanding face value of Eligible Principal Receivables (the "**Minimum Transferor Interest**").

The obligation under the U.S. Credit Risk Retention Rules to maintain a seller's interest at least equal to 5 per cent of the aggregate outstanding balance of the notes of all series is different from the requirement to maintain a Minimum Transferor Interest, and each is calculated differently. While the seller's interest determined in compliance with the U.S. Credit Risk Retention Rules is measured against the aggregate outstanding principal amount of notes, the Minimum Transferor Interest is measured against the aggregate face value of Eligible Principal Receivables. Generally, however, compliance with the currently in effect Minimum Transferor Interest will result in a higher seller's interest than is required under the U.S. Credit Risk Retention Rules.

At any time that it relies on its Transferor Interest to comply with the U.S. Credit Risk Retention Rules, Bank of Scotland (i) will not transfer to any party other than a wholly-owned affiliate any portion of its Transferor Interest that is required to be maintained to ensure such compliance, and (ii) will not enter into any derivative agreement or position that reduces or limits its financial exposure to such seller's interest to the extent that such activities would be prohibited hedging activities under the U.S. Credit Risk Retention Rules. For purposes of the foregoing, a "wholly-owned" affiliate of Bank of Scotland means an entity (other than the Issuer) that, directly or indirectly, wholly controls, is wholly-controlled by, or is wholly under common control with, Bank of Scotland; and "wholly controls" means ownership of 100% of the equity of the relevant entity.

With respect to each offering of notes under the Programme, the relevant Preliminary Drawdown Prospectus or Preliminary Final Terms will include the information regarding the expected seller's interest that is required to be disclosed under the U.S. Credit Risk Retention Rules regarding the expected seller's interest as of the corresponding closing date computed in compliance with the U.S. Credit Risk Retention Rules. As such retention is at a programme level, Bank of Scotland will provide details in the relevant

Preliminary Drawdown Prospectus or Preliminary Final Terms irrespective of whether such offering of notes under the Programme is pursuant to Regulation S or Rule 144A. Such calculation will be based on the outstanding principal amount of all notes as of the immediately preceding Interest Payment Date, or such other specified date (such date being not more than 60 days prior to the date of first use of this Base Prospectus (and the related Drawdown Prospectus or Final Terms) including (unless otherwise indicated) the amount of notes intended to be held for life by Bank of Scotland or its wholly-owned affiliates (although notes so held are not required to be included for the calculation under the rules), adjusted to reflect the hypothetical issuance of notes on such closing date. For purposes of the computation, the outstanding principal amount of each Series of notes denominated in currencies other than Sterling will be converted to Sterling at the exchange rate of the corresponding foreign exchange hedge entered into by the Issuer for the benefit of such Series. Any material difference in the amount of the seller's interest retained at the time of the closing of any offering of notes under the Programme from the expected seller's interest disclosed in the relevant Preliminary Drawdown Prospectus or Preliminary Final Terms will be disclosed in the first monthly report following the closing date.

In the future, Bank of Scotland may elect to comply with the U.S. Credit Risk Retention Rules through any other means permitted thereunder. In making such election, Bank of Scotland will comply with the provisions of the U.S. Credit Risk Retention Rules, including applicable disclosure requirements.

Volcker Rule

Having sought the advice of legal counsel and made other reasonable enquiries, the Issuer is of the view that it is not now, and immediately following the issuance of the notes and the application of the proceeds thereof it will not be, a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". Although other exclusions may be available to the Issuer, this conclusion is based on the exemption from the definition of "investment company" in the Investment Company Act provided by Rule 3a-7 thereunder.

LCR Regulation

Part 6 (*Liquidity*) of the CRR, and in particular Article 412, provides a framework to ensure that Institutions (as defined in the CRR) shall hold liquid assets, the sum of the value of which should cover the Institution's liquidity outflows less its liquidity inflows under stressed conditions, so as to ensure that Institutions maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and liquidity outflows under gravely stressed conditions over a period of 30 days. This is so that in times of stress, Institutions may use their liquid assets to cover their net liquidity outflows.

Pursuant to Article 460 of the CRR, these liquidity coverage requirements were adopted by delegated act, namely Delegated Regulation 2015/61 supplementing the CRR dated 10 October 2014 (the "**LCR Regulation**"). In calculating an Institution's liquidity buffer as part of the liquidity coverage ratio, an Institution may take into account its "liquid assets", the criteria of which are specified in the LCR Regulation. Level 2B securitisation assets may count towards "liquid assets" as part of the liquidity buffer calculation.

The Issuer understands that prospective investors in the notes may look to assess the compliance of such notes with the criteria for Level 2B securitisation assets (as set out in the LCR Regulation). The Issuer additionally notes that the Transferor requested that the Receivables Trustee effect a redesignation of certain Accounts on 26 February 2016 which the Transferor selected after having undertaken a review of the Designated Accounts in the Securitised Portfolio by reference to the definition of LCR Credit Impaired Accounts and LCR Defaulted Accounts in the LCR Regulations and consequentially offered to repurchase Receivables on such Accounts from the Receivables Trustee (the purchase price being the aggregate principal balance of such redesignated LCR Credit Impaired Accounts and LCR Defaulted Accounts as at the date of repurchase). This redesignation of Accounts and repurchase of Receivables was completed on 26 February 2016, pursuant to a repurchase deed dated 26 February 2016 as amended and restated on the Novation Date between, *inter alios*, the Transferor and the Receivables Trustee (the "**Repurchase Deed**"). The repurchase on 26 February 2016 was subject to the Transferor certifying, *inter alia*, that (i) the redesignation would not, in the Transferor's reasonable belief cause a Pay Out Event to occur; and (ii) in its opinion, formed on the basis of due consideration, the redesignation would not result in a downgrade or withdrawal of the current rating of any outstanding Associated Debt as at 26 February 2016.

Each prospective investor that is required to comply with the LCR Regulation is required to independently assess and determine the sufficiency of the information described above, in this Base Prospectus and otherwise which may be made available to investors (if any) generally for the purposes of complying with the LCR Regulation and none of the Issuer, the Receivables Trustee, Loan Note Issuer No. 1, the Transferor, any Material Originator, the Arranger, the Lead Manager, any Dealer or any of the other transaction parties makes any representation that the information described above, in this Base Prospectus and otherwise which may be made available to such investors (if any) is sufficient in all circumstances for such purposes. Prospective investors who are uncertain as to the requirements under the LCR Regulation which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

Redesignation of Accounts which are Credit Impaired and/or Defaulted for the purposes of the LCR Regulation and/or STS Securitisations

The Transferor has also undertaken, pursuant to an undertaking given to the Beneficiaries dated 26 February 2016 (as amended and restated on the Novation Date), not to include Accounts which it considers to be Credit Impaired Accounts or Defaulted Accounts in any Offer to the Receivables Trustee after the Novation Date and that if any such Accounts are identified after a review of the Securitised Portfolio by the Transferor as having been the subject of any Offer after the Novation Date that the Transferor will exercise its option to have such Accounts redesignated and the related Receivables repurchased by the Transferor pursuant to the Repurchase Deed, subject to it being able to make the relevant certifications to the Receivables Trustee (being, *inter alia*, that (i) such redesignation would not, in the Transferor's reasonable belief cause a Pay Out Event to occur; and (ii) in its opinion, formed on the basis of due consideration, such proposed redesignation would not result in a downgrade or withdrawal of the current rating of any outstanding Associated Debt as at the relevant repurchase date).

"**Credit Impaired Account**" means an Account with an Obligor who is a "credit-impaired obligor" within the meaning of Article 13(2)(j) of the LCR Regulation and/or Article 20(11) of the Securitisation Regulation.

"**Defaulted Account**" means an Account which, is in "default" within the meaning of Article 13(2)(k) of the LCR Regulation and/or Article 20(11) of the Securitisation Regulation.

THE PENARTH RECEIVABLES TRUST

General legal structure

The receivables trust (the "**Penarth Receivables Trust**") was constituted on 16 October 2008 pursuant to RTDSA and made among the Original Receivables Trustee, Bank of Scotland, the Original Loan Note Issuer No. 1 and the Original Loan Note Issuer No. 2, and consists of trusts declared under English law by the Original Receivables Trustee in favour of the Original Loan Note Issuer No.1, the Original Loan Note Issuer No.2 and Bank of Scotland (in its capacity as holder of the Transferor's beneficial interest in the Penarth Receivables Trust (the "**Transferor Beneficiary**")). Following the entry into a novation, amendment and restatement deed in respect of the RTDSA, the De-Linked Trust Supplement and each Investor Certificate, each dated the Novation Date, the Loan Note Issuer No. 1 and the Loan Note Issuer No. 2 (each an "**Investor Beneficiary**") and the Transferor Beneficiary are the beneficiaries of the Penarth Receivables Trust. The Penarth Receivables Trust was declared for the purposes of the structure described in this Base Prospectus.

The Securitisation Regulation provides a new STS regime for qualifying securitisations which allows certain institutional investors to apply a more favourable regulatory capital treatment under the relevant sectoral rules. The STS criteria, amongst other things, require (at Article 18 of the Securitisation Regulation) that the originator, sponsor and securitisation special purpose entity ("**SSPE**") involved in a securitisation must be established in the European Union. As the Original Investor Beneficiaries and Original Receivables Trustee were incorporated in Jersey, the STS criteria could not be met in respect of the Programme because certain of the SSPEs in the structure were not established within the European Union. In order to meet this STS criteria, the Investor Beneficiaries and Receivables Trustee were incorporated in England and Wales on 7 March 2019, and the beneficial entitlements and roles and responsibilities of the Original Investor Beneficiaries and Original Receivables Trustee in respect of the Penarth Receivables Trust were transferred to the Investor Beneficiaries and Receivables Trustee on the Novation Date.

In addition, the Transferor and the Receivables Trustee have agreed that, subject to the satisfaction of certain conditions, *inter alia*, the delivery of an accession notice, the making of the same representations in relation to the Existing Receivables and Future Receivables, the delivery of a certificate by the Transferor confirming that, in its opinion, formed on the basis of due consideration, such designation will not result in the withdrawal or downgrading by the Rating Agencies of any Associated Debt then outstanding, prior written confirmation from Moody's and Standard & Poor's that such designation will not result in the withdrawal or downgrading by these Rating Agencies of any Associated Debt then outstanding and notification to Fitch Ratings, the Transferor may designate any member of Lloyds Banking Group which from time to time originates Accounts or to whom legal and beneficial title to any Accounts has been transferred (an "**Additional Transferor**") from time to time offer to assign and/or hold on trust all Existing Receivables and Future Receivables arising on such Accounts in accordance with the provisions set out in the RSD. Following such accession, such Additional Transferor will become a Transferor Beneficiary pursuant to the terms of the RTDSA. As at the date of this Base Prospectus, no such Additional Transferor has been designated. At the time when such Additional Transferor accedes to the RSD, information in relation to such Additional Transferor and Receivables originated or acquired by such Additional Transferor will be disclosed to Noteholders.

Receivables (comprising Principal Receivables and Finance Charge Receivables) (the "**Receivables**") arising under certain MasterCard®, VISA® and American Express® revolving credit card accounts (the "**Designated Accounts**") selected from time to time from the total portfolio of MasterCard®, VISA® and American Express® Accounts originated or acquired by Bank of Scotland or a Material Originator together with certain rights and cashflows have been and (in the case of Future Receivables on Designated Accounts) may from time to time in the future, be assigned to and, in respect of Scottish Receivables, such Receivables will have a trust declared over them for the benefit of the Receivables Trustee by Bank of Scotland on the terms and subject to the conditions of the RSD between Bank of Scotland as Transferor and the Receivables Trustee. These Receivables (and related rights and cashflows) assigned or held on trust form the assets of the Penarth Receivables Trust along with any cash contributions made at any time and certain other items.

"**Material Originator**" means either (i) Lloyds Bank or (ii) any other originator selling and assigning Receivables to the Transferor or to an Additional Transferor and retaining title to designated Accounts representing at least 20 per cent. of the Principal Receivables in the Securitised Portfolio at the date of determination, which is nominated as such to the Receivables Trustee on the date on which such designated Accounts are first offered to the Receivables Trustee.

As at the date of this Base Prospectus, only Lloyds Bank has been designated as a Material Originator in respect of the Transferor.

In addition, on 8 November 2010, Bank of Scotland acquired all of the present and future beneficial interests in receivables arising under certain American Express®, MasterCard® and VISA® revolving credit card accounts originated by Lloyds Bank as a Material Originator in the United Kingdom pursuant to the terms of a receivables securitisation deed dated 1 November 2010 (as amended and restated from time to time) (the "**Lloyds Bank RSD**"). The legal ownership of such designated revolving credit card accounts remains with Lloyds Bank. On 8 November 2010, Bank of Scotland transferred such Receivables to the Receivables Trustee pursuant to the terms of the RSD and subsequent to 8 November 2010, has completed similar transfers and may do so from time to time to the extent that it acquires further Receivables from Lloyds Bank.

At the time when an Additional Transferor accedes to the RSD, Receivables arising under certain American Express®, MasterCard® and VISA® revolving credit card accounts selected from time to time from the total portfolio of American Express®, MasterCard® and VISA® Accounts originated or acquired by such Additional Transferor together with certain rights and cashflows may be assigned to, and in respect of Scottish Receivables, such Receivables will have a trust declared over them for the benefit of, the Receivables Trustee.

The terms and conditions of the Penarth Receivables Trust are set out in the RTDSA (the principal contents of which are described in this section of this Base Prospectus), as varied and supplemented from time to time by the execution of a supplement thereto (a "**Supplement**"). Under the RTDSA, which is governed by English law, the Receivables Trustee declares that it will hold all trust property upon the trusts set out in the RTDSA for the Transferor Beneficiary and each Investor Beneficiary as the initial beneficiaries and for each other person which from time to time becomes an additional beneficiary (an "**Additional Beneficiary**") in accordance with the terms of the RTDSA. As at the date of this Base Prospectus, there have been no other Additional Beneficiaries.

Each beneficiary (other than the Transferor Beneficiary) belongs or will belong to either of two categories of beneficiary, namely: (i) any person in its capacity as an Investor Beneficiary, or (ii) an enhancement provider if the related Supplement provides for that enhancement provider to be a beneficiary. Bank of Scotland, its successors and permitted assigns, in its capacity as Transferor Beneficiary belongs to its own unique category of beneficiary.

Each Supplement will define an interest in the property of the Penarth Receivables Trust (each a "**Trust Series**") and, for each respective Trust Series, create a Trust Series Investor Interest (see "*Contributions to trust property*" below). On the date of execution of the initial Supplement, a De-Linked Supplement has been entered into creating a Trust Series in the Penarth Receivables Trust which will form a Trust Series Investor Interest in favour of Loan Note Issuer No. 1 (the "**Funding 1 Beneficial Interest**"). It is not envisaged at the date of this Base Prospectus that any further Trust Series will be created as the Investor Interest represented by the Funding 1 Beneficial Interest may increase or decrease in accordance with the De-Linked Supplement initially creating the Funding 1 Beneficial Interest (see "*Sources of Funds to Pay the Loan Notes — Beneficial entitlement of Loan Note Issuer No. 1 to trust property — rights of the Investor Beneficiary in respect of De-Linked Trust Series*"). However, any further Trust Series in respect of the Penarth Receivables Trust will be established pursuant to a Supplement to the RTDSA.

In addition to the RTDSA, the initial beneficiaries entered into a deed dated 16 October 2008, which has since been novated amended and restated on the Novation Date (the "**Beneficiaries Deed**"), that sets out the contractual arrangements amongst them in respect of certain commercial decisions (relating to authorisations, consents, waivers or other acts of the beneficiaries) to be made from time to time in respect of the RTDSA and any Supplement thereto. However, the terms of the Beneficiaries Deed make clear that it is in no way intended to prejudice the absolute entitlement that each beneficiary has to trust property as described in this Base Prospectus and as set out under the terms of the RTDSA and each Supplement.

Contributions to trust property

If the prior written consent of all existing beneficiaries is received by the Receivables Trustee, a person may become an Additional Beneficiary, or an existing Investor Beneficiary may increase its existing beneficial interest in the Penarth Receivables Trust by:

(a) making a payment to the Receivables Trustee as a contribution to trust property; or

(b) such other method as the existing beneficiaries may agree between themselves and jointly direct the Receivables Trustee to implement, **provided that** the Transferor has certified in writing that in its opinion, formed on the basis of due consideration, use of such other method will not result in a reduction or withdrawal of each Rating Agency's then current rating of any outstanding Associated Debt,

(in each case, a "**Contribution**").

In the case of an initial Contribution by a beneficiary other than the Transferor Beneficiary, in order for such Contribution to be effective, the Receivables Trustee shall issue a certificate to an Investor Beneficiary (the "**Investor Certificate**") evidencing the beneficial interest in the Penarth Receivables Trust created by such Contribution. Where the beneficiary has previously been issued an Investor Certificate, the Receivables Trustee shall reissue the relevant Investor Certificate after making the appropriate annotation reflecting such an Additional Contribution (as defined below) or payment of principal. In each case, the Investor Certificate shall always evidence the aggregate beneficial entitlement to trust property of the relevant Investor Beneficiary.

The Transferor Beneficiary has the option under the terms of the RTDSA to elect to have its beneficial interest in the Penarth Receivables Trust evidenced fully or partially in certificated form (the "**Transferor Certificate**") or not to have its beneficial interest evidenced in certificated form at all. Other beneficiaries do not have these options.

If a Contribution is to take place, the relevant Supplement to the RTDSA will govern the portion of beneficial entitlement (the "**Investor Interest**") that will be created by such Contribution and the related set of financial calculations that would be required in relation to such Trust Series. The Investor Interest in respect of a Trust Series is called the "**Trust Series Investor Interest**". Each specific Trust Series Investor Interest will be identified by the Trust Series name.

An Investor Beneficiary or enhancement provider may be a member of more than one Trust Series. If an Investor Beneficiary is to become a member of more than one Trust Series, it shall do so by, from time to time, making a further Contribution to the Penarth Receivables Trust and entering into a new Supplement in respect of the new Trust Series which will have the effect of increasing its Investor Interest. Whilst it is possible for Loan Note Issuer No. 1 to enter into a new Supplement to create a new Trust Series this is not envisaged owing to its ability to increase the size of its Funding 1 Beneficial Interest through Contributions funded by the issuance of Loan Notes forming notional tranches of Global Loan Note No.1.

On presentation of such Investor Beneficiary's existing Investor Certificate, the Receivables Trustee will annotate such Investor Certificate to evidence such Investor Beneficiary's increased Investor Interest in the Penarth Receivables Trust (the "**Aggregate Investor Interest**").

The Receivables Trustee will authenticate and deliver (or annotate and redeliver in the case of a previously issued Investor Certificate) an Investor Certificate in respect of any new Trust Series (or increase in the Funding 1 Beneficial Interest in the case of Loan Note Issuer No. 1) only when the Receivables Trustee has first received:

(a) a Supplement specifying the principal terms of the Trust Series executed by the parties thereto (including the Transferor Beneficiary, all Investor Beneficiaries and the Receivables Trustee) (or increase in the Funding 1 Beneficial Interest in the case of Loan Note Issuer No. 1);

(b) the applicable enhancement, if any;

(c) the agreement, if any, pursuant to which the enhancement provider, if any, agrees to provide enhancement;

(d) a solvency certificate from the Transferor;

(e) written confirmation from each relevant Rating Agency that the Contribution will not result in such Rating Agency reducing or withdrawing its then current rating on any outstanding Associated Debt;

(f) written confirmation from the relevant Investor Beneficiary (which will be Loan Note Issuer No. 1 in the case of an increase in the Funding 1 Beneficial Interest) and Enhancement Provider, if any, that either (A) each of the Investor Beneficiary and Enhancement Provider (if any) is resident in the United Kingdom for United Kingdom tax purposes, or (B) such Investor Beneficiary (which will be Loan Note Issuer No. 1 in the case of an increase in the Funding 1 Beneficial Interest) and Enhancement Provider has received a legal opinion from solicitors in the United Kingdom that, under then current United Kingdom law, payments in respect of the Investor Certificate will not be subject to United Kingdom withholding tax;

(g) the applicable Investor Certificate for reissue (if previously issued); and

(h) in the case where the Associated Debt (or, in the absence of any Associated Debt, Related Debt), proposed to be issued pursuant to Rule 144A has a class or category deemed to be below investment grade, a certificate provided by an authorised officer of the Transferor certifying that each of the beneficiaries has determined that, based on consultation with counsel, the Contribution is in the best interests of the relevant Investor Beneficiary making the Contribution.

The term "**Related Debt**" means, with respect to a Trust Series Investor Interest, any Loan Notes issued by any of Loan Note Issuer No. 1 or Loan Note Issuer No. 2 as the Investor Beneficiary in respect of such Trust Series Investor Interest, as further specified in the related Supplement for such Trust Series.

Each Supplement executed in order to effect a Contribution shall specify the principal terms for the Trust Series which it constitutes. The principal terms of a Trust Series will be defined such that each relevant Trust Series has an Accumulation Period or Amortisation Period for the payment of principal which may have a different length and begin on a different date than such period for any other Trust Series. One or more Trust Series may be in their Amortisation Period or Accumulation Period when other Trust Series are not. Moreover, each Trust Series may have the benefit of enhancement which is available only to such Trust Series. The Receivables Trustee shall hold any such form of enhancement only on behalf of the Trust Series with respect to which it relates. For the purposes of calculation, certain Trust Series may be subordinated to other Trust Series and notional classes established for calculation purposes within a Trust Series may have different priorities. Whether or not a Trust Series is subordinated to any other Trust Series will be set out in the related Supplement. There will be no limit on the number of Contributions that may be made to the Penarth Receivables Trust or the number of Additional Beneficiaries that may be added.

The Receivables Trustee will be entitled to arrange for additional Supplements to be executed if it obtains the consent of all the beneficiaries to the Penarth Receivables Trust (such consent to be evidenced by each beneficiary executing such additional Supplement). The terms of the Beneficiaries Deed state that each existing Investor Beneficiary agrees that it shall consent in accordance with the direction of the Transferor Beneficiary if pre-conditions for additional supplements to be executed (described in the RTDSA) are met. These pre-conditions are described in (a) through (h) above. In any case, the Receivables Trustee shall not accept any Contribution unless it receives confirmation from each Rating Agency that the related Contribution will not result in such Rating Agency reducing or withdrawing its then current rating on any outstanding Associated Debt.

General entitlement of beneficiaries to trust property

By making Contributions to the Penarth Receivables Trust, the Transferor Beneficiary and each Investor Beneficiary has an undivided interest in the Penarth Receivables Trust, as referred to above. However, in addition to trust property that is held by the Receivables Trustee on an undivided basis for all beneficiaries, certain trust property (including amounts of cash) may be held in bank accounts or credited to ledgers within bank accounts on a segregated basis for a particular beneficiary only and may be held in respect of a particular Trust Series or Series only.

Broadly, trust property comprises:

(a) a pool of Eligible Receivables and any amounts paid by a beneficiary as a Contribution (the "**Undivided Bare Trust**" and trust property therein being "**Undivided Bare Trust Property**") —

held on an undivided basis for each Investor Beneficiary and the Transferor Beneficiary in accordance with their respective beneficial interests as determined by the RTDSA and each Supplement thereto;

(b) a pool of Ineligible Receivables and Ineligible Collections related to such Ineligible Receivables (the "**Ineligibles Bare Trust**" and trust property therein being "**Ineligible Bare Trust Property**") — held on a segregated basis for the sole benefit of the Transferor Beneficiary;

(c) property specifically allocated in accordance with the RTDSA and each Supplement thereto to be held on a segregated basis for an Investor Beneficiary or the Transferor Beneficiary (as the case may be) (the "**Segregated Bare Trust**" and trust property therein being "**Segregated Bare Trust Property**") — held on a segregated basis for the sole benefit of the relevant beneficiary in accordance with the RTDSA or the relevant Supplement;

(d) property which derives from Additional Funds (other than Additional Funds "Trustee Payments" and Additional Funds "**Loss Make-Up**") received by the Receivables Trustee as Additional Funds paid by an Investor Beneficiary for the grant of its Investor Interest pursuant to the terms of each relevant Supplement (the "**Deferred Payment Bare Trust**" and trust property therein being "**Deferred Payment Bare Trust Property**") — held on a segregated basis for the sole purpose of paying Deferred Consideration to the Transferor Beneficiary in accordance with the terms of the RSD and each relevant Supplement; and

(e) other property which is expressly segregated by the Receivables Trustee for the benefit of a beneficiary according to the terms of any Supplement (each an "**Other Trust**" and trust property therein being "**Other Trust Property**") — held on a segregated basis for the relevant beneficiary.

See "*The Loan Notes*" for a description of the beneficial entitlement of Loan Note Issuer No. 1 as Investor Beneficiary to Receivables and for a description of the manner in which calculations will be made and Collections will be distributed to Loan Note Issuer No. 1.

Additional Funds "**Trustee Payments**" means such amount of Additional Funds which are paid to the Receivables Trustee and which represent, *inter alia*, the Investor Trustee Payment and Investor Servicing Fee Amount.

Additional Funds "**Loss Make-Up**" means all amounts of Additional Funds which are characterised as such pursuant to the relevant De-linked Supplement, as described in more detail in "*Sources of Funds to Pay the Loan Notes*".

The Transferor in its capacity as such will have no beneficial entitlement under the Penarth Receivables Trust as to available spread. Available spread is the amount of the trust property calculated as allocable to an Investor Beneficiary, less (i) that portion of the costs and expenses of the Receivables Trustee that is borne by such Investor Beneficiary and (ii) amounts calculated as allocable to the Investor Interest of each Trust Series. However, the Transferor will be contractually entitled to receive payment of amounts from the Receivables Trustee equal to amounts of additional consideration ("**Excess Spread**") paid by an Investor Beneficiary to the Receivables Trustee as Additional Funds for the granting of its Investor Interests. The Transferor will receive such payments from the Receivables Trustee as "**Deferred Consideration**" under the terms of the RSD.

The beneficial entitlement of the Transferor Beneficiary at any time is:

(i) in respect of Undivided Bare Trust Property, excluding Finance Charge Collections, Acquired Insurance Commission, Acquired Interchange and income on Permitted Investments, that proportion which the Adjusted Transferor Interest bears to the sum of the Combined Aggregate Adjusted Investor Interest and the Adjusted Transferor Interest, except that, if at any time each of the Combined Aggregate Adjusted Investor Interest and the Adjusted Transferor Interest are zero, and the Undivided Bare Trust Property at that time includes Principal Collections, such Principal Collections shall be identified as Unavailable Principal Collections and will be held for the relevant Transferor Beneficiary absolutely;

(ii) in respect of Undivided Bare Trust Property which consists of Finance Charge Collections, Acquired Insurance Commission, Acquired Interchange, and income on Permitted Investments (except such investment earnings on Permitted Investments made using monies deposited in the

Trust Accounts and credited to ledgers held on segregated trust on a segregated basis for a particular beneficiary only), the Floating Transferor Percentage for that Monthly Period in which such Finance Charge Collections, Acquired Insurance Commission, Acquired Interchange and income on Permitted Investments arise;

(iii) in respect of Ineligible Bare Trust Property, the Ineligible Receivables originated by the Transferor and all Ineligible Collections related to such Ineligible Receivables;

(iv) in respect of Deferred Payment Bare Trust Property, any trust property held in the Deferred Payment Bare Trust; and

(v) in respect of Segregated Bare Trust Property or Other Trust Property, any trust property expressly segregated and held for the benefit of the Transferor Beneficiary.

The term "**Adjusted Transferor Interest**" means in relation to the Transferor Beneficiary at any time the sum of (i) the amount of any cash contribution by the Transferor Beneficiary to the Penarth Receivables Trust and (ii) the aggregate of the outstanding face amount of Receivables that are Principal Receivables assigned by the Transferor as Eligible Receivables to (or held by it in trust for) the Receivables Trustee as reduced by the aggregate of:

(a) the total consideration received by the Transferor in cash for the Eligible Receivables that are Principal Receivables (excluding any amount received as Deferred Consideration);

(b) Principal Collections distributed to the Transferor Beneficiary and other principal amounts distributed to the Transferor Beneficiary from the Trustee Investment Account;

(c) the Transferor Beneficiary's proportionate share of Principal Receivables that are Defaulted Receivables;

(d) the total amount of Deferred Consideration "Loss Make-Up" (which is equal to amounts received from time to time by the Receivables Trustee by way of Additional Funds "Loss Make-Up") received by the Transferor pursuant to the RSD; and

(e) reductions of the Transferor's beneficial interest in the Penarth Receivables Trust to satisfy the payment obligations of the Transferor Beneficiary (in its capacity as Transferor) being payment obligations which arise from Ineligible Receivables or in respect of a Credit Card Agreement,

provided that, for the avoidance of doubt, in calculating the amount of the Adjusted Transferor Interest, the amount of any given payment shall not be deducted more than once.

The term "**Aggregate Adjusted Investor Interest**" shall mean, at any time, in respect of an Investor Beneficiary, the sum of the Adjusted Investor Interests of all outstanding Trust Series in respect of such Investor Beneficiary and "**Combined Aggregate Adjusted Investor Interest**" shall mean at any time, the sum of the Aggregate Adjusted Investor Interests for all Investor Beneficiaries. For the definition of Adjusted Investor Interest, see "*Sources of Funds to Pay the Loan Notes*".

The term "**Floating Transferor Percentage**" shall mean in respect of any Monthly Period and in respect of the Transferor, the percentage resulting from the calculation of (1) 100 per cent. minus (2) the aggregate of the Floating Investor Percentages of each Investor Beneficiary **provided that**, if the relevant Trust Series has a Net Floating Investor Percentage, the reference to Floating Investor Percentage shall mean, for such Trust Series, the Net Floating Investor Percentage when calculating the Floating Transferor Percentage in respect of Acquired Interchange, Acquired Insurance Commission, Investor Default Amount and income on Permitted Investments.

The Transferor is not beneficially entitled to investment earnings on Permitted Investments made using monies deposited in the Trust Accounts and ledgers held on segregated trust on a segregated basis for a particular beneficiary only. However the Transferor will have the right to payments of Deferred Consideration from the Receivables Trustee. The payments of Deferred Consideration will include, *inter alia*, amounts equal to monies distributed by the Receivables Trustee to the Investor Beneficiaries as earnings on Permitted Investments, made using monies deposited in the Trust Accounts and credited to ledgers held on segregated trust on a segregated basis for a particular beneficiary, unless the relevant Supplement for a particular Trust Series states otherwise. (See "*Sources of Funds to Pay the Loan Notes*").

The term "**Permitted Investments**" shall mean any one or more of the following:

(i) demand or time deposits, certificates of deposit and other short-term unsecured debt obligations **provided that**, in each case, at the time the deposit is made or the certificate or obligation is acquired the then current rating of the unsecured and unguaranteed debt obligations of that institution (or, where the investment in question is guaranteed, of the guaranteeing institution) is (a) A-1 or at least A+ (where no short term rating is available) from Standard & Poor's, F1 from Fitch Ratings (**provided that**, if that institution's short-term issuer default rating has been placed on "Ratings Watch Negative" by Fitch Ratings, that Institution will be required to have a short-term issuer default rating of at least F1+ by Fitch Ratings) and P-1 from Moody's, or (b) consistent with such other rating as is consistent with the then prevailing published rating criteria of the relevant Rating Agency; or

(ii) short-term unsecured debt obligations (including commercial paper) issued by a body corporate **provided that** the then current rating of the unsecured and unguaranteed debt obligations of that body corporate (or where the debt obligations in question are guaranteed, of the guaranteeing institution) is (a) A-1 or at least A+ (where no short term rating is available) from Standard & Poor's, F1 from Fitch Ratings (**provided that**, if that body corporate's short-term issuer default rating has been placed on "Ratings Watch Negative" by Fitch Ratings, that body corporate will be required to have a short-term issuer default rating of at least F1+ by Fitch Ratings) and P-1 from Moody's, or (b) consistent with such other rating as is consistent with the then prevailing published rating criteria of the relevant Rating Agency,

provided that, no withholding or deduction for or account of tax will be made on any payments of interest or principal in respect of any such deposit, bond, debenture, note or other investment or security evidencing debt, and **provided further that** no such instrument will be a volatile instrument (as specified in the Rating Agencies' published criteria) and/or an instrument issued by a mutual fund or similar investment vehicle, and **provided further that** each such instrument shall mature at the latest on the Business Day preceding the following Transfer Date so that such funds will be available for withdrawal on or prior to the following Transfer Date.

Without prejudice to the above, each beneficiary will be entitled to all trust property from time to time which is expressly held on bare trust for the sole benefit of such beneficiary.

Allocation and application of Collections

Pursuant to a trust accounts bank account agreement dated the Novation Date (as amended and restated from time to time) (the "**Trust Accounts Bank Agreement**"), the Receivables Trustee has opened and will maintain a collection account (the "**Trustee Collection Account**") at a Qualified Institution (currently Bank of Scotland at its branch located at Leeds) in which there is established a Principal Collections Ledger and a Finance Charge Collections Ledger to which Principal Collections and Finance Charge Collections are credited, respectively. The Receivables Trustee has also opened and will maintain an investment account at a Qualified Institution (currently at Bank of Scotland at its branch located at Leeds) (the "**Trustee Investment Account**") to which are credited all amounts allocated as available to fund the purchase of Receivables. The Receivables Trustee may also open additional Trust Accounts from time to time at a Qualified Institution for the benefit of specific beneficiaries (each an "**Additional Trust Account**"). See also "*Sources of Funds to Pay the Loan Notes — Distribution ledgers*".

The Trustee Collection Account, the Trustee Investment Account and any Additional Trust Accounts are collectively referred to as the "**Trust Accounts**". The Receivables Trustee, as trustee of the Penarth Receivables Trust, possesses all legal right, title and interest in all funds on deposit from time to time in each trust account and in all proceeds thereof. Trust Accounts shall be located in the United Kingdom.

The Receivables Trustee has directed Bank of Scotland that Collections in respect of Finance Charge Receivables and recoveries ("**Finance Charge Collections**") and Collections in respect of Principal Receivables which are Eligible Receivables ("**Principal Collections**") and other monies held on trust in the Operating Account for the benefit of the Receivables Trustee are to be transferred to the Trustee Collection Account no later than two Business Days after the Date of Processing thereof. The Receivables Trustee must regard all monies in the Trustee Collection Account as Collections in respect of Receivables assigned to the Penarth Receivables Trust unless the Servicer has notified the Receivables Trustee that part or all of such monies have been incorrectly paid into such account ("**Incorrect Payments**"). An amount equal to

Incorrect Payments previously allocated as Finance Charge Collections is deducted from Collections in respect of Finance Charge Receivables prior to allocating Finance Charge Collections, for any purpose, on the Business Day on which such allocated Incorrect Payments are notified to the Receivables Trustee.

From time to time Collections are paid into the Trustee Collection Account representing Collections in respect of Ineligible Receivables ("**Ineligible Collections**") but which were initially considered to be Principal Collections in respect of Eligible Receivables ("**Allocated Ineligible Collections**"). Such monies may be allocated in accordance with the terms of the RTDSA (and any Supplement thereto) unless prior to such allocation the Servicer notifies the Receivables Trustee that such monies are Ineligible Collections. To the extent that the Servicer does not notify the Receivables Trustee that monies in the Trustee Collection Account are Ineligible Collections, the Receivables Trustee treats such monies as Collections in respect of Eligible Receivables and such Collections are allocated accordingly.

Upon notice to the Receivables Trustee by the Servicer that Allocated Ineligible Collections have been allocated as Principal Collections in respect of Eligible Receivables, the Receivables Trustee shall amend its books of account to record that the Ineligible Bare Trust Property has been decreased by the amount of such Allocated Ineligible Collections previously allocated as Principal Collections. The Transferor's beneficial interest in the Ineligible Bare Trust Property and (forming part of the Penarth Receivables Trust) the Transferor's beneficial interest in the Undivided Bare Trust Property are each adjusted by the amount of such adjustments with respect to Incorrect Payments, Ineligible Collections and Ineligible Receivables.

Principal Receivables which are Eligible Receivables and which become Receivables in a Defaulted Account are allocated between the Transferor Beneficiary and the Investor Beneficiaries in relation to each Trust Series in accordance with their respective beneficial entitlements to trust property at that time. Credit adjustments in respect of Principal Receivables are allocated to the Transferor Beneficiary as a reduction of the Transferor's beneficial interest in the Penarth Receivables Trust until such time as the Adjusted Transferor Interest reaches zero. Principal Receivables which are Ineligible Receivables and which become Receivables in Defaulted Accounts, reduce the Transferor's beneficial interest in the Ineligible Bare Trust Property until such time as the Transferor's beneficial interest in the Ineligible Bare Trust Property reaches zero.

Collections representing trust property are allocated as Principal Collections, Finance Charge Collections or Ineligible Collections. If the Transferor nominates a Discount Percentage (see "*The Receivables — Discount Option Receivables*"), a percentage of Principal Collections equal to the Discount Percentage so nominated will be treated as Finance Charge Collections.

If specified by a Supplement, the Investor Beneficiary in respect of the relevant beneficial interest will be entitled to a portion of Acquired Interchange and a portion of Acquired Insurance Commission. In all cases the Transferor Beneficiary will also be entitled to a portion of Acquired Interchange and a portion of Acquired Insurance Commission. In respect of the De-Linked Trust Series, Loan Note Issuer No. 1 will be entitled to the portion of Investor Acquired Interchange Amount and a portion of Investor Acquired Insurance Commission Amount as further described in "*Sources of Funds to Pay the Loan Notes*".

Unless specified otherwise in the related Supplement, each Trust Series is or will be entitled to varying percentages of Principal Collections, Finance Charge Collections and losses in respect of Defaulted Receivables in Defaulted Accounts, in each case calculated by reference to the investor percentage applicable to such Trust Series on a *pari passu* and *pro rata* basis with Principal Collections, Finance Charge Collections or losses in respect of Defaulted Receivables in Defaulted Accounts (as the case may be) allocated to other Trust Series and to the Transferor Beneficiary. Also, as noted above, if so specified in the related Supplement, each Trust Series is or will be entitled to a portion of Acquired Interchange and Acquired Insurance Commission in respect of each Monthly Period. That portion of Acquired Interchange and that portion of Acquired Insurance Commission which is not allocated to any Trust Series will be allocated to the Transferor Beneficiary.

The Transferor Beneficiary (in its capacity as Transferor) is entitled to receive, as Deferred Consideration from the Receivables Trustee, amounts equal to those amounts of, *inter alia*, Finance Charge Collections, Acquired Insurance Commission and Acquired Interchange distributed in respect of a Trust Series that are not utilised by other beneficiaries (whether or not a member of such Trust Series) or any enhancement provider as specified pursuant to the related Supplement but which are paid to the Receivables Trustee by the Investor Beneficiary as Additional Funds. The entitlement of each Investor Beneficiary (in respect of its Investor Interest relating to a Trust Series) to Principal Collections, Finance Charge Collections, Acquired Insurance Commission and Acquired Interchange is or will be specified in the related Supplement.

Certain obligations on the part of the Transferor to make a payment to the Receivables Trustee pursuant to the RSD, in respect of Principal Receivables in respect of which a breach of warranty has occurred, may be fulfilled by a reduction of the Transferor's beneficial interest in the Penarth Receivables Trust and, in addition, where appropriate, by an increase in the Transferor's beneficial interest in the Ineligible Bare Trust Property; **provided**, **however**, **that** in the event and to the extent the Adjusted Transferor Interest would be reduced below zero, the Transferor must make a corresponding payment to the Receivables Trustee in accordance with the provisions of the RTDSA and the RSD.

The Servicing Fee is payable by the Receivables Trustee to the Servicer. The Receivables Trustee is entitled to be reimbursed for its payments to the Servicer from payments made by the beneficiaries to the Receivables Trustee. Each beneficiary may utilise trust property allocated to such beneficiary to make such payment and the amount of the reimbursement to be paid to the Receivables Trustee is deducted from certain payments of Acquired Interchange and Finance Charge Collections calculated as allocable to the Transferor Beneficiary and each Investor Beneficiary in respect of a Trust Series on a *pari passu* and *pro rata* basis as more particularly described in each related Supplement.

In accordance with the preceding summary of general principles, the Receivables Trustee makes the following daily (unless otherwise stated) transfers of monies from, or on a daily basis identifies and credits to separate ledgers in, the Trustee Collection Account in the following priority:

(i) the amount of any Incorrect Payments notified to the Receivables Trustee not previously allocated as Collections representing trust property, to an account in the name of Bank of Scotland utilised to receive amounts owing to Bank of Scotland from the Receivables Trustee, from time to time (the "**Receipts Account**"), whereupon such monies shall cease to be trust property and shall be owned by the relevant Transferor Beneficiary absolutely, according to its *pro rata* share;

(ii) the amount of Ineligible Collections notified to the Receivables Trustee not previously allocated as Principal Collections, to the Receipts Account, whereupon such monies shall cease to be trust property and shall be owned by the relevant Transferor Beneficiary absolutely, according to its *pro rata* share;

(iii) the relevant amount of Principal Collections to be credited to the Principal Collections Ledger, and if specified in the related Supplement for a Trust Series, the relevant amount of Principal Collections (if any) to be credited to the relevant sub-ledger in the Trust Series Principal Collections Ledger (as applicable), as specified in or pursuant to such related Supplement for the applicable Trust Series (and a corresponding adjustment shall be made to the Principal Collections Ledger in the Trustee Collection Account);

(iv) subject to paragraph (xi) below and to any provisions of any Supplement which require any amounts to be retained in the Principal Collections Ledger (whether on account of Required Retained Principal Collections (as defined in the related Supplement for each Trust Series) or otherwise), or, as the case may be, distributed from the Principal Collections Ledger the amount of any Principal Collections remaining after the application of (i) to (iii) above (which remaining amount shall constitute "**Cash Available For Investment**"), from the Trustee Collection Account to the Trustee Investment Account (and a corresponding adjustment shall be made to the Principal Collections Ledger in the Trustee Collection Account);

(v) an amount equal to the product of (1) the Floating Transferor Percentage for the Monthly Period in which such Finance Charge Collections arise, and (2) the aggregate amount of Finance Charge Collections in respect of the relevant Date of Processing (the "**Transferor Finance Charge Amount**") from the Trustee Collection Account to the Receipts Account or as the relevant Transferor Beneficiary may direct (and a corresponding adjustment shall be made to the Finance Charge Collections Ledger in the Trustee Collection Account) whereupon such monies shall cease to be trust property and shall be owned by the relevant Transferor Beneficiary absolutely, according to its *pro rata* share;

(vi) on each Transfer Date an amount equal to the product of (1) the Floating Transferor Percentage for the Monthly Period preceding such Transfer Date, and (2) the aggregate amount of Acquired

Interchange deposited by the Transferor in the Trustee Collection Account in respect of the relevant Monthly Period (the "**Transferor Acquired Interchange Amount**") from the Trustee Collection Account to the Receipts Account or as the Transferor Beneficiary may direct (and a corresponding adjustment shall be made to the Finance Charge Collections Ledger in the Trustee Collection Account) whereupon such monies shall cease to be trust property and will be available for distribution to the Transferor Beneficiary in accordance with the provisions of the RTDSA shall be owned by the relevant Transferor Beneficiary absolutely, according to its *pro rata* share;

(vii) in respect of each Investor Beneficiary, an amount equal to the product of (1) the sum of the Floating Investor Percentages in respect of all outstanding Trust Series for the relevant Investor Beneficiary for the Monthly Period in which such Finance Charge Collections arise, and (2) the aggregate amount of Finance Charge Collections in respect of the relevant Date of Processing (the "**Investor Finance Charge Amount**") in the Trustee Collection Account to be credited to the relevant sub-ledger in the Finance Charge Collections Ledger or as the relevant Investor Beneficiary may direct in relation to the amounts thereof referable to the Trust Series in respect of which the relevant Investor Beneficiary is the Investor Beneficiary (and a corresponding adjustment shall be made to the Finance Charge Collections Ledger in the Trustee Collection Account) whereupon such monies shall cease to be Undivided Bare Trust Property;

(viii) on each Transfer Date, in respect of each Investor Beneficiary, an amount equal to the product of (1) the sum of the Floating Investor Percentages in respect of all outstanding Trust Series for the relevant Investor Beneficiary for the Monthly Period preceding the Transfer Date, and (2) the aggregate amount of Acquired Interchange deposited by the Transferor in the Trustee Collection Account in respect of the relevant Monthly Period (the "**Investor Acquired Interchange Amount**") in the Trustee Collection Account to be credited to the relevant sub-ledger in the Finance Charge Collections Ledger or as the relevant Investor Beneficiary may direct in relation to the amounts thereof referable to the Trust Series in respect of which that relevant Investor Beneficiary is the Investor Beneficiary (and a corresponding adjustment shall be made to the Finance Charge Collections Ledger in the Trustee Collection Account) whereupon such monies shall cease to be Undivided Bare Trust Property;

(ix) on each Transfer Date an amount equal to the product of (1) the Floating Transferor Percentage for the Monthly Period preceding such Transfer Date, and (2) the aggregate amount of Acquired Insurance Commission deposited by the Transferor in the Trustee Collection Account in respect of the relevant Monthly Period (the "**Transferor Acquired Insurance Commission Amount**") from the Trustee Collection Account to the Receipts Account or as the Transferor Beneficiary may direct (and a corresponding adjustment shall be made to the Finance Charge Collections Ledger in the Trustee Collection Account) whereupon such monies shall cease to be trust property and shall be owned by the relevant Transferor Beneficiary absolutely, according to its *pro rata* share;

(x) on each Transfer Date, in respect of each Investor Beneficiary, an amount equal to the product of (1) the sum of the Floating Investor Percentages in respect of all outstanding Trust Series for the relevant Investor Beneficiary for the Monthly Period preceding the Transfer Date, and (2) the aggregate amount of Acquired Insurance Commission deposited by the Transferor in the Trustee Collection Account in respect of the relevant Monthly Period (the "**Investor Acquired Insurance Commission Amount**") in the Trustee Collection Account to be credited to the relevant sub-ledger in the Finance Charge Collections Ledger or as the relevant Investor Beneficiary may direct in relation to the amounts thereof referable to the Trust Series in respect of which that relevant Investor Beneficiary is the Investor Beneficiary (and a corresponding adjustment shall be made to the Finance Charge Collections Ledger in the Trustee Collection Account) whereupon such monies shall cease to be Undivided Bare Trust Property; and

(xi) if on any day, (A) the sum of the Combined Aggregate Adjusted Investor Interest and the Adjusted Transferor Interest is zero, and (B) a principal collection is received ("**Unavailable Principal Collections**") such amount shall be withdrawn from the Principal Collections Ledger and transferred to the Trustee Investment Account and such deposited Unavailable Principal Collections in the Trustee Investment Account shall be transferred to the Transferor Beneficiary in accordance with the description of Cash Available For Investment described below.

Amounts remaining in the Trustee Collection Account after the application of monies referred to above (as supplemented and/or amended pursuant to any Supplement) shall either (1) remain deposited in the Trustee

Collection Account until such time as they are utilised on succeeding Business Days in accordance with the RTDSA and any Supplement, or (2) be invested in Permitted Investments.

Application of Cash Available for Investment — payments of Acceptance Price and for further Eligible Receivables

During each Loan Note Revolving Period, or Accumulation Period applicable to a Trust Series as further specified in the related Supplement (see "*Sources of Funds to Pay the Loan Notes — Distributions of Principal Collections to Loan Note Issuer No. 1*"), the Receivables Trustee will utilise a portion of Principal Collections allocated to Investor Beneficiaries in respect of each outstanding Trust Series, as available, to fund the following amounts (**provided that** no amounts of Cash Available For Investment are used to pay for Receivables notified by the Transferor to be Ineligible Receivables):

(a) (i) the amount required to fund acceptance (the "**Acceptance Price**"), if applicable, of any Offer (pursuant to the terms of the RSD), and (ii) if the Receivables Trustee has accepted an Offer, the amount (if any) required to meet the obligation of the Receivables Trustee to pay an amount (the "**Further Payment**") equal to the outstanding face amount of the Existing Receivables referred to in such Offer on the Addition Date (if any) (excluding any Receivables which have, prior to the time of acceptance, been identified by the Transferor or the Servicer as being Ineligible Receivables), less the Acceptance Price paid by the Receivables Trustee to the Transferor in respect of such Offer as stipulated in such Offer pursuant to the terms of RSD;

(b) the amount required to meet the obligation of the Receivables Trustee to make payments in respect of (*inter alia*) Future Receivables in accordance with the terms of the RSD, **provided however that** if, on any Business Day, there is insufficient Cash Available For Investment to fund the Receivables Trustee's purchase of Future Receivables, the Transferor Beneficiary shall be obliged to fund the Receivables Trustee in respect of the amount of the shortfall. To the extent that there is such a shortfall on any Business Day, such shortfall shall be met by a reduction in the aggregate amount payable to the Transferor Beneficiary by the Receivables Trustee and an increase in the Transferor Beneficiary's beneficial interest in the Penarth Receivables Trust in each case by the amount of such shortfall;

(c) the amount (if any) required to meet the obligation of the Receivables Trustee to pay Deferred Consideration "Loss Make-Up" in accordance with the terms of the RSD;

(d) if the amount of Cash Available For Investment exceeds the amount of Existing Receivables or Future Receivables which are Eligible Receivables and available to be purchased by the Receivables Trustee on any Business Day, the excess amount of Cash Available For Investment will be distributed to the Transferor Beneficiary (and, if specified in the related Supplement, to Investor Beneficiaries in respect of other outstanding Trust Series) in order to decrease the amount of the Transferor Beneficiary's beneficial interest in the Penarth Receivables Trust (or the relevant Investor Beneficiary's beneficial interest in respect of the relevant Trust Series Investor Interest) in the Eligible Receivables pool and/or Other Trust Property, **provided that**, if (A) the Adjusted Transferor Interest has fallen to zero, and (B) an Unavailable Principal Collection is held in the Trustee Investment Account, such amount shall remain credited to the Trustee Investment Account. Unavailable Principal Collections will not be distributed to the Transferor Beneficiary unless, and only to the extent that, the Adjusted Transferor Interest increases above zero; and

(e) the balance, if any, of amounts held in the Trustee Investment Account on any day, representing Cash Available For Investment which are not to be otherwise utilised on that day as part of the undivided trust property in accordance with the RTDSA and the terms of the Undivided Bare Trust shall remain in the Trustee Investment Account to be utilised in accordance with the RTDSA on the next and (if applicable) the following Business Days.

The Transferor's beneficial interest in the Penarth Receivables Trust is also decreased or increased by other adjustments thereto as referred to in "*Allocation and Application of Collections*" above.

The Investor Interest in respect of each Trust Series and the beneficial interest in the Penarth Receivables Trust of each Additional Beneficiary is or will be increased or decreased in the manner specified in the related Supplement. See "*Sources of Funds to Pay the Loan Notes*".

Application of monies in the Receivables Trustee Consideration Account — Deferred Consideration payable by the Receivables Trustee to the Transferor

Under the terms of the RSD the Receivables Trustee has an obligation to make payments of Deferred Consideration (other than Deferred Consideration "Loss Make-Up") to the Transferor. These payments will be funded by amounts accumulating in a consideration account opened and maintained by the Receivables Trustee with a Qualified Institution in the United Kingdom (the "**Receivables Trustee Consideration Account**"). See "*The Receivables — Assignment of Receivables to the Receivables Trustee*" and see also "*The Loan Notes*".

Non-petition undertaking of beneficiaries

It is a condition of the Penarth Receivables Trust (to which each beneficiary must consent upon its execution of a Supplement) that each beneficiary of the Penarth Receivables Trust (including Bank of Scotland as Transferor Beneficiary), the Transferor, the Servicer and any Successor Servicer undertakes to the Receivables Trustee for itself and as trustee for each other beneficiary that such party will not take any corporate action or other steps or legal proceedings for the winding up, dissolution or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of any Investor Beneficiary (unless specified otherwise in relation to such Investor Beneficiary in any related Supplement), the Receivables Trustee or the Penarth Receivables Trust or of any or all of the revenues and assets of any of them or participate in any *ex parte* proceedings nor seek to enforce any judgment against any of such persons.

Pay Out Events

A Pay Out Event will cause the Investor Interest in relation to a particular Trust Series to enter an Amortisation Period.

A "**Pay Out Event**" may be a Trust Pay Out Event or a Trust Series Pay Out Event. Each Trust Series, including the De-Linked Trust Series, will have certain Pay Out Events that relate only to such Trust Series (such a Pay Out Event being for a Trust Series a "**Trust Series Pay Out Event**"). In relation to the De-Linked Trust Series, the Trust Series Pay Out Events are the Funding 1 Pay Out Events. The Funding 1 Pay Out Events are listed below under "*Sources of Funds to Pay the Loan Notes - Funding 1 Pay Out Events*".

If any one of the following events (each a "**Trust Pay Out Event**") occurs:

(a) the Transferor, or a Material Originator in respect of the Transferor, shall consent or take any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or relating to all or substantially all of its revenues and assets;

(b) proceedings shall be initiated against the Transferor, or a Material Originator in respect of the Transferor, under any applicable liquidation, insolvency, composition, re-organisation or similar laws for its winding up, dissolution, administration or reorganisation and such proceedings are not discharged within 60 days or a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or relating to all or substantially all of its revenues and assets is legally and validly appointed and such appointment is not discharged within 14 days;

(c) a duly authorised officer of the Transferor, or a Material Originator in respect of the Transferor, shall admit in writing that the Transferor is unable to pay its debts as they fall due within the meaning of Section 123(1) of the Insolvency Act 1986 or the Transferor or such Material Originator (as applicable) makes a general assignment or trust for the benefit of or a composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its Indebtedness;

(d) the Transferor shall become unable for any reason to transfer Receivables arising on Designated Accounts to the Penarth Receivables Trust in the manner contemplated in the RSD;

(e) the Transferor ceases to be resident for tax purposes in the United Kingdom or otherwise ceases to be within the charge to United Kingdom corporation tax; or

(f) a change in law or its interpretation or administration results in the Receivables Trustee becoming liable to make any payment on account of tax (other than stamp duty payable in the United Kingdom in respect of any transfer of Receivables pursuant to the RSD),

then, (1) in the case of a Trust Pay Out Event under paragraph (a), (b) or (c) (each an "**Insolvency Event**") above, a Pay Out Event will occur in respect of each Trust Series and each beneficiary within such Trust Series, and (2) in the case of any other Trust Pay Out Event, a Pay Out Event will occur in respect of each Trust Series and each beneficiary within such Trust Series, and in the case of both (1) and (2) without any notice or other action on the part of the Receivables Trustee or any beneficiary immediately upon the occurrence of such event.

The Transferor must give immediate notice to the Receivables Trustee of an Insolvency Event. Where an Insolvency Event occurs, Future Receivables under each Account which are not Finance Charge Receivables in respect of Principal Receivables and Future Receivables which are Finance Charge Receivables may be assigned to, or in the case of Scottish Receivables, held on trust for, the Receivables Trustee pursuant to the RSD.

Termination of the Penarth Receivables Trust

Subject to obtaining the written consent of each existing beneficiary of the Penarth Receivables Trust, on any day on which (i) the Aggregate Investor Interest in respect of each Investor Beneficiary is reduced to zero, (ii) there are no Finance Charge Collections or Other Trust Property allocated to any beneficiaries other than the Transferor Beneficiary and (iii) no beneficiary is committed to make Contributions to meet payments in respect of the assignment or holding on trust of Receivables to or for the Receivables Trustee, then the Transferor Beneficiary may, by written notice, direct the Receivables Trustee to dissolve the Penarth Receivables Trust. On dissolution of the Penarth Receivables Trust, the Receivables Trustee shall distribute the trust property to the Transferor Beneficiary and any other beneficiaries according to their respective beneficial entitlements at that time. Following such conveyance of the trust property to each beneficiary, the Penarth Receivables Trust shall be dissolved.

Amendments to the Receivables Trust Deed and Servicing Agreement

General amendments

The RTDSA may be amended (i) in writing from time to time by the Servicer, the Transferor Beneficiary and the Receivables Trustee, only with the prior written consent of each person who is a beneficiary at the time of such amendment, and (ii) in writing from time to time by the Receivables Trustee at the direction of the Transferor Beneficiary and with the prior written consent of each person who is a beneficiary at the time of such amendment:

(a) at any time, **provided that** the Servicer has certified in writing that in its opinion, formed on the basis of due consideration, such amendment will not result in a reduction or withdrawal of each Rating Agency's then current rating of any outstanding Associated Debt;

(b) to provide for additional or substitute enhancement with respect to a Trust Series, (so long as the amount of such substitute enhancement, unless otherwise provided in any related Supplement, is equal to or greater than the original enhancement for such Trust Series); and

(c) to change the definition of Eligible Account or Eligible Receivable or to provide for the addition to the Penarth Receivables Trust of a participation arrangement; **provided that** any such change shall have no effect in relation to any Receivables acquired by the Receivables Trustee before such change takes effect and **provided**, **further that** in the reasonable belief of the Transferor Beneficiary, such amendment would not have a Material Adverse Effect on the interests of any Investor Beneficiary, and, that the Servicer has certified in writing that in its opinion, formed on the basis of due consideration, such amendment will not result in a reduction or withdrawal of each Rating Agency's then current rating of any outstanding Associated Debt.

Under the terms of the Beneficiaries Deed, each Investor Beneficiary has agreed that, provided the above three conditions are met, if so requested in writing by the Transferor Beneficiary, it will give its consent in accordance with that request.

The term "**Material Adverse Effect**" shall mean a material adverse effect on the interests of any Investor Beneficiary which shall be construed to include any Investor Beneficiary which is a member of a Trust Series with Related Debt outstanding as more particularly specified in any related Supplement.

Amendments to rights of outstanding Trust Series

The RTDSA (and any Supplement thereto) may also be amended in writing from time to time by the Servicer, the Transferor Beneficiary and the Receivables Trustee with the prior written consent of all of the beneficiaries for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the RTDSA or any Supplement or modifying in any manner the rights of any Investor Beneficiary of any outstanding Trust Series. The Rating Agencies shall be notified of any such amendments to the RTDSA (and any Supplement thereto) other than those amendments which are of a formal, minor or technical nature or are to correct any manifest errors.

The Receivables Trustee may, but shall not be obliged to, enter into any such amendment which affects the Receivables Trustee's rights, duties or immunities under the RTDSA or otherwise.

Disposals of beneficial entitlements

No beneficiary may transfer, assign, exchange, place in any custodial arrangement for security purposes or otherwise convey or dispose of its beneficial entitlement in the Penarth Receivables Trust (each a "**Disposal**") or create any encumbrance thereover (unless specified otherwise in any Supplement), except in the following permitted circumstances:

(a) the Transferor Beneficiary may make a Disposal of or create or grant any encumbrance over the whole or any part of the Transferor's beneficial interest in the Penarth Receivables Trust **provided**, **however**, **that** the Servicer has certified in writing that in its opinion, formed on the basis of due consideration, such amendment will not result in a reduction or withdrawal of each Rating Agency's then current rating of any outstanding Associated Debt; and

(b) any other beneficiary may also make a Disposal of the whole or any part of its beneficial entitlement (including any Investor Interest comprised therein in the case of an Investor Beneficiary) or create or grant any encumbrance in respect of such beneficial entitlement with the prior written consent of the Transferor Beneficiary and each other beneficiary; **provided**, **however**, **that** where such Disposal or encumbrance by an Investor Beneficiary is for the purpose of any security assignment or Security Interest granted to a Security Trustee under a supplement to the STDCMA, the relevant Investor Beneficiary shall continue to be considered the beneficiary of the Penarth Receivables Trust regardless of such assignment until a notice of enforcement is served by the Security Trustee under the terms of the relevant supplement to the relevant STDCMA, and in addition, no such Disposal or encumbrance (other than as described in the immediately preceding proviso) will be permitted unless (i) the person to which such Disposal is made is, immediately prior to such Disposal, already a Beneficiary or (ii) the Receivables Trustee shall have received prior written confirmation from the person to which such Disposal is to be made, or encumbrance is to be granted in favour of, that such person complies with the requirements relating to which persons may make a Contribution to the Penarth Receivables Trust (see "*Contributions to trust property*" above). Under the terms of the Beneficiaries Deed, each Investor Beneficiary agrees that, if requested in writing by the Transferor Beneficiary, the Investor Beneficiary will give its consent in accordance with such request.

Trustee payment amount

As full compensation for any fees, costs and expenses incurred by the Receivables Trustee in connection with its duties and activities as Receivables Trustee (including amounts in respect of stamp duty (if applicable), but excluding amounts in respect of the Servicing Fee and any tax on profits), the Receivables Trustee is entitled to be reimbursed by the beneficiaries for such amounts with respect to each Monthly Period on the related Transfer Date (each such payment on the related Transfer Date being the "**Trustee Payment Amount**"). The aggregate of all such fees, expenses and reimbursement of such costs and expenses payable on a Transfer Date together with any trustee fee payable on such date is described as the "**Aggregate Trustee Payment Amount**".

In consideration of the undertaking and performance by the Receivables Trustee of its fiduciary duties under the RTDSA and any Supplement thereto, the beneficiaries shall pay to the Receivables Trustee a trustee fee. "**Trustee Fee**" means a fee per year calculated in accordance with each Supplement. The Trustee Fee is payable in 12 equal instalments on each Transfer Date commencing with the first Transfer Date after each Trust Series Issue Date and shall be included in the Aggregate Trustee Payment Amount on each Transfer Date. See "*Sources of Funds to Pay the Loan Notes — Investor Trustee Payment Amount*".

The share of the Aggregate Trustee Payment Amount allocable to and borne by Loan Note Issuer No. 1 (as an Investor Beneficiary) in respect of a Trust Series is described in "*Sources of Funds to Pay the Loan Notes — Investor Trustee Payment Amount*".

THE RECEIVABLES

Assignment of Receivables to the Receivables Trustee

The Receivables that will be originated and offered to the Receivables Trustee are governed by the laws of England and Wales or Scotland. Under the terms of the RSD entered into on 16 October 2008 (as novated, amended and restated from time to time), Bank of Scotland, as the sponsor and Transferor, offered on that date to sell and assign to the Original Receivables Trustee, and in respect of Scottish Receivables, declared a trust over, all Receivables that had arisen or will arise in all Designated Accounts on 26 September 2008 (the "**Pool Selection Date**"). Under the terms of the Lloyds Bank RSD entered into on 1 November 2010, Lloyds Bank offered on that date (the "**Lloyds Bank Offer**") to sell and assign to Bank of Scotland, and in respect of Scottish Receivables, declare a trust over, all Receivables that had arisen or will arise in certain designated accounts on 8 November 2010 and Bank of Scotland accepted the Lloyds Bank Offer on the same date. Only credit card accounts in the name of individuals may be designated. On 8 November 2010, Bank of Scotland transferred (and, in respect of such Scottish Receivables, declared a trust over) such Receivables to the Original Receivables Trustee pursuant to the terms of the RSD. Pursuant to, *inter alia*, the novation, amendment and restatement deed in respect of the RSD dated the Novation Date, the Original Receivables Trustee novated its position as receivables trustee to the Receivables Trustee. Lloyds Bank may make further offers to Bank of Scotland and Bank of Scotland may accept further offers from time to time and transfer (or, in respect of such Scottish Receivables, declare a trust over) such Receivables to the Receivables Trustee. Each Final Terms or Drawdown Prospectus, as applicable relating to a Note Series will contain information on the then aggregate principal amount of Receivables in the Securitised Portfolio (as defined below under "*Summary of the Securitised Portfolio*").

Any Receivables assigned to or which may, in the future, be assigned to, or, if appropriate, have a Scottish declaration of trust granted over them in favour of, the Receivables Trustee by the Transferor arise or will arise in the credit card accounts of customers of the Transferor or of a Material Originator in respect of the Transferor (the "**Accounts**"). These have been selected from the total portfolio of Accounts owned by the Transferor or Lloyds Bank, as Material Originator, (the "**Bank Portfolio**") (from which the Transferor or Lloyds Bank (as relevant) may from time to time nominate Accounts and offer the Receivables arising on such Accounts to the Receivables Trustee in accordance with the RSD on the basis of eligibility criteria set out in the RSD and which become Designated Accounts following the acceptance by (i) the Transferor of an offer (by Lloyds Bank, as Material Originator) and (ii) the Receivables Trustee of an Offer (by the Transferor) of an assignment of, an assignation of or the declaration of trust over the Receivables in such Accounts). If for any reason any Receivable arising on a Designated Account is not duly assigned to or held in trust for the Receivables Trustee, the Transferor will hold such Receivable and all Collections relating thereto on trust for the Receivables Trustee and all such Collections will be applied as if such Receivable had been validly and duly assigned or held in trust.

Under the terms of the RSD, an Additional Transferor may also assign any Receivables to, or have a Scottish declaration of trust granted over such Receivables in favour of, the Receivables Trustee which arise or will arise in the credit card accounts of customers of such Additional Transferor. The selection of Accounts originated or acquired by such Additional Transferor, the representations and warranties to be made by such Additional Transferor and the servicing of the Receivables originated or acquired by such Additional Transferor will be substantially the same as those assigned to, or held on trust for, the Receivables Trustee by the Transferor. At the time when such Additional Transferor accedes to the RSD, information in relation to such Additional Transferor and Receivables originated or acquired by such Additional Transferor will be disclosed by the Issuer to Noteholders. None of the Dealers (in respect of any notes outstanding at the time when such Additional Transferor accedes to the RSD) will conduct any due diligence in relation to receivables originated or acquired by an Additional Transferor at the time such Additional Transferor accedes to the RSD or thereafter.

Under the terms of the RSD, the Transferor also has the right to nominate additional Accounts from time to time and to offer to sell and assign to the Receivables Trustee, or, if applicable, declare a Scottish trust over, the Receivables arising under such Accounts whether such Receivables are then existing or thereafter created. An additional Account will become a Designated Account if such Offer is accepted on the Addition Date relating thereto. No additional Account shall be nominated as a Designated Account upon such acceptance (if any) unless the Transferor has (i) provided a solvency certificate to the Receivables Trustee, (ii) confirmed in the relevant Offer either (a) that the Offer of the additional Accounts satisfies the Maximum Addition Amount criteria or (b) that the Offer of such additional Accounts does not satisfy the Maximum Addition Amount criteria but each Rating Agency has confirmed that such inclusion will not result in a reduction or withdrawal of its then current rating of any outstanding Associated Debt and (iii) obtained a legal opinion addressed, and reasonably satisfactory, to the Receivables Trustee regarding any Receivables arising in a Permitted Additional Jurisdiction. If the Rating Agencies agree, any one or more of these pre-conditions to the designation of Accounts as Designated Accounts following the acceptance (if any) of an Offer may be waived by the Receivables Trustee. Each account must also comply with the eligibility criteria described below in "*Representations*" as at the time of its designation. Additional Accounts may have been originated by the Transferor or a Material Originator in respect of the Transferor using credit criteria different from the credit criteria applied by the Transferor or such Material Originator (as applicable) to the Designated Accounts, or may have been acquired by the Transferor from an institution which may have had different credit criteria. Consequently, additional Accounts designated in the future may not be of the same credit quality as Designated Accounts existing on the relevant Addition Date.

The term "**Maximum Addition Amount**" shall mean, unless otherwise provided in a Supplement, with respect to any Addition Date, the number of additional Accounts originated or purchased by the Transferor and designated as a Designated Account after the initial Addition Date pursuant to the terms of the RSD without prior Rating Agency confirmation of its then existing rating of any outstanding Associated Debt (as described in the RSD) which either:

(a) with respect to any of the three consecutive Monthly Periods beginning with the Monthly Period commencing on the first day of the month immediately following the date three months after the initial Addition Date be equal to 15 per cent. of the number of Designated Accounts on the first day of the calendar year during which such Monthly Periods commence; or

(b) with respect to any twelve-month period be equal to 20 per cent. of the number of Designated Accounts on the first day of such twelve-month period,

provided, **however**, **that** if the aggregate principal balance in the additional Accounts specified in paragraph (a) or (b) above, as the case may be, shall exceed either:

(a) 15 per cent. of the aggregate amount of Eligible Principal Receivables in all of the Accounts of the Transferor's Bank Portfolio that have been designated as additional Accounts since the first day of the third preceding Monthly Period or the initial Addition Date, as the case may be (determined on the first day of the third preceding Monthly Period after the deduction of the aggregate amount of Eligible Principal Receivables on the Addition Date in respect of each such additional Account); or

(b) 20 per cent. of the aggregate amount of Eligible Principal Receivables in all of the Accounts of the Transferor's Bank Portfolio after the Addition Date that have been designated as additional Accounts since the first day of such calendar year or the initial Addition Date, as the case may be (determined on the first day of the calendar year in which such Addition Date occurs after the deduction of the aggregate amount of Eligible Principal Receivables on the Addition Date in respect of each such additional account),

then the Maximum Addition Amount shall be the number of additional Accounts, the total principal balance of which is the lesser of the aggregate amount of Eligible Principal Receivables specified in either clause (a) or clause (b) of this proviso.

Where the Transferor acquires portfolios of significant amounts of Receivables (please see "*Credit Card Portfolio*" for more information), it may seek to add such portfolios to the Penarth Receivables Trust where the principal amount of such Receivables is greater than the Maximum Additional Amounts with prior Rating Agency confirmation.

The terms of the RSD provide that any Offer of Receivables to the Receivables Trustee (an "**Offer**") will comprise an offer to sell and assign (or, in relation to Receivables governed by Scottish law, to hold in trust):

(i) all existing Receivables on certain Accounts nominated by the Transferor as at the opening of business on the relevant proposed Addition Date (in the case of each subsequent Offer) (the "**Existing Receivables**");

(ii) all Future Receivables under such Accounts which are not Finance Charge Receivables in respect of Principal Receivables until the earliest of (a) such time as such Designated Accounts become Redesignated Accounts, or (b) the termination of the Penarth Receivables Trust;

(iii) all Future Receivables under such Accounts which are Finance Charge Receivables in respect of Receivables which have been assigned to, or held on trust for, the Receivables Trustee pursuant to (i) or (ii) above; and

(iv) (to the extent such are capable of assignment, assignation or being held in trust) the benefit of each guarantee or insurance policy obtained by the Transferor in respect of the obligations of an Obligor to make payments on such Designated Accounts.

It should be noted that the terms of the Lloyds Bank Offer provide that no Future Receivables in respect of American Express® Accounts will be assigned to (or, in relation to Receivables governed by Scots law, put into trust for) Bank of Scotland after the termination of the agreement between Lloyds Bank and American Express Limited ("**American Express**") relating to American Express® branded cards. Hence the Transferor cannot assign or hold in trust such Future Receivables to, or for, the Receivables Trustee (although this will not affect the on-going assignment or holding in trust of Finance Charge Receivables arising on Principal Receivables in respect of American Express® Accounts assigned or held in trust prior to the termination of the agreement).

The date on which an Offer is accepted in accordance with the provisions of the RSD is an addition date (an "**Addition Date**"). The initial Offer made by the Transferor will offer an assignment of Acquired Interchange and Acquired Insurance Commission in respect of each Monthly Period. Future Receivables are automatically assigned in equity to or held on trust for the Receivables Trustee when they come into existence. The term "**Future Receivables**" means all Receivables in a Designated Account which are not Existing Receivables.

In order to identify all Receivables which have been assigned to or held on trust for the Receivables Trustee, the Servicer has agreed to maintain a computer system which will identify the beneficial ownership of the Receivables under such Accounts. See "*Redesignation and removal of accounts*" below for a summary of the circumstances in which such designation will be removed.

Throughout the term of the Penarth Receivables Trust, the Accounts from which the Receivables arise will be such Designated Accounts plus any additional Accounts, minus any Redesignated Accounts (as discussed below).

Existing Receivables and Future Receivables arising under the Designated Accounts are either Principal Receivables or Finance Charge Receivables. "**Principal Receivables**" comprise all Receivables arising under a Designated Account other than Finance Charge Receivables and primarily comprise amounts owing in respect of the acquisition of merchandise and services by Obligors and the obtaining by Obligors of cash advances. The amount of Principal Receivables on a Designated Account on any day is reduced by the amount of any credit balance on that Designated Account on that day. "**Finance Charge Receivables**" means all Receivables under a Designated Account which comprise amounts relating to transaction fees (all fees as specified in the Credit Card Agreement applicable to each Account other than Special Fees or Annual Fees, the "**Transaction Fees**"), Periodic Finance Charges, charges for credit insurance, charges for card protection insurance, Special Fees (see "*Special Fees*" below) and Annual Fees (see "*Annual Fees*" below) and, in respect of any Monthly Period, includes Discount Option Receivables.

Under the terms of the RSD, any Offer of Receivables made by the Transferor shall be accepted by the Receivables Trustee by executing a contract to such effect in the United Kingdom. Upon such acceptance the Receivables Trustee will be bound to pay the Acceptance Price and make Further Payment to the Transferor. Payment for Future Receivables is made not later than two Business Days after the Date of Processing of such Receivables (or within such longer period of time as may be agreed upon by the Transferor and the Receivables Trustee) and as specified in a daily report prepared and maintained by the Servicer, which is available at the office of the Servicer for inspection by the Receivables Trustee or its agents. Such payment also comprises consideration for the assignment of the benefit of Acquired Interchange and Acquired Insurance Commission to the Receivables Trustee.

The amount which the Receivables Trustee must pay to the Transferor in order to accept an Offer or in payment for Future Receivables as described above is reduced by the amount of any shortfall in the amount funded by the Transferor as a beneficiary, **provided that** the Transferor's beneficial interest in the Penarth Receivables Trust is increased accordingly.

Redesignation and removal of accounts

Each Designated Account will continue to be a Designated Account until such time as it becomes a Cancelled Account, a Zero Balance Account, a Defaulted Account or until the Transferor reclassifies it as being no longer a Designated Account (each of the foregoing a "**Redesignated Account**").

A "**Cancelled Account**" is a former Designated Account which has had its charging privileges permanently withdrawn. A "**Defaulted Account**" is a former Designated Account in respect of which the Servicer has written off the Receivables in such account as uncollectible in accordance with the Credit Card Guidelines or the Servicer's customary and usual servicing procedures for servicing credit card receivables comparable to the Receivables assigned to the Receivables Trustee. A "**Zero Balance Account**" is a Designated Account specified by the Servicer as having had a nil balance of Receivables generated thereon or outstanding thereunder for such period of time that the Servicer has identified such account as a Zero Balance Account pursuant to the Credit Card Guidelines or the Servicer's customary and usual servicing procedures and has removed or will remove such account from the pool index file and the computer master file of Accounts used by the Servicer on such date specified by the Servicer.

Except in the case of Cancelled Accounts, Defaulted Accounts or Zero Balance Accounts, a Designated Account will become a Redesignated Account on such date (the "**Removal Date**") as is specified by the Transferor to the Receivables Trustee. From time to time the Receivables Trustee may purchase from the Transferor, Receivables which are or which subsequently become subject to third party arrangements between the Transferor and third parties. These arrangements may require that the Transferor will procure the assignment or transfer to such third parties of Accounts that may have been identified in the Securitised Portfolio as Designated Accounts. If such a situation occurs, the Receivables Trustee has agreed that it will assign or release the relevant Receivables to the relevant third party and that the Servicer will update its records to redesignate the selected group of Accounts that are subject to the arrangement with such third party. However, Receivables will not be assigned or released by the Receivables Trustee and no such Designated Account shall be redesignated by the Servicer unless: (i) the removal of any Receivables related to such proposed Redesignated Accounts shall not, in the reasonable belief of the Transferor (1) cause a Pay Out Event to occur on the Removal Date, (2) cause the Adjusted Transferor Interest as a percentage of the aggregate amount of Principal Receivables to be less than the minimum Adjusted Transferor Interest (which is a percentage specified in each Final Terms or Drawdown Prospectus, as applicable) on the relevant Removal Date, or (3) cause the aggregate amount of Principal Receivables to be less than the minimum aggregate Principal Receivables, (ii) the Transferor certifies in writing that in its opinion, formed on the basis of due consideration, the proposed redesignation will not result in a downgrade or withdrawal of its then current rating of any outstanding Associated Debt, and (iii) the Transferor has delivered an officer's certificate confirming that all the prerequisites in (i) and (ii) have been satisfied.

If a Designated Account is to become a Redesignated Account in circumstances other than those described above, no such Designated Account shall be redesignated by the Servicer unless either (A) (i) such redesignation will not in the reasonable belief of the Transferor cause a Pay Out Event to occur, (ii) the Transferor has represented and warranted that the Designated Accounts to be redesignated have been selected by the Transferor at random and that the Transferor has secured all necessary regulatory consents for the Designated Accounts to be redesignated, (iii) the Transferor certifies in writing that in its opinion, formed on the basis of due consideration, the proposed redesignation will not result in a downgrade or withdrawal of its then current rating of any outstanding Associated Debt, (iv) the Transferor and the Servicer can certify that Collections (equal to the outstanding face amount of each Principal Receivable and the outstanding balance of each Finance Charge Receivable) have been received by the Receivables Trustee in respect of every Receivable assigned to or held in trust for the Receivables Trustee in respect of that account other than Receivables that have been charged-off as uncollectible and (v) the Transferor has delivered an officer's certificate confirming that all such prerequisites have been satisfied; or (B) the Transferor has delivered a certificate to the Receivables Trustee that such Receivables were sold in breach of the eligibility criteria and the Transferor has made certain payments in respect of such breaches as set out in the RSD. Notwithstanding the above, the provision in (A)(ii) (which requires that the Designated Accounts to be redesignated have been selected by the Transferor at random) is not required in respect of the redesignation of Accounts which the Transferor considers to be Credit Impaired Accounts and Defaulted Accounts, which are subject to the arrangements set out in the Repurchase Deed. See "*Regulatory*

Disclosure – Redesignation of Accounts which are Credit Impaired or Defaulted for the purposes of the LCR Regulation and/or STS Securitisations" for further information.

In the case of a Cancelled Account, a Defaulted Account or a Zero Balance Account, such account shall automatically become a Redesignated Account as at the date on which it becomes a Cancelled Account, Defaulted Account or a Zero Balance Account, as the case may be. All Principal Receivables which come into existence under a Designated Account prior to the date of redesignation thereof (and which will have automatically been assigned to or held in trust for the Receivables Trustee) will be paid for by the Receivables Trustee in accordance with the RSD. All Future Receivables which come into existence under a Designated Account after the date of redesignation thereof which are Principal Receivables or Finance Charge Receivables in respect of Receivables which were not in existence prior to such date of redesignation will not be assigned to or held in trust for the Receivables Trustee and will be released thereby. All Future Receivables which are Finance Charge Receivables in respect of Receivables which were in existence prior to such date of redesignation, and which Future Receivables came into existence on or following such date of redesignation, will continue to be assigned to or held in trust for the Receivables Trustee. For the avoidance of doubt, no Receivable which will be assigned to or held in trust for the Receivables Trustee will subsequently be reassigned or released to the Transferor except in the limited circumstances referred to below in "*Representations*" or pursuant to the Call Option Agreement (see "*Defaulted Receivables*" below).

The Servicer will ensure that each Redesignated Account shall remain identified on its system as a Designated Account until a collection has been received in respect of every Receivable assigned to or held in trust for the Receivables Trustee in respect of that account (equal to the outstanding face amount of each such Principal Receivable and the amount outstanding of each such Finance Charge Receivable) other than Receivables charged-off as being uncollectible by the Servicer or until such time as all Receivables outstanding on such account which constitute trust property have been reassigned or released to the Transferor (see "*Representations*" below). Once such Collections have been received or such reassignment or release has occurred, the Servicer may update its systems to reflect such redesignation and give notice to that effect to the Receivables Trustee, in which case such account shall become a "**Removed Account**".

Discount Option Receivables

The Transferor may, by giving not less than 30 days' notice to the Servicer, the Receivables Trustee and the Rating Agencies, nominate a fixed or variable percentage of Principal Receivables arising in Designated Accounts (a "**Discount Percentage**") or, where a Discount Percentage has been nominated previously, extend the period for which it is to apply. With effect from such date and for such period of time as shall be specified by the Transferor in such notice (i) the amount payable by the Receivables Trustee to accept an Offer of Receivables and the amount payable from time to time by the Receivables Trustee for Future Receivables will be reduced by a percentage equal to the Discount Percentage and (ii) consequently, a percentage of such Principal Receivables equal to the Discount Percentage ("**Discount Option Receivables**") shall be treated by the Receivables Trustee as Finance Charge Receivables. No nomination of a Discount Percentage or increase in the time for which it is to apply will be effective unless the Transferor certifies in writing that in its opinion, formed on the basis of due consideration, such proposed nomination or increase will not result in a downgrade or withdrawal of its then current rating of any outstanding Associated Debt and the Transferor has provided the Receivables Trustee with a certificate confirming (a) that the performance of the portfolio of Designated Accounts is such that, in the reasonable opinion of the Transferor, the yield of Finance Charge Collections is not generating adequate cashflows for the beneficiaries of the Penarth Receivables Trust and the size of the Discount Percentage is not intended solely to accelerate amounts payable to the Transferor as Deferred Consideration and (b) the solvency of the Transferor, including solvency of the Transferor as a result of such nomination or increase. Upon the expiry of the period for which the Discount Percentage was nominated to apply (such period including any extensions), the Discount Percentage shall cease to apply and the Discount Option Receivables will, accordingly, cease to be treated as Finance Charge Receivables.

Special fees

The Transferor or Lloyds Bank as a Material Originator (as relevant) may in the future levy fees on Accounts (including Designated Accounts) ("**Special Fees**") whether at one time or on an ongoing basis. Such Special Fees as arise on Designated Accounts shall be regarded as Finance Charge Receivables and Collections in respect thereof as Finance Charge Collections. The Transferor may, however, designate (by way of certificate to the Receivables Trustee) Special Fees as being Principal Receivables in which case

Collections thereon will be allocated accordingly **provided however that** any such designation shall have effect only in relation to Receivables which were acquired by the Receivables Trustee after the time such certificate was issued. However, the Transferor may not so designate Special Fees unless it certifies that it has received an opinion from legal advisers that such Special Fees constitute, for the purpose of tax in the United Kingdom, repayment in whole or in part of an advance to an Obligor.

Interchange

Each of the Transferor (as an Issuer of credit cards in the MasterCard®, VISA® and American Express® credit card systems) and Lloyds Bank as a Material Originator (as an issuer of credit cards in the MasterCard®, VISA® and American Express® credit card systems) is entitled to receive fees ("**Interchange**") from merchant acquiring banks which clear credit card transactions on behalf of merchants who are customers of such merchant acquiring banks, such Interchange being payable in respect of transactions involving the use of a credit card issued (or acquired) by the Transferor or Lloyds Bank (as relevant). Interchange fees are calculated as a percentage of the amount of each credit card transaction comprising an acquisition of goods or services. The rate of Interchange fees may vary from time to time.

On each Transfer Date, the Transferor will deposit into the Trustee Collection Account an amount equal to the amount of Acquired Interchange for the preceding Monthly Period. "**Acquired Interchange**" means, in respect of a Monthly Period, an amount of Interchange equal to (a) the product of (i) the total amount of Interchange paid or payable to the Transferor with respect to transactions having a Date of Processing relating to such Monthly Period, and (ii) a fraction the numerator of which is the aggregate amount of cardholder charges for goods and services eligible for Interchange in the Designated Accounts with respect to such Monthly Period, and the denominator of which is the aggregate amount of cardholder charges for goods and services eligible for Interchange in all MasterCard®, VISA® and American Express® revolving credit card accounts owned by the Transferor (including Designated Accounts), with respect to such Monthly Period plus (b) the amount of any acquired Interchange payable by a Material Originator to the Transferor in respect of Designated Accounts in respect of such Monthly Period.

Defaulted Receivables

The Transferor may enter into a call option arrangement (a "**Call Option Agreement**") under an agreement made between the Transferor and the Receivables Trustee. Under the terms of such Call Option Agreement, the Transferor may, from time to time, exercise its option to purchase from the Receivables Trustee the Receivables arising on any Defaulted Account ("**Defaulted Receivables**") for nominal consideration. As noted above under "*Redesignation and removal of accounts*", all (1) Principal Receivables that come into existence, or (2) Finance Charge Receivables in respect of Receivables in existence, on an account before it is redesignated a Defaulted Account (and thus are not Defaulted Receivables), shall continue to be assigned to or held in trust for the Receivables Trustee as part of trust property and thus will not be subject to the option under the Call Option Agreement. For the purposes of the LCR Regulation and STS Securitisations, Accounts where the obligors are credit impaired or defaulted within the meaning of those regulations are also subject to the arrangements set out in the Repurchase Deed, as more particularly described in "*Regulatory Disclosure – Redesignation of Accounts which are Credit Impaired or Defaulted for the purposes of the LCR Regulation and/or STS Securitisations*".

Annual fees

Neither the Transferor nor Lloyds Bank, as a Material Originator, presently charge annual fees on the majority of the Bank Portfolio (but reserve the right in the Credit Card Agreements to do so). The Receivables assigned to or held on trust for or to be assigned to or to be held in trust for the Receivables Trustee include all fees, if any, charged by the Transferor or Lloyds Bank, as a Material Originator, to Obligors by way of annual fees ("**Annual Fees**"). The Transferor may by notice in writing to the Servicer, the Receivables Trustee and the Rating Agencies, designate in a certificate to the Receivables Trustee whether Annual Fees will be treated as Finance Charge Receivables or Principal Receivables. However, in the absence of such a certificate, such Annual Fees will be treated as Finance Charge Receivables and any such designation shall have effect only in relation to Receivables which were acquired by the Receivables Trustee after the time such certificate was issued. No designation of Annual Fees as Principal Receivables will be effective unless the Transferor has certified it has received legal advice that such Annual Fees constitute, for the purpose of tax in the United Kingdom, repayment in whole or in part of an advance to an Obligor.

Cash Back

As a promotional activity, Bank of Scotland currently offers a cash back payment ("**Cash Back**") of up to 2 per cent. to certain Obligors on purchases made under the terms of the Credit Card Agreements. Pursuant to the De-Linked Supplement, the Receivables Trustee has agreed to make a monthly payment to the Transferor representing the portion of the Cash Back Promotional Costs Amount (as defined below). The Investor Beneficiary has agreed contractually to pay to the Receivables Trustee from funds allocated to it as Finance Charge Collections, an amount equal to such payment to reimburse the Receivables Trustee for such sums so paid.

Insurance Commission

The Transferor will on a monthly basis be awarded commissions in respect of the sale of card protection insurance to Obligors. As noted above under "*Assignment of Receivables to the Receivables Trustee*", under the terms of the RSD and the initial Offer, the Receivables Trustee has accepted an assignment of Acquired Insurance Commission for each Monthly Period for so long as Designated Accounts in the Securitised Portfolio exist.

The term "**Acquired Insurance Commission**" means, in respect of a Monthly Period, an amount of Insurance Commission equal to (a) the product of (i) the total amount of Insurance Commission received by the Transferor during such Monthly Period, and (ii) a fraction, with respect to such Monthly Period, the numerator of which is the average Principal Receivables in respect of Accounts in the Securitised Portfolio and the denominator of which is the amount equal to (A) the sum of the aggregate outstanding face amount of Principal Receivables in all MasterCard®, VISA® and American Express® consumer revolving credit card accounts owned by the Transferor (including Designated Accounts) at the end of each day during such period divided by (B) the number of days in such period plus (b) the amount of any acquired Insurance Commission payable by a Material Originator to the Transferor in respect of Designated Accounts in respect of such Monthly Period.

The term "**Insurance Commission**" means all amounts obtained as commission in respect of the sale of card protection insurance to Obligors.

Reductions in Receivables, early Collections and Credit Adjustments

If any Principal Receivable assigned to or held in trust for the Receivables Trustee is reduced (other than in respect of a Transferor Section 75 Liability, a Cash Back Promotional Costs Amount or a Credit Adjustment) by reason of any set-off, counterclaim or any other matter between an Obligor in respect of an Account and the legal owner of such Account has received a benefit, in money or money's worth thereby, the Transferor will pay to the Receivables Trustee an amount equal to that reduction.

If, in respect of any existing Receivable which the Transferor has purported to assign to or hold in trust for the Receivables Trustee, the Transferor has received a partial or full collection prior to the date on which that Receivable was purportedly assigned to or held in trust for the Receivables Trustee, the Transferor will pay to the Receivables Trustee an amount equal to the amount of that early collection.

If any Principal Receivable assigned to or held in trust for the Receivables Trustee is reduced by reason of a Credit Adjustment, the Transferor will pay to the Receivables Trustee an amount equal to such Credit Adjustment. A "**Credit Adjustment**" is the amount of the outstanding face amount of a Principal Receivable (i) which was created in respect of merchandise refused or returned by an Obligor or in respect of which the Obligor has asserted any defence, dispute, set-off or counterclaim (including, in respect of a Transferor Section 75 Liability, all amounts in excess of the credit advance relating to the transaction giving rise to that Transferor Section 75 Liability) or (ii) which is reduced by, or on behalf of, the Transferor or the Servicer granting any rebate, refund, chargeback or adjustment (including Servicer errors) or (iii) which is a fraudulent or counterfeit charge.

In respect of each category of reduction of a Principal Receivable, early collection and Credit Adjustment referred to above, the obligation of the Transferor to make a payment in respect thereof to the Receivables Trustee is in addition to the obligation of the Transferor to pay all other amounts paid or payable in respect of the Receivable concerned to the Receivables Trustee.

The obligations of the Transferor to make payments in respect of such reductions, early Collections and Credit Adjustments may be satisfied in whole or in part by a reduction in the amount of the Transferor's beneficial interest in the Penarth Receivables Trust, **provided that** such decrease does not cause the Adjusted Transferor Interest to be decreased to an amount of less than zero.

Representations

Under the terms of the RSD, the Transferor will represent certain matters in relation to the Existing Receivables comprised in an Offer which are Principal Receivables (other than such Existing Receivables which are specified in that Offer as being Ineligible Receivables) such representation being given on the Addition Date (if any), relating thereto. The Transferor also represents to the Receivables Trustee certain matters as to every future Receivable (other than those which are specified as being Ineligible Receivables in a daily report prepared by the Servicer, which is available at the office of the Servicer for inspection by the Receivables Trustee or its agents) such representation being made on the Date of Processing of the future Receivable concerned.

The representations by the Transferor include:

(a) that (unless identified as an Ineligible Receivable) each existing Receivable which is a Principal Receivable offered to the Receivables Trustee thereunder is, at the relevant Addition Date relating thereto, an Eligible Receivable and has arisen from an Eligible Account in the amount specified in the Offer and, unless specified in any daily Servicer report provided to the Receivables Trustee by the Servicer, each future Receivable which is a Principal Receivable is on the relevant Date of Processing an Eligible Receivable and has arisen from an Eligible Account in the amount specified in such daily Servicer report;

(b) the assignment of each Receivable the subject of an Offer will be effective to pass to the Receivables Trustee good and marketable title thereto and each assignation and trust will be effective to hold good and marketable title for that Receivable in trust for the Receivables Trustee, in each case together with the benefit thereof (including in such context, any Collections and other rights in connection therewith such as related guarantees and insurance proceeds), free of any encumbrances in favour of any person claiming through or under the Transferor or any of its affiliates to the Receivables Trustee and, subject to any limitations arising on enforcement in the jurisdiction of the relevant Obligor, no further act, condition or thing will be required to be done in connection therewith to enable the Receivables Trustee to require payment of any such Receivable or to enforce any such right in the courts of England and Wales or Scotland or any Permitted Additional Jurisdiction without the participation of the Transferor other than payment of any applicable United Kingdom stamp duty and the giving of a Notice of Assignment, or the joinder or sifting of the Transferor as a party to proceedings by the Receivables Trustee against the relevant Obligor;

(c) the assignment and the assignation and trust comply with all applicable laws on, respectively, the date of assignment and the date of the assignation and trust;

(d) that no procedures adverse to the beneficiaries were used by the Transferor in selecting the Designated Accounts from the Bank Portfolio; and

(e) the Transferor is the person in whom (a) in relation to Designated Accounts originated by a Material Originator, the entire beneficial interest in such Designated Accounts is held and (b) in relation to all other Designated Accounts, the legal title to such Designated Accounts is held.

The representation referred to in (d) above is only given on each Offer date at the date on which the related Accounts were nominated to become Designated Accounts pursuant to an Offer.

If a representation in respect of any Principal Receivable proves to have been incorrect when made, and the Transferor is deemed to have received a collection of the face value of that Receivable, the Transferor is obliged to pay that amount to the Receivables Trustee not later than the Business Day following the day on which the representation becomes known to the Transferor to have been incorrect when made. The Receivable will thereafter be treated as an Ineligible Receivable assigned to, or in the case of Scottish Receivables, held in trust for, the Receivables Trustee by the Transferor and, except as referred to below, the Receivable will not be re-assigned or released by the Receivables Trustee to the Transferor.

The obligation of the Transferor to make a payment to the Receivables Trustee in respect of any breach of representation may be fulfilled, in whole or in part, by a reduction in the amount of the Transferor's beneficial interest in the Penarth Receivables Trust. However, the Adjusted Transferor Interest may not thereby be decreased to an amount less than zero. Fulfilment of any such payment obligation by the Transferor will be in full satisfaction of any rights or remedies which the Receivables Trustee may have as a result of the representation concerned being incorrect. However, in certain circumstances, a breach of representation may constitute a Trust Pay Out Event (see "*Sources of Funds to Pay the Loan Notes - Funding 1 Pay Out Events*" and "*Trust Pay Out Events*", wherein Trust Pay Out Events, Trust Series Pay Out Events and Funding 1 Pay Out Events (which are Trust Series Pay Out Events specific to the De-Linked Trust Series) are defined).

If (*inter alia*) (i) all Principal Receivables arising under a Designated Account are Ineligible Receivables as a result of representations in relation thereto being incorrect when made, (ii) such account has become a Redesignated Account and (iii) the Transferor has complied with the payment obligations with respect to such Receivables as described above, then the Transferor may require the Receivables Trustee to reassign or release all such Receivables to the Transferor.

The Receivables Trustee has not made and will not make any initial or periodic general examination of the Receivables or any records relating to the Receivables for the purpose of establishing the presence or absence of defects therein, compliance with the Transferor's representations and warranties or for any other purpose.

The term "**Eligible Account**" means, as at the initial Addition Date (in the case of the first Offer) or the related Addition Date (in the case of any subsequent Offer), as applicable, an account:

(a) where the Obligor is not a company or partnership for the purposes of Section 874 of the Income Tax Act 2007;

(b) which was in existence and maintained with the Transferor or a Material Originator in respect of the Transferor prior to or at the time of its designation as a Designated Account;

(c) which is payable in Pounds Sterling or the lawful currency of a Permitted Additional Jurisdiction (where the account is in a Permitted Additional Jurisdiction);

(d) which is governed by a Credit Card Agreement as amended from time to time (**provided that** no amendments may be made to terms and conditions relating to the governing law of the agreement, the assignability thereof or the ability of the Transferor or a Material Originator in respect of the Transferor to provide information regarding Obligors to any person assuming the Transferor's rights under the agreement) or else, if acquired by the Transferor, is governed by contractual terms not materially different from such Credit Card Agreement in relation to such matters;

(e) which is governed in whole or in part by the Consumer Credit Act 1974 as amended by the Consumer Credit Act 2006 and creates legal, valid and binding obligations between the Transferor or, where relevant, a Material Originator, as applicable and the relevant Obligor and is enforceable against the relevant Obligor in accordance with the Credit Card Agreement and the Consumer Credit Act 1974 as amended by the Consumer Credit Act 2006, subject to applicable bankruptcy laws, other similar laws affecting creditors' rights, general equitable principles and other limitations on enforcement in the jurisdiction of the relevant Obligor and was otherwise created and complies with all other applicable laws;

(f) where the Obligor's most recent billing address is located in either England, Wales, Scotland or in a Permitted Additional Jurisdiction;

(g) which has not been classified by the Transferor as counterfeit, cancelled, fraudulent, stolen or lost;

(h) which has been originated or purchased by the Transferor;

(i) which has been operated in all material respects in accordance with the Transferor's or, where relevant, a Material Originator's Credit Card Guidelines (as relevant);

(j) the Receivables in respect of which have not been charged-off by the Transferor or, where relevant, a Material Originator, as applicable; and

(k) which is not subject to a Repayment Plan or was not subject to a Repayment Plan in relation to Accounts originated by the Transferor at any time during the month of July 2007 and, in relation to Accounts originated by Lloyds Bank as a Material Originator, at any time during the month of March 2008.

An account may be an Eligible Account even if one or more of the above is not satisfied if the Transferor certifies in writing that in its opinion, formed on the basis of due consideration, such designation as an Eligible Account will not result in the withdrawal or downgrading by the Rating Agencies of any Associated Debt then outstanding.

The term "**Permitted Additional Jurisdiction**" means a jurisdiction (other than England and Wales or Scotland) agreed by the Transferor and the Receivables Trustee, **provided that** the Transferor certifies in writing that in its opinion, formed on the basis of due consideration, designating such jurisdiction a Permitted Additional Jurisdiction will not result in the downgrade or withdrawal of the then current rating of any Associated Debt.

The term "**Notice of Assignment**" means a notice given to any Obligor of the assignment or assignation of the Receivables paid or payable by that Obligor (and the benefit of any related guarantees) to the Receivables Trustee.

The "**Date of Processing**" means, in respect of any transaction relating to an account (including, receipt of any Collections) the Business Day after the overnight processing which resulted in that transaction being first recorded on the computer master file of Accounts used by the Servicer or, as the case may be, the Transferor (without regard to the effective date of such recording), which, in the case of recoveries, will be on a monthly basis. Any reference to the date on which any Collections or transactions are processed will be taken, for the purposes of the Bank Portfolio and the Securitised Portfolio, as referring to the Date of Processing relative to such Collections or (as the case may be) transactions.

The term "**Eligible Principal Receivables**" means Principal Receivables which are Eligible Receivables.

The term "**Eligible Receivable**" means a Receivable which:

(a) has arisen under an Eligible Account;

(b) was originated in accordance with the Credit Card Guidelines (or in respect of a Receivable which has arisen on an account acquired by the Transferor prior to the date of acquisition, it was, to the best of the Transferor's knowledge and belief, originated in accordance with the Credit Card Guidelines of the vendor of such account);

(c) was created in compliance with all applicable laws;

(d) is free and clear of any encumbrances exercisable against the Transferor or the Receivables Trustee arising under or through the Transferor (or any of its respective affiliates) and, to which, at the time of its creation (or at the time of its acquisition by the Transferor if such Receivable was originated by any person other than the Transferor) and at all times thereafter, the Transferor or the Receivables Trustee had good and marketable title;

(e) constitutes the legal, valid, and binding obligations of the relevant Obligor, enforceable in accordance with the terms of the relevant Credit Card Agreement, subject to usual bankruptcy laws, other similar laws affecting creditors' rights, general equitable principles and other limitations arising on enforcement in the jurisdiction of the relevant Obligor; and

(f) is not currently subject to any right of rescission, defence, Dispute, set-off, counterclaim or enforcement order.

As is the market practice for credit card securitisation transactions in the United Kingdom generally, Principal Receivables which are delinquent for payment will still be Eligible Receivables if they otherwise comply with the definition of Eligible Receivable.

The term "**Ineligible Receivables**" means Principal Receivables which arise under a Designated Account but which do not comply with all of the criteria set out in the definition of Eligible Receivables.

Amendments to Credit Card Agreements and Credit Card Guidelines

The Transferor and Lloyds Bank (as a Material Originator) may amend the terms and conditions of the Credit Card Agreements and the Credit Card Guidelines in respect of the Accounts owned by them. Such amendments may include reducing or increasing the amount of monthly minimum required payments or amendments to Periodic Finance Charges or other charges assessed on Designated Accounts (see "*Risk Factors — Ability to change terms of the Credit Card Agreements*").

Participations

In addition to or in lieu of additional Accounts, the Transferor may in the future assign to or hold in trust for the Receivables Trustee the Transferor's interest in participations representing undivided interests in a pool or pools of assets primarily consisting of Receivables arising under consumer revolving credit card accounts owned by the Transferor and Collections thereon ("**Participations**"). Participations may have their own credit enhancement, Pay Out Events, servicing obligations and Servicer defaults, all of which are likely to be enforceable by a separate trustee under the applicable agreement constituting such Participations and may be different from those specified in this Base Prospectus. The rights and remedies of the Receivables Trustee as the holder of a participation (and therefore the beneficiaries of the Penarth Receivables Trust) will be subject to all of the terms and provisions of the applicable agreements constituting such participation. A Supplement may be amended to permit the addition of a participation with the consent of the beneficiaries in respect thereof if the Transferor Beneficiary delivers to the Receivables Trustee a certificate of an authorised officer to the effect that, in the reasonable belief of the Transferor Beneficiary, such amendment will not as at the date of such amendment adversely affect in any material respect the interest of such beneficiaries, and will not result in any Rating Agency withdrawing or reducing its then current rating of any outstanding Associated Debt. Any such change shall have no effect in relation to the Receivables Trustee before the change took effect.

Summary of Securitised Portfolio

Each Final Terms or Drawdown Prospectus, as applicable issued in connection with the issuance of a Note Series will contain tables summarising information in relation to Designated Accounts on which Receivables that have been assigned to, or in the case of Scottish Receivables, held in trust for, the Receivables Trustee arise (this information being defined collectively as the "**Securitised Portfolio**"). The tables will contain information in relation to various criteria as at a particular date that is relevant to such Final Terms or Drawdown Prospectus, as applicable. Tables will indicate, amongst other things, composition by account balance, composition by credit limit, composition by period of delinquency, composition by account age, geographic distribution of Accounts as well as other information that may be described from time to time.

Information regarding the Securitised Portfolio at 31 December 2018 is set out at Appendix D (*Statistical Information*) hereto. Potential investors should note, however, that the information provided is historical in nature and information as at a later date will not be provided in this Base Prospectus and, given that new Designated Accounts on which Receivables that have been assigned to, or in the case of Scottish Receivables held in for trust for, the Receivables Trustee may be added to the Securitised Portfolio at any time, such statistical information provided at 31 December 2018 may be different to the actual composition of the Securitised Portfolio at any other given time. The Final Terms or Drawdown Prospectus issued in connection with the issuance of a Note Series will contain information relating to the Securitised Portfolio as at a later date.

SERVICING OF RECEIVABLES

Experience of the Servicer

Bank of Scotland plc has been appointed by the Receivables Trustee as initial servicer (the "**Servicer**") under the terms of the RTDSA. Bank of Scotland has expertise in servicing the Bank Portfolio and has well-documented and adequate policies, procedures and risk-management controls relating to the servicing of the Securitised Portfolio and the Bank Portfolio. The Servicer services and administers the Receivables and collects payments due in respect of the Receivables in accordance with its customary and usual servicing procedures for servicing credit card receivables comparable to the Receivables and in accordance with the Credit Card Guidelines. The Servicer has full power and authority, acting alone or through any party properly designated by it, to do any and all things in connection with the servicing and administration of the Receivables as it may deem necessary or desirable. In respect of Receivables transferred by Lloyds Bank to Bank of Scotland pursuant to the Lloyds Bank RSD which are subsequently transferred by Bank of Scotland to the Receivables Trustee pursuant to the RSD, the Servicer has delegated to Lloyds Bank the servicing and administration of such Receivables in accordance with the terms of the RTDSA and Lloyds Bank has agreed to service and administer the Receivables and collect payments due in respect of such Receivables originated by Lloyds Bank as a Material Originator in accordance with its customary and usual servicing procedures for servicing credit card receivables comparable to such Receivables and in accordance with the Credit Card Guidelines. Lloyds Bank has expertise in servicing the Bank Portfolio and has well-documented and adequate policies, procedures and risk-management controls relating to the servicing of the Bank Portfolio. In addition, it is intended that the Servicer will service and administer the receivables originated or acquired by the Additional Transferor following the addition of such receivables into the Penarth Receivables Trust.

Without limiting the generality of the foregoing, the Servicer's duties include:

(a) advising the Receivables Trustee to direct the Transferor in making withdrawals from the Operating Account, as described in this Base Prospectus;

(b) advising the Receivables Trustee to make withdrawals and payments from the Trust Accounts, as described in this Base Prospectus, and providing other advice as described in this Base Prospectus;

(c) executing and delivering instruments of satisfaction or cancellation, or of partial or full release or discharge with respect to the Receivables and commencing enforcement proceedings with respect to delinquent Receivables;

(d) making any filings, reports, notices, applications, registrations with, and seeking consents or authorisations from any relevant securities or other authority as may be necessary or advisable to comply with any securities or reporting requirements (whether in relation to the beneficiaries or the Penarth Receivables Trust);

(e) maintaining the complete master file of Accounts containing a true and complete list of all Designated Accounts;

(f) publishing on the Reporting Website ongoing information in relation to the Securitised Portfolio in accordance with the requirements of Articles 7(1)(a) and (e) (subject to Article 43(8) of the Securitisation Regulation and any published guidance of the relevant regulatory or competition authorities) of the Securitisation Regulation, and in relation to STS Securitisations, Article 22(5) of the Securitisation Regulation;

(g) publishing on the Reporting Website any event-based disclosure required by Articles 7(1)(f) and (g) of the Securitisation Regulation in each case as determined and provided by the Issuer (or on its behalf) or the Transferor in a format acceptable to the Servicer; and

(h) publishing on the Reporting Website the documents required to be published in accordance with Article 7(1)(b) and, where applicable, (d) of the Securitisation Regulation in accordance with the requirements of Article 7 and, in relation to STS Securitisations, Article 22(5) of the Securitisation Regulation,

provided that, the Servicer shall not be in breach of its obligations in respect of paragraphs (f), (g) and (h) above if it has done so due to events or circumstances beyond its control.

The Servicer will indemnify the Receivables Trustee and the Penarth Receivables Trust from and against (i) all loss, liability, expense, damage or injury suffered or sustained by reason of any fraud and (ii) all reasonable loss, liability, expense, damage or injury suffered or sustained by reason of any wilful misconduct or negligent acts or omissions of the Servicer with respect to the activities of the Receivables Trustee or the Penarth Receivables Trust. However, the Servicer will not indemnify:

(a) the Receivables Trustee if such acts or omissions constitute or are caused by fraud, negligence or wilful misconduct by the Receivables Trustee or its agents;

(b) the Penarth Receivables Trust or any Investor Beneficiary for any liabilities, costs or expenses of the Penarth Receivables Trust with respect to any action taken by the Receivables Trustee at the request of any Investor Beneficiary in respect of any outstanding Trust Series;

(c) the Receivables Trustee, the Penarth Receivables Trust or any Investor Beneficiary as to any losses, claims or damages incurred by any of them in their capacity as beneficiaries including, without limitation, losses incurred as a result of Receivables in Defaulted Accounts; or

(d) the Receivables Trustee, the Penarth Receivables Trust or the Investor Beneficiaries for any liabilities, costs or expenses of the Receivables Trustee, the Investor Beneficiaries or the Penarth Receivables Trust arising under any tax law (or any interest or penalties with respect thereto or arising from a failure to comply therewith) required to be paid by the Receivables Trustee, the Penarth Receivables Trust or the Investor Beneficiaries in connection with the RTDSA to any taxing authority.

Neither the directors, officers, employees or agents of the Servicer nor the Servicer itself will be under any liability to the Receivables Trustee, the Penarth Receivables Trust, the Investor Beneficiaries, any enhancement provider or any other person under the RTDSA or pursuant to any document delivered pursuant to the RTDSA, except in the case of wilful default, bad faith or negligence of any such person or the Servicer in the performance of duties under the RTDSA and any Supplement.

Any person into which, in accordance with the RTDSA, the Servicer may be merged or consolidated or any person resulting from any merger or consolidation to which the Servicer is a party, or any person succeeding to the business of the Servicer, upon execution of a Supplement to the RTDSA and delivery of a legal opinion with respect to the compliance of the succession with the applicable provisions of the RTDSA, will be the successor to the Servicer under the RTDSA.

The Servicer will not resign from its obligations and duties as Servicer under the RTDSA, except upon determination that performance of its duties is no longer permissible under applicable law and there is no reasonable action which the Servicer could take to make the performance of its duties permissible by law. No such resignation will become effective until a Successor Servicer (see "*Termination of appointment of Servicer*" below) has assumed the Servicer's responsibilities and obligations under the RTDSA.

Servicing compensation

As full compensation for its servicing duties and activities and as reimbursement for any expense incurred by it in connection therewith, the Servicer is entitled to receive a fee (the "**Servicing Fee**") from the Receivables Trustee (solely to the extent of payments received from the beneficiaries utilising trust property for that purpose as provided in the RTDSA and any Supplement thereto) with respect to each Monthly Period. The Servicing Fee is payable monthly on the Transfer Date relating to each Monthly Period in an amount (inclusive of value added tax, if any) equal to one-twelfth of the sum of:

(a) the product of:

(1) the weighted average of the percentages specified in each Supplement as being the "**Trust Series Servicing Fee Percentage**" with respect to each outstanding Trust Series in each case weighted by the proportion that the Investor Interest of such Trust Series bears to the combined Aggregate Investor Interest as at the last day of the relevant Monthly Period (or, if Bank of Scotland is the Servicer, such other percentage as may be agreed by the Servicer and the Receivables Trustee and with the prior written consent of all the beneficiaries **provided that** the Servicer has certified in writing that in its opinion, formed on the basis of due consideration, such proposed percentage will not result in a downgrade

or withdrawal of each Rating Agency's then current rating of any outstanding Associated Debt rated by such Rating Agency); and

(2) the average daily aggregate outstanding face amount of Principal Receivables comprised in the trust property during such Monthly Period; and

(b) any additional amount agreed from time to time between the Receivables Trustee and the Servicer.

An amount equal to the portion of the Servicing Fee payable by the Receivables Trustee to the Servicer in respect of which the Receivables Trustee is to be reimbursed from payments made by the Investor Beneficiaries in respect of a particular Trust Series (with respect to each Transfer Date) is called the "**Investor Servicing Fee Amount**" and will be determined in accordance with each relevant Supplement. The Investor Beneficiaries will pay the Investor Servicing Fee Amount to the Receivables Trustee, in respect of each Trust Series, by way of Additional Funds for the grant of the relevant Investor Interest. The Investor Servicing Fee Amount will be inclusive of value added tax, if any.

An amount equal to the portion of the Servicing Fee (with respect to any Monthly Period) in respect of which the Receivables Trustee is not reimbursed from payments made by the Investor Beneficiaries in respect of each outstanding Trust Series is called the "**Transferor Servicing Fee Amount**". The Transferor Servicing Fee Amount shall be paid to the Receivables Trustee by the Transferor Beneficiary using amounts from the Transferor Finance Charge Amount and the Transferor Acquired Interchange Amount or Other Trust Property allocable to the Transferor Beneficiary (or from any other property of the Transferor Beneficiary which may be available for such purpose) on the related Transfer Date. The Transferor Servicing Fee Amount will be inclusive of value added tax, if any. In no event shall any Investor Beneficiary or any enhancement provider be liable to reimburse the Receivables Trustee for the share of the Servicing Fee (with respect to any Monthly Period) in respect of which the Receivables Trustee was to be reimbursed from payments to be made by the Transferor Beneficiary.

Series Investor Servicing Fee Amount

The portion of the Servicing Fee to be met in respect of the De-Linked Trust Series with respect to any Transfer Date (the "**Series Investor Servicing Fee Amount**") will be specified in the De-Linked Supplement to the RTDSA and will be calculated to be an amount (inclusive of value added tax, if any) equal to one-twelfth of the product of (A) the Series Servicing Fee Percentage and (B) the weighted average Floating Calculation Investor Interest Amount for the Monthly Period preceding the relevant Transfer Date.

The "**Series Servicing Fee Percentage**" shall mean 1 per cent. (or such other percentage as may be specified in a variation to the De-Linked Supplement).

Payment of the Investor Servicing Fee Amount

The Investor Servicing Fee Amount will be payable to the Receivables Trustee solely to the extent amounts are available from LNI Available Funds (taking into account reallocated Principal Collections) as set out in "*The Loan Notes — Use of LNI Available Funds*" below.

Except as specifically described above, to the extent that the amounts payable by the Receivables Trustee to the Servicer in respect of Servicing Fees exceed amounts which are reimbursable as provided above, the Receivables Trustee shall be liable to pay such further Servicing Fees only if and to the extent that it is entitled to be reimbursed therefore by the Transferor Beneficiary and the Investor Beneficiaries of other outstanding Trust Series using cash flows from the Penarth Receivables Trust allocated to the Transferor Beneficiary and such other Investor Beneficiaries in relation to such Trust Series (as provided in the related Supplements). In no event shall either Loan Note Issuer No. 1, the Penarth Receivables Trust, or the Receivables Trustee be liable for any Servicing Fees in amounts exceeding those described above.

Delegation of Services

In the ordinary course of business, the Servicer may at any time delegate any duties hereunder to any person who agrees to conduct such duties, if applicable, in accordance with the Credit Card Guidelines. Any such delegations shall not relieve the Servicer of its liabilities and responsibility with respect to such duties, and shall not constitute a resignation by the Servicer of its obligations and duties under the RTDSA.

Termination of appointment of Servicer

The appointment of Bank of Scotland as Servicer under the RTDSA, and the appointment of any person as Servicer of the Receivables in succession to Bank of Scotland or the then Servicer (a "**Successor Servicer**"), may be terminated upon the occurrence of a Servicer Default (as defined below). Where a Servicer Default has not been remedied, either the Receivables Trustee, if directed by the Investor Beneficiaries, or Investor Beneficiaries representing in aggregate more than $66^2/_3$ per cent. of the Combined Aggregate Investor Interest, in each case by notice then given in writing to the Servicer (a "**Termination Notice**"), may terminate all of the rights and obligations of the Servicer as Servicer under the RTDSA.

"**Servicer Default**" means any one of the following events:

(a) any failure by the Servicer to give advice or notice to the Receivables Trustee pursuant to an agreed schedule of collections and allocations or to advise the Receivables Trustee to make any required drawing, withdrawal or payment pursuant to the Relevant Document; these events will be considered failures if they do not happen within 5 Business Days after the date that they were supposed to happen under the terms of the RTDSA or any other Relevant Document;

(b) failure on the part of the Servicer duly to observe or perform in any respect any other covenants or agreements of the Servicer set forth in the RTDSA or any Relevant Document which has a Material Adverse Effect on the interests of the Investor Beneficiaries of any outstanding Trust Series and which failure, if capable of remedy, continues unremedied for a period of 60 days (except in relation to a failure of the Servicer to give advice or notice to the Receivables Trustee pursuant to an agreed schedule of collections and allocations or to advise the Receivables Trustee to make any required drawing, withdrawal or payment pursuant to the Relevant Documents which shall be 5 Business Days) or more after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Receivables Trustee, or to the Servicer and the Receivables Trustee by the Investor Beneficiary or Investor Beneficiaries holding 50 per cent. or more of the Investor Interests in respect of any outstanding Trust Series adversely affected thereby and continues to have a Material Adverse Effect on the interests of such Investor Beneficiary in respect of such outstanding Trust Series for such period;

(c) delegation by the Servicer of its duties under the RTDSA to any other entity, except as permitted by the RTDSA;

(d) any relevant representation, warranty or certification made by the Servicer in the RTDSA or in any certificate delivered pursuant hereto proves to have been incorrect when made, which has a Material Adverse Effect on the interests of the Investor Beneficiaries in respect of any outstanding Trust Series and continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Receivables Trustee or to the Servicer and the Receivables Trustee by an Investor Beneficiary or Investor Beneficiaries in respect of more than 50 per cent. or more of the Investor Interests of any outstanding Trust Series adversely affected thereby and continues to have a Material Adverse Effect on the interests of an Investor Beneficiary in respect of any outstanding Trust Series affected for such period;

(e) the Servicer shall consent to or take any corporate action relating to the appointment of a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or relating to all or substantially all of its revenues and assets or proceedings are initiated against the Transferor under any applicable liquidation, insolvency, composition, re-organisation or similar laws for its winding-up, dissolution, administration or re-organisation (except for a solvent re-organisation) and such proceedings are not discharged within 60 days or a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or relating to all or substantially all of its revenues and assets is legally and validly appointed and such appointment is not discharged within 14 days; or

(f) the Servicer is unable to pay its debts as they fall due within the meaning of Section 123(1) of the Insolvency Act 1986 or the Servicer makes a general assignment or trust for the benefit of or a composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its Indebtedness.

However, a delay or failure to perform (i) the matters referred to in (a) above for a period of 10 Business Days or (ii) the matters referred to in (b), (c) or (d) above for a period of 60 Business Days, will not be a Servicer Default if such delay or failure is caused by an event amounting to force majeure (as listed in the RTDSA) and that delay or failure could not have been prevented by the exercise of reasonable diligence by the Servicer.

Within two Business Days after the Servicer becomes aware of any Servicer Default, the Servicer must give prompt written notice thereof to the Receivables Trustee, each Investor Beneficiary, each Rating Agency and any enhancement provider. The Receivables Trustee must give each Investor Beneficiary notification of any removal of the Servicer or appointment of a Successor Servicer. The Receivables Trustee must give each Rating Agency notification of any removal of the Servicer.

Under the terms of the RTDSA, the beneficiaries adversely affected by any default by the Servicer may, with the prior written consent of all the other beneficiaries, instruct the Receivables Trustee to waive in writing any default by the Servicer in the performance of its obligations under the RTDSA or in any relevant document and its consequences. However, a default which results directly in a failure by the Receivables Trustee to make any required deposits or distributions of Finance Charge Collections or Principal Collections relating to a Trust Series adversely affected will not be permitted to be waived in any circumstances. Upon any such waiver of a past default, such default shall be deemed not to have occurred. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

Pursuant to the terms of the Beneficiaries Deed, the beneficiaries of the Penarth Receivables Trust have agreed that where an Investor Beneficiary is adversely affected by a default of the Servicer, such Investor Beneficiary must represent in aggregate no less than $66^{2}/_{3}$ per cent. of the Investor Interest of each outstanding Trust Series in order to instruct the Receivables Trustee to waive any such default. As noted above, in no such case shall a waiver of default relating to a failure to make any required deposits or distributions relating to a Trust Series be permitted.

After receipt of a Termination Notice and the appointment of a Successor Servicer (as referred to below), the function of acting as Servicer of the Receivables under the RTDSA will pass from the then Servicer to the Successor Servicer. The RTDSA sets out certain requirements in respect of such transfer of the servicing role including (without limitation) as to the transfer of authority over Collections, the transfer of electronic records and as to the disclosure of information.

Following its receipt of a Termination Notice, the Servicer will continue to act as Servicer until a date specified in the Termination Notice or otherwise agreed by the Receivables Trustee and the Servicer. The Receivables Trustee must attempt to appoint a Successor Servicer which must, at the time of its appointment, be an Eligible Servicer.

The Receivables Trustee may obtain bids for the proposed sale of the Receivables constituting trust property from any potential Successor Servicer. If the Receivables Trustee is unable to obtain any bids from any potential Successor Servicer and the Servicer delivers an officer's certificate to the effect that it cannot in good faith cure the Servicer Default which gave rise to a Termination Notice, then the Receivables Trustee will notify each enhancement provider (if any) of the proposed sale of the Receivables to a third party and will provide each such enhancement provider an opportunity to bid to purchase the Receivables. The Receivables Trustee will also (except in the case of a Servicer Default described in (e) or (f) above) offer the Transferor the right of first refusal to purchase the Receivables on terms equivalent to the best purchase offer as determined by the Receivables Trustee, but in no event less than an amount equal to the combined Aggregate Investor Interest on the date of such purchase plus all interest accrued but unpaid on all Related Debt and enhancement at the rate thereof up to and including the date of such purchase. The proceeds of any sale of Receivables will be deposited in the Trust Accounts for distribution to the beneficiaries in accordance with the provisions of the RTDSA and any applicable Supplement.

"**Eligible Servicer**" means an entity which, at the time of its appointment as Servicer, (a) is servicing a portfolio of consumer revolving credit card accounts or other consumer revolving credit accounts, (b) is legally qualified and has the capacity to service the Accounts and (c) is qualified (or licensed) to use the software that the Servicer is then currently using to service the Accounts or obtains the right to use, or has its own software which is adequate to perform its duties under the RTDSA.

If a Servicer Default occurs and is continuing and the Servicer is to be replaced by a Successor Servicer as set out above, it shall be a term of the appointment of such Successor Servicer that:

(i) the appointment of the Material Originator as delegate servicer in respect of Receivables arising under Designated Accounts originated by such Material Originator will be maintained by the Successor Servicer and any such delegation will continue in full force and effect, and

(ii) it will agree to be bound by the terms of any delegation agreement entered into between the Servicer and such Material Originator as delegate servicer in respect of Receivables arising under Designated Accounts originated by such Material Originator, as if it had been the Servicer thereunder,

provided that a Servicer Default in respect of such Material Originator would not occur and be continuing if references to the Servicer in the Servicer Defaults were references to such Material Originator.

Any appointment of an alternative servicer of the receivables relating to American Express® branded cards other than Lloyds Bank or Bank of Scotland (whether as Successor Servicer or as the delegate servicer) without American Express's approval will result in a material breach of the agreement between American Express and Lloyds Bank relating to such cards, which will in turn result in a termination of that agreement. Following the termination of that agreement, if any new receivables relating to American Express® branded cards (including Duo Cards) are created, they will not be transferred to the Penarth Receivables Trust and as a result any payments received from accountholders of Duo Cards in respect of the use post-termination of the American Express® portion of the Duo Card will not belong to the Penarth Receivables Trust. Receivables and collections in respect of the pre-termination use of the American Express® portion of the Duo Card will not be affected by the termination of the agreement and will belong to the Penarth Receivables Trust.

Compliance with Securitisation Regulations

The Servicer will also monitor if ESMA or any relevant regulatory or competent authority publishes or amends any required reporting templates under the Securitisation Regulation and will notify the Transferor and the Issuer if any such change occurs. Upon such notification, the Servicer will consult with the Transferor and the Issuer and will use commercially reasonable efforts to amend the format of the relevant reports and thereafter include such additional and/or amended information as required (provided it received such required information from the Transferor) so as to enable the Servicer to make available and publish the relevant reports. The Servicer shall not be in breach of these obligations if it fails to do so due to events or circumstances beyond its control.

THE LOAN NOTES

The following discussion and the discussions under "*The Security Trust Deed and Cash Management Agreement*" summarise the material terms of Global Loan Note No. 1 and each notional tranche of Global Loan Note No. 1 (each tranche of a global loan note, including tranches of Global Loan Note No. 1, being referred to as a "**Loan Note**"), the Loan Note Security, and the cash management provisions in relation to the Funding 1 Beneficial Interest held by Loan Note Issuer No. 1 and other assets held by Loan Note Issuer No. 1. These summaries do not purport to be complete and are qualified by the remainder of this Base Prospectus. The sources of funds to pay the Loan Notes are discussed in "*Sources of Funds to Pay the Loan Notes*" below.

General

The Final Terms or Drawdown Prospectus, as applicable, for a particular Note Series will specify the class of the Loan Note which acts as collateral for that Note Series, and will also specify and describe the Loan Note Security held by or on behalf of the Issuer in respect of that Loan Note. Each Loan Note relating to Global Loan Note No. 1 will be issued pursuant to the STDCMA and a Loan Note Supplement as a notional tranche of Global Loan Note No. 1. Neither the STDCMA nor the supplements to Global Loan Note No. 1 will limit the principal amount of Loan Notes that may be issued. However, a number of Issuance Tests will need to be fulfilled before certain Loan Notes may be issued (see "*Issuance of new Loan Notes*" below). Each Loan Note Supplement will describe the provisions specific to that Loan Note. Holders of Loan Notes, including the Issuer, will not have the right to prior review of, or consent to, any subsequent issuance of Loan Notes or the issuance of other global loan notes in addition to Global Loan Note No. 1. Loan Notes and other global loan notes may be issued to holders other than the Issuer.

Global Loan Note No. 1 consists of multiple classes of Loan Notes. A class designation determines the relative seniority for receipt of cash flows and funding of the Investor Default Amounts allocated to the Loan Notes. A Loan Note which is designated as a "Subordinated Loan Note" provides credit enhancement for the relevant Senior Loan Notes. A Loan Note will be a "Senior Loan Note" in relation to Loan Notes which are subordinate to it in terms of priority. For example, a class B Loan Note is a Subordinated Loan Note in relation to a class A Loan Note, which is a Senior Loan Note. Whenever a "class" of Loan Notes is referred to in this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable, it includes all Loan Notes of that class, unless the context otherwise requires.

Loan Note Issuer No. 1 may issue different classes of Loan Notes at the same time or at different times, but no Loan Note may be issued unless the Issuance Tests in relation to that Loan Note have been satisfied. Such Issuance Tests include, amongst other things, the availability of a sufficient amount of Subordinated Loan Notes then outstanding as subordination for more Senior Loan Notes (see "*Required subordinated amount for Loan Notes*" and "*Issuance of new Loan Notes*" below).

Loan Note Issuer No. 1 will issue Loan Notes denominated in Sterling only.

Each holder of a Loan Note (including the Issuer) will have the benefit of the Loan Note Security granted in relation to the Loan Notes to the Security Trustee in the STDCMA.

Loan Note Issuer No. 1 as an Investor Beneficiary in respect of the Funding 1 Beneficial Interest will be entitled to the Floating Investor Percentage of all Finance Charge Collections and the Net Floating Investor Percentage of Investor Default Amounts, Acquired Interchange, Acquired Insurance Commission and net income from Permitted Investments and will be entitled to the Principal Investor Percentage of all Principal Collections. The method for calculating the Floating Investor Percentage, Net Floating Investor Percentage and the Principal Investor Percentage is described in "*Sources of Funds to Pay the Loan Notes*" below.

Loan Note Issuer No. 1 will pay principal and interest on Loan Notes solely from (1) the Finance Charge Collections, Acquired Interchange, Acquired Insurance Commission, Principal Collections, net income from Permitted Investments and certain other amounts which are allocable to Loan Note Issuer No. 1 as an Investor Beneficiary in respect of the Funding 1 Beneficial Interest as set out in the De-Linked Supplement and the STDCMA and (2) any other amounts provided to Loan Note Issuer No. 1 by way of enhancement for the Loan Notes. If those sources are not sufficient for the payment of principal or interest on a particular Loan Note, the holder of that Loan Note will have no recourse to any other assets of Loan Note Issuer No. 1, or any other person or entity for the payment of principal or interest on that Loan Note.

Interest

Interest will accrue on each Loan Note from its date of creation at the applicable interest rate for that Loan Note, which may be a fixed, floating or such other type of rate as specified in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, the Final Terms or Drawdown Prospectus, as applicable of the Note Series which that Loan Note supports (if that Loan Note is acquired by the Issuer). Interest on a Loan Note relating to Global Loan Note No. 1 will be due and payable on each Distribution Date or as otherwise specified in the related Loan Note Supplement and the related Final Terms or Drawdown Prospectus, as applicable, each referred to in this Base Prospectus and the related Final Terms or Drawdown Prospectus, as applicable as a "**Loan Note Interest Payment Date**". Interest payments will be funded from Finance Charge Collections and Acquired Interchange allocated together with certain other amounts distributed to Loan Note Issuer No. 1 in respect of the preceding Monthly Period, and from certain other amounts specified in the STDCMA and any related supplement to a Global Loan Note, including any amounts of Utilised Required Retained Principal Collections and specified enhancement.

For each fixed rate Loan Note, the fixed Rate of Interest at which interest will accrue for that Loan Note will be specified in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, the relevant Final Terms or Drawdown Prospectus, as applicable. For each issuance of a floating rate (or other interest rate type) Loan Note, the interest rate index or other formula on which the interest payment is based together with any margin (if relevant) will be designated in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, the relevant Final Terms or Drawdown Prospectus, as applicable.

In respect of a floating rate Loan Note relating to Global Loan Note No. 1, whilst the Loan Note is secured for a specified Note Series, the basis on which the Rate of Interest is calculated for such Loan Note will be the same for each Interest Period as the basis on which the Rate of Interest or the determination of any payments under any related Swap Agreement is calculated for that Note Series notwithstanding that the length of the Interest Periods on the Loan Note and the Note Series may be different.

Each payment of interest on a Loan Note will include all interest accrued from (and including) the preceding Loan Note Interest Payment Date — or, for the first Loan Note Interest Period, from (and including) the issuance date — up to (but excluding) the current Loan Note Interest Payment Date, or any other period as may be specified in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, the relevant Final Terms or Drawdown Prospectus, as applicable. Interest on a Loan Note will be due and payable on each Loan Note Interest Payment Date **provided that** any amount of interest not paid on a Loan Note Interest Payment Date will defer until the earlier of the next Loan Note Interest Payment Date on which it is paid and the Final Redemption Date for such Loan Note. Amounts of interest which are deferred will accrue interest at the rate set out in the related Loan Note Supplement and in the case of Global Loan Note No. 1, the Final Terms or Drawdown Prospectus, as applicable in relation to the Series that such Loan Note supports.

Principal

The timing of payment of principal on any Loan Note will be specified in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, the relevant Final Terms or Drawdown Prospectus, as applicable.

Each date on which a final payment of principal is due to be made on a Loan Note will be referred to in this Base Prospectus and the related Final Terms or Drawdown Prospectus, as applicable as a "**Scheduled Redemption Date**" in relation to such Loan Note. The relevant Final Terms or Drawdown Prospectus, as applicable in relation to the related Note Series of a Loan Note will specify the Final Redemption Date in respect of such Loan Note.

Principal of a Loan Note may be paid later than its Scheduled Redemption Date if funds allocated to Loan Note Issuer No. 1 in respect of the Funding 1 Beneficial Interest are not sufficient to redeem the relevant Loan Note on its Scheduled Redemption Date. Additionally, in the case of a Subordinated Loan Note, principal in respect of that Loan Note will be paid only to the extent that the subordination provisions of the Senior Loan Notes and the Repayment Tests permit such payment. See "*Redemption and early redemption of Loan Notes*" below.

It will not be a Loan Note Event of Default if the Outstanding Principal Amount of a Loan Note is not paid on its Scheduled Redemption Date. If the stated principal amount of a Loan Note is not paid on its

Scheduled Redemption Date, an Early Redemption Event with respect to that Loan Note will occur. See "*Early redemption events*" below. However, if the Outstanding Principal Amount of a Loan Note is not paid in full by its Final Redemption Date, a Loan Note Event of Default will occur with respect to that Loan Note. See "*Loan Note events of default*" below. However, if Loan Note Issuer No. 1 does not have sufficient funds to repay the Outstanding Principal Amount of such Loan Note in full on such Final Redemption Date, any amount remaining outstanding under such Loan Note (following any payments made on such Final Redemption Date) will be extinguished.

Principal of a Loan Note may be paid earlier than its Scheduled Redemption Date or other dates specified in the related Loan Note Supplement if an Early Redemption Event occurs prior to such Scheduled Redemption Date. See "*Early redemption events*" and "*Loan Note events of default*" below.

See "*Risk Factors*" for a discussion of factors that may affect the timing of Principal Payments to Noteholders as a result of factors affecting a Loan Note.

Accumulation and Amortisation Periods

Each Loan Note will have an Accumulation Period and/or an Amortisation Period. If a Loan Note is not in an Accumulation Period or an Amortisation Period, it will be referred to as being in its "**Loan Note Revolving Period**". During the Loan Note Revolving Period for a Loan Note, Loan Note Issuer No. 1 will not accumulate any amount representing principal in respect of that Loan Note and no payments of principal shall be made to the holder of that Loan Note.

During the Accumulation Period for a Loan Note commencing on the Accumulation Period Commencement Date, Loan Note Issuer No. 1 will on each Transfer Date accumulate in the Principal Funding Account Ledger for a Loan Note, principal amounts received by Loan Note Issuer No. 1 equal to the Controlled Deposit Amount to be applied towards payment of principal on such Loan Note at the earlier to occur of (a) the Scheduled Redemption Date for that Loan Note or (b) the commencement of an Amortisation Period in respect of that Loan Note. On any Transfer Date in an Accumulation Period where the Targeted Pre-Funding Amount is greater than zero for the Loan Notes of the same class as that Loan Note, Loan Note Issuer No. 1 will accumulate in the Principal Funding Account Ledger for that Loan Note, principal amounts received by Loan Note Issuer No. 1 equal to that Loan Note's *pro rata* share of the Targeted Pre-Funding Amount on such Transfer Date. No payments of principal will be made to the Issuer during an Accumulation Period. The Loan Note Supplement for that Loan Note and the relevant Final Terms or Drawdown Prospectus, as applicable will specify the Scheduled Redemption Date and the Accumulation Period Commencement Date for an Accumulation Period with respect to that Loan Note. On the Scheduled Redemption Date, amounts accumulated in the relevant Principal Funding Account Ledger for that Loan Note will be paid to the matching Note Series ledger in the Issuer Distribution Account.

An "**Amortisation Period**" may consist of either a Rapid Amortisation Period, an Accelerated Amortisation Period, an Optional Amortisation Period or a Partial Amortisation Period.

Rapid Amortisation Period

For the purposes of this Base Prospectus, a "**Rapid Amortisation Period**" in respect of any Loan Note will commence on the day on which a Rapid Amortisation Trigger Event occurs and will continue until the earlier to occur of:

- the date on which the Outstanding Principal Amount of such Loan Note is reduced to zero; and
- the Final Redemption Date of such Loan Note; and
- the date of the dissolution of the Penarth Receivables Trust.

Accelerated Amortisation Period

For the purposes of this Base Prospectus and if specified in the relevant Final Terms or Drawdown Prospectus, an "**Accelerated Amortisation Period**" may apply. The Accelerated Amortisation Period shall commence at the close of business on the last day of the Monthly Period in which the Transferor Beneficiary and the Investor Beneficiaries deliver a notice to the Receivables Trustee, in accordance with the applicable Loan Note Supplement, to the effect that they intend to commence an accelerated amortisation period. The

Accelerated Amortisation Period shall end on the earlier of the commencement of the Rapid Amortisation Period, the Scheduled Redemption Date or the date on which the relevant Loan Note is redeemed in full.

Optional Amortisation Period

For the purposes of this Base Prospectus and if specified in the relevant Final Terms or Drawdown Prospectus, an "**Optional Amortisation Period**" may apply. The Optional Amortisation Period shall begin at the close of business on the date on which notification is given by the Transferor Beneficiary and the Investor Beneficiaries to the Receivables Trustee, in accordance with the applicable Loan Note Supplement, of an optional amortisation in whole or in part of the relevant Loan Note. Such optional amortisation shall be in a minimum amount of £10,000,000 and an integral multiple of £1,000,000 and shall utilise amounts standing to the credit of the Principal Collections Ledger for the relevant series on the date that such optional amortisation is to be made. The Optional Amortisation Period will end on the date specified in such notification for the completion of such amortisation, which, for the avoidance of doubt will be an Interest Payment Date.

Partial Amortisation Period

For the purposes of this Base Prospectus and if specified in the relevant Final Terms or Drawdown Prospectus, a "**Partial Amortisation Period**" may apply. The Partial Amortisation Period shall begin at the close of business on the Distribution Date as notified by the Transferor Beneficiary and the Investor Beneficiaries to the Receivables Trustee specifying the commencement of a partial amortisation from time to time, in accordance with the applicable Loan Note Supplement. Such partial amortisation shall be in a minimum amount of £10,000,000 and an integral multiple of £1,000,000 and shall utilise amounts to make distributions standing to the credit of the Principal Collections Ledger for the relevant series on each Distribution Date during the Partial Amortisation Period subject to the provisions of the Security Trust Deed and Cash Management Agreement. The Partial Amortisation Period shall end on the earlier of (i) the Distribution Date on which the applicable amount to be amortised shall have been paid in full and (ii) the commencement of the Rapid Amortisation Period.

During an Amortisation Period, payments of principal will not be accumulated by Loan Note Issuer No. 1 in the Principal Funding Account Ledger for a Loan Note and will instead be paid to the Issuer and credited to the matching Note Series ledger in the Issuer Distribution Account (or if the Issuer has entered into a Swap Agreement in respect of a Note Series backed by such Loan Note, as otherwise set out in "*Swap Agreements*" in the relevant Final Terms or Drawdown Prospectus, as applicable).

Controlled deposit amount

In respect of distributions of Principal Collections to Loan Note Issuer No. 1 (in respect of the Funding 1 Beneficial Interest), the "**Controlled Deposit Amount**" means, in respect of each Loan Note, for the Transfer Date in respect of any Monthly Period with respect to an Accumulation Period following an Accumulation Period Commencement Date for such Loan Note, unless otherwise specified in the Loan Note Supplement for such Loan Note, the sum of (A) the stated monthly accumulation amount for such Loan Note as specified in the Loan Note Supplement and, in the case of Global Loan Note No. 1 as set out in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series and (B) the Accumulation Shortfall for such Transfer Date **provided**, **however**, **that** if the Accumulation Period Length is determined to be less than twelve months, the Controlled Deposit Amount for the Transfer Date for each Monthly Period with respect to the Accumulation Period for such Loan Note will be equal to (A) the product of (1) the Initial Principal Amount for such Loan Note less the portion of any pre-funding amount credited to the Principal Funding Account Ledger for such Loan Note and (2) the Accumulation Period Factor for such Monthly Period *divided* by (B) the Required Accumulation Factor Number, *plus* (C) any Accumulation Shortfall.

The "**Accumulation Period Factor**" means, in respect of each Loan Note, for each Monthly Period, a fraction, the numerator of which is equal to the Initial Investor Interests of all outstanding Trust Series (including the Initial Investor Interest for the De-Linked Trust Series) and the denominator of which is equal to the sum (without duplication) of, (a) the Initial Investor Interests of all outstanding Trust Series (other than the De-Linked Trust Series) in Group One (other than companion Trust Series) which are not notified by the Servicer as being predicted to be in their Loan Note Revolving Periods, (b) the Initial Investor Interests of all other outstanding Trust Series (other than, for the avoidance of doubt, the De-Linked Trust Series) which are not allocating shared Principal Collections and are in their Loan Note

Revolving Periods, and (c) the aggregate of the Initial Principal Amount of each Loan Note less the portion of any pre-funding amount credited to the Principal Funding Account Ledger for each such Loan Note which is notified by the Cash Manager as being predicted to have a Targeted Principal Amount greater than zero.

The "**Accumulation Period Length**" means, on the Determination Date immediately preceding the first Business Day of the month that is 12 months prior to the Monthly Period in which the Scheduled Redemption Date of any Loan Note falls, and each Determination Date thereafter until the Accumulation Period commences, the period, determined by Loan Note Issuer No. 1, equal to the number of whole months such that the sum of the Accumulation Period Factors for each month during such period will be equal to or greater than the Required Accumulation Factor Number; **provided**, **however**, **that** the Accumulation Period Length will not be determined to be less than one month; **provided further**, **however**, **that** the determination of the Accumulation Period Length may be changed at any time if the Cash Manager certifies in writing that the then current ratings of all Loan Note Issuer No. 1 Associated Debt will not be negatively affected with respect to such change.

The "**Accumulation Shortfall**" shall initially mean zero and shall thereafter mean, with respect to any Transfer Date during the Accumulation Period following an Accumulation Period Commencement Date in respect of a Loan Note, the excess, if any, of the Controlled Deposit Amount for the previous Transfer Date over the aggregate amount credited to the Principal Funding Account Ledger for such Loan Note for the previous Monthly Period.

The "**Determination Date**" shall mean, unless otherwise specified in a Supplement, the second Business Day prior to each Transfer Date.

The "**Monthly Period**" shall mean, unless otherwise defined in any Supplement, the period from and including the first day of a calendar month to and including the last day of the same calendar month.

The "**Required Accumulation Factor Number**" means a number equal to a fraction, rounded up to the nearest whole number, the numerator of which is one and the denominator of which is equal to the lowest monthly principal payment rate on the Designated Accounts for the 12 months preceding the date of such calculation, or such lower number as the Cash Manager may specify.

If the result of the calculation of the Accumulation Period Length is less than 12 months, the Servicer may, at its option, postpone the commencement of the Accumulation Period in relation to a Loan Note such that the number of months included in the Accumulation Period will be equal to or exceed the Accumulation Period Length. The effect of the foregoing adjustment is to permit the reduction of the length of the Accumulation Period based on the Initial Investor Interest of certain other outstanding Trust Series and the Initial Principal Amount of certain other outstanding Loan Notes which are scheduled to be in their Loan Note Revolving Periods during the Accumulation Period and based on increases in the principal payment rate occurring after the relevant issuance date. The length of the Accumulation Period will not be less than one month.

Early Redemption Events

An "**Early Redemption Event**" for any Loan Note is any one of the following events and, in respect of a Loan Note, any other event specified as such in the relevant Loan Note Supplement:

(a) the occurrence of a Funding 1 Pay Out Event or a Trust Pay Out Event;

(b) on any Transfer Date, the amount of the Excess Available Funds averaged over the three preceding Monthly Periods is less than the Required Excess Available Funds for such Monthly Period;

(c) either:

   (i) over any period of thirty consecutive days the amount of the Adjusted Transferor Interest averaged over that period is less than the minimum Adjusted Transferor Interest (as defined in each Final Terms or Drawdown Prospectus, as applicable) for that period and the Adjusted Transferor Interest does not increase on or before the tenth Business Day following such thirty day period to an amount such that the average of the Adjusted Transferor Interest as a percentage of the average Principal Receivables for such thirty day period, computed by assuming that the amount of the increase of the Adjusted Transferor

Interest prior to or including the last day of such ten Business Day period, as compared to the Adjusted Transferor Interest on the last day of such thirty day period shall be deemed to have existed in the Penarth Receivables Trust during each day of such thirty day period, is at least equal to the minimum Adjusted Transferor Interest; or

(ii) on any Loan Note Record Date the aggregate amount of Eligible Principal Receivables is less than the Minimum Aggregate Principal Receivables (as adjusted for any Trust Series having a companion Trust Series as described in the Supplement for such Trust Series), and the aggregate amount of Eligible Principal Receivables fails to increase to an amount equal to or greater than the minimum aggregate Principal Receivables on or before the tenth Business Day following such Loan Note Record Date;

(d) the Outstanding Principal Amount of a Loan Note shall not be reduced to zero on the Scheduled Redemption Date for such Loan Note; or

(e) Loan Note Issuer No. 1 has or will become obliged to deduct or withhold amounts from payments to be made in respect of the Related Debt on any Distribution Date, for or on account of any tax assessment or other governmental charge by any jurisdiction as a result of any change in the laws of such jurisdiction or any political subdivision or taxing authority thereof which change becomes effective on or after the closing date.

The occurrence of each of the events listed in paragraphs (a) to (e) above (*inclusive*) will be a "**Rapid Amortisation Trigger Event**" and will cause a Rapid Amortisation Period to occur in respect of an affected Loan Note.

The "**Excess Available Funds**" means in respect of any Monthly Period an amount equal to the LNI Available Funds less the aggregate of the amounts payable under items (i) to (and including) (ix) of the LNI Available Funds priority of payment set out in "- *Application of LNI Available Funds*" below on the Transfer Date relating to such Monthly Period.

The "**Minimum Aggregate Principal Receivables**" means, unless otherwise provided in a Final Terms or Drawdown Prospectus, as applicable relating to any Series, on any date of determination, an amount equal to the sum of the numerators used in the calculation of the Principal Investor Percentages for all outstanding Series on such date (as to which see "*Sources of Funds to pay the Loan Notes - Calculation of Principal Collections to be distributed to Loan Note Issuer No. 1 in respect of the De-Linked Trust Series*").

The "**Required Excess Available Funds**" means, with respect to any Monthly Period, an amount equal to zero, **provided**, **however**, **that** Loan Note Issuer No. 1 may, from time to time, change such amount (which will never be less than zero) as long as the Cash Manager has certified in writing that in its opinion, formed on the basis of due consideration, the change to such amount will not result in a downgrade or withdrawal of the then current rating of any outstanding notes.

Loan Note Events of Default

A "**Loan Note Event of Default**" will occur in respect of each global loan note (including in respect of Global Loan Note No. 1) on the occurrence of any of the following events and, in respect of a Loan Note, on the occurrence of any other event specified as such in the relevant Loan Note Supplement:

(i) ***Non-payment***: Loan Note Issuer No. 1 fails to pay any amount of principal or interest in respect of any Loan Note on the due date for payment thereof; or

(ii) ***Breach of other obligations***: Loan Note Issuer No. 1 defaults in the performance or observance of any of its other obligations under or in respect of a global loan note, any Supplement to a Global Loan Note or the STDCMA and (except where such default is incapable of remedy) such default remains unremedied for 30 days after the Security Trustee has given written notice thereof to Loan Note Issuer No. 1, certifying that such default is, in the opinion of the Security Trustee, materially prejudicial to the interests of the holders of Loan Notes of that global loan note; or

(iii) ***Unsatisfied judgment***: one or more judgment(s) or order(s) for the payment of any amount is rendered against Loan Note Issuer No. 1 and continues unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(iv) ***Loan Note Security enforced***: a secured party takes possession or a receiver, administrative receiver, administrator, examiner, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of Loan Note Issuer No. 1 or an enforcement action is begun or execution is levied against any of the assets of Loan Note Issuer No. 1; or

(v) ***Insolvency etc***: (i) Loan Note Issuer No. 1 becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, liquidator or similar officer of Loan Note Issuer No. 1 or the whole or any part of the undertaking, assets and revenues of Loan Note Issuer No. 1 is appointed (or application for any such appointment is made), (iii) Loan Note Issuer No. 1 takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of Indebtedness given by it or (iv) Loan Note Issuer No. 1 ceases or threatens to cease to carry on all or any substantial part of its business; or

(vi) ***Winding up etc***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of Loan Note Issuer No. 1; or

(vii) ***Failure to take action etc***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable Loan Note Issuer No. 1 lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Loan Notes and the Funding 1 Beneficial Interest documents or (ii) to ensure that those obligations are legal, valid, binding and enforceable (except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally and as such enforceability may be limited by the effect of general principles of equity) is not taken, fulfilled or done; or

(viii) ***Unlawfulness***: it is or will become unlawful for Loan Note Issuer No. 1 to perform or comply with any of its obligations under or in respect of a Loan Note or the documents relating to it; or

(ix) ***Government intervention***: (i) all or any substantial part of the undertaking, assets and revenues of Loan Note Issuer No. 1 is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) Loan Note Issuer No. 1 is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

Upon the occurrence of a Loan Note Event of Default the Security Trustee may, in accordance with the terms of the STDCMA, enforce part or all of the Loan Note Security in respect of the Loan Notes of each global loan note outstanding including the Loan Notes of Global Loan Note No. 1, **provided however that** the Security Trustee shall not be bound to act unless it is indemnified and/or pre-funded and/or secured to its satisfaction.

Principal funding account

Pursuant to a Loan Note Issuer No.1 account bank agreement dated the Novation Date (as amended and restated from time to time) (the "**Loan Note Issuer No.1 Account Bank Agreement**"), the Loan Note Issuer No. 1 has established and will maintain the Principal Funding Account at a Qualified Institution (currently held at Bank of Scotland at its branch located at Leeds) (the "**Principal Funding Account**"). The Loan Note Issuer No. 1 will also establish a separate ledger in relation to each Loan Note (including Loan Notes which are tranches of global loan notes other than Global Loan Note No. 1) (each, a "**Principal Funding Account Ledger**"). Amounts will be accumulated in a Principal Funding Account Ledger during an Accumulation Period for a Loan Note (see "*Pre-funding*" and "*Controlled deposit amount*").

Pre-funding

As Loan Notes of a subordinate class, which, for the avoidance of doubt, are those classes of Loan Notes which rank junior in priority to another class of Loan Notes ("**Subordinated Loan Notes**"), may be issued with Scheduled Redemption Dates prior to the Scheduled Redemption Dates for the Loan Notes of a senior class, which, for the avoidance of doubt, are those classes of Loan Notes which rank senior in priority to another class of Loan Notes ("**Senior Loan Notes**") for which they provide enhancement, principal of such Subordinated Loan Notes can only be repaid if the Repayment Tests referred to below (see "*Redemption and early redemption of Loan Notes*" below) are met. In the event such Repayment Tests cannot be met, in order to reduce the length of time such Subordinated Loan Notes will remain outstanding past their Scheduled Redemption Dates and to seek to ensure their redemption prior to their Final Redemption Dates, an amount equal to the Targeted Pre-Funding Amount will be accumulated in the Principal Funding Account until the amount accumulated causes the Adjusted Outstanding Principal Amount of the Senior Loan Notes to be reduced to an amount where the Repayment Tests are met and the principal on the relevant Subordinated Loan Note can be repaid.

Amounts accumulated in respect of pre-funding amounts will form part of the Amortisation Amount for any Transfer Date and will be subject to the calculation of the Maximum Regulated Deposit Amount. Such Targeted Pre-Funding Amount will collateralise the subsequent repayment obligation on the portion of Senior Loan Notes supported by the Subordinated Loan Notes which are to be repaid but for the effect of compliance with the Repayment Tests.

The "**Targeted Pre-Funding Amount**" means on any date for a particular class of Loan Notes, in respect of the aggregate amount of the Loan Notes of that class which are supported by Subordinated Loan Notes an amount equal to the product of the aggregate amount of the Loan Notes of that class which are supported by Subordinated Loan Notes multiplied by a fraction the numerator being the excess, if any, of (i) the aggregate of the required subordinated amount for each Loan Note in that class over (ii) the aggregate of the Adjusted Outstanding Principal Amount of each Loan Note which is subordinated to that class of Loan Notes (excluding any Loan Notes which were or are due to be repaid for any reason or in respect of which a Loan Note Event of Default has occurred, in each case, in any previous or the current Monthly Period with respect to such date) and the denominator being the aggregate of the required subordinated amount for each Loan Note in that class.

If on any day other than a Transfer Date the pre-funding amount deposited in the Principal Funding Account exceeds the Targeted Pre-Funding Amount, then, unless a Loan Note is in an Accumulation Period or Amortisation Period, the amount of the excess will be used to make a Contribution to the Penarth Receivables Trust and increase the Funding 1 Beneficial Interest accordingly (unless a Loan Note is in an Accumulation Period or Amortisation Period). All pre-funding amounts will be treated as part of LNI Available Principal Amounts on a Transfer Date. If a Loan Note enters into an Accumulation Period or Amortisation Period (other than as a result of pre-funding) then the full amount previously deposited as a pre-funding amount may be used for such accumulation or amortisation and will not be limited by reference to the calculation of the Maximum Regulated Deposit Amount.

During any period where there is a pre-funding amount deposited in the Principal Funding Account, the Floating Investor Percentage for the Funding 1 Beneficial Interest will be calculated as being increased by the Pre-Funding Percentage. The pre-funding percentage (the "**Pre-Funding Percentage**") is a percentage calculated by reference to the increase in the Adjusted Transferor Interest resulting from the accumulation of the pre-funding amount **provided that** the Pre-Funding Percentage will not cause a reduction in the Floating Investor Percentage of any other Trust Series. The Floating Investor Percentage will be used to allocate Finance Charge Collections to the Funding 1 Beneficial Interest while the Floating Investor Percentage less the Pre-Funding Percentage (the "**Net Floating Investor Percentage**") will be used to allocate Investor Charge-Offs and Acquired Interchange (see "*Sources of Funds to Pay the Loan Notes — Calculation and distribution of Finance Charge Collections and Acquired Interchange to Loan Note Issuer No. 1*" below).

The portion of the Finance Charge Collections allocated to the Funding 1 Beneficial Interest based on the Pre-Funding Percentage will only be available to make payments in respect of Pre-Funding Investment Shortfalls on pre-funding amounts deposited in the Principal Funding Account and to the extent not required, the excess will be treated as Additional Funds and, ultimately, paid to the Transferor as part of Deferred Consideration.

The "**Pre-Funding Investment Proceeds**" means, with respect to each Transfer Date in relation to any class A Loan Note, class B Loan Note or class C Loan Note, the investment earnings, if any, standing to the credit of the Principal Funding Account Ledger for such Loan Note (net of investment expenses and losses) which have been earned on amounts credited to such Principal Funding Account Ledger in respect of any pre-funding for the class of Loan Note to which such Loan Note belongs, for the period from and including the immediately preceding Transfer Date to but excluding such Transfer Date.

The "**Pre-Funding Investment Shortfall**" means, with respect to each Transfer Date, in relation to any class A Loan Note, class B Loan Note or class C Loan Note, the amount, if any, by which the Pre-Funding

Investment Proceeds in respect of that Loan Note for such Transfer Date are less than the Pre-Funding Covered Amount for that Loan Note determined at such Transfer Date.

The "**Pre-Funding Covered Amount**" means, unless otherwise specified in a global loan note or a Supplement to a Global Loan Note and, in the case of Global Loan Note No. 1, set out in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series, in relation to any class A Loan Note, class B Loan Note and class C Loan Note, an amount determined as at each Transfer Date equal to the product of (a) the fraction, the numerator of which is the actual number of days in the Related Loan Note Interest Period for such Loan Note and the denominator of which is 365, and (b) the Loan Note interest rate in effect for such Loan Note with respect to such Loan Note Interest Period, and (c) the average amount credited to the Principal Funding Account Ledger for such Loan Note that represents pre-funding for such Loan Note for the Loan Note Interest Period ending on (but excluding) such Transfer Date.

In the event that the whole amount of the Senior Loan Notes needs to be pre-funded, an amount of £120,000 (the "**Pre-Funding Additional Amount**") will be transferred from LNI Available Funds to form part of LNI Available Principal Amounts to compensate for the restriction on the Funding 1 Beneficial Interest being reduced to less than £120,000 from Principal Collections where there is a pre-funding amount. As a result, the Pre-Funding Percentage of Finance Charge Collections will still be allocated when all Senior Loan Notes are fully pre-funded and the Subordinated Loan Notes are repaid due to the Funding 1 Beneficial Interest retaining a principal interest in the Penarth Receivables Trust. If pre-funding amounts are used to make Contributions to the Penarth Receivables Trust the Pre-Funding Additional Amount will be transferred from the Principal Funding Account and treated as Additional Funds and paid to the Transferor Beneficiary as part of Deferred Consideration to the extent not utilised.

Initial Principal Amount, Outstanding Principal Amount, Adjusted Outstanding Principal Amount and Nominal Liquidation Amount

Each Loan Note has an Initial Principal Amount, an Outstanding Principal Amount, an Adjusted Outstanding Principal Amount and a Nominal Liquidation Amount.

Initial Principal Amount

The initial principal amount (the "**Initial Principal Amount**") of a Loan Note is the amount that is stated in the Loan Note Supplement for such Loan Note to be payable to the holders of the Loan Note. It will be denominated in Sterling. Such amount will be set out in the Final Terms or Drawdown Prospectus, as applicable of the Note Series which such Loan Note supports.

Outstanding Principal Amount

The outstanding principal amount (the "**Outstanding Principal Amount**") of a Loan Note is the Initial Principal Amount of that Loan Note, as described in the related Loan Note Supplement for such Loan Note and the relevant Final Terms or Drawdown Prospectus, as applicable, less Principal Payments (as defined below) to the holders of that Loan Note.

Adjusted Outstanding Principal Amount

The adjusted outstanding principal amount (the "**Adjusted Outstanding Principal Amount**") of a Loan Note is the Outstanding Principal Amount of that Loan Note less any funds on deposit in the Principal Funding Account Ledger for that Loan Note. The Adjusted Outstanding Principal Amount of any Loan Note will decrease as a result of each deposit standing to the credit of the Principal Funding Account Ledger for such Loan Note and will increase as a result of the release of any amount deposited to the credit of the Principal Funding Account Ledger where such amount is not used to make a Principal Payment to the holders of such Loan Note.

Nominal Liquidation Amount

The nominal liquidation amount (the "**Nominal Liquidation Amount**") of a Loan Note is based on the Initial Principal Amount of that Loan Note at the date of issuance and may be reduced as described below:

- if Finance Charge Collections applicable to a Loan Note are insufficient to fund the Investor Default Amounts in the Penarth Receivables Trust allocable to that Loan Note, the uncovered Investor Default Amounts allocable to that Loan Note will result in a reduction of the Nominal

Liquidation Amount of that Loan Note. Subordinated Loan Notes will generally bear the risk of reduction in their Nominal Liquidation Amount due to charge-offs resulting from uncovered Investor Default Amounts allocable to the De-Linked Trust Series before Senior Loan Notes (see "*Reductions from Investor Charge-Offs to the Nominal Liquidation Amount of subordinated classes*" below);

- if Utilised Required Retained Principal Collections are used in the payment of any senior costs shortfall, class A monthly shortfall, class B monthly shortfall, Servicer payment shortfall, monthly expenses loan shortfall or class C monthly shortfall, then that Loan Note's share of the Utilised Required Retained Principal Collections will reduce the Nominal Liquidation Amount of the relevant Subordinated Loan Note (see "*Reductions to the Nominal Liquidation Amount of subordinated classes from use of Utilised Required Retained Principal Collections*" below);

- the Nominal Liquidation Amount of a Loan Note will be reduced by the amount standing to the credit of the Principal Funding Account Ledger for such Loan Note; and

- the Nominal Liquidation Amount of a Loan Note will be reduced by the amount of any payment of principal to the holder of that Loan Note.

Reductions to the Nominal Liquidation Amount of Loan Notes which are due to Investor Charge-Offs and Utilised Required Retained Principal Collections will be allocated to the Loan Notes of each class in succession, beginning with the most subordinated classes. Reductions that cannot be allocated to more Subordinated Loan Notes will be allocated to the Loan Notes of the next more senior class and will reduce the Nominal Liquidation Amount of such Senior Loan Notes. For any Loan Note, the required subordinated amount for that Loan Note will be specified in the related Supplement to a Global Loan Note for such Loan Note and may be changed as specified in that related Supplement to a Global Loan Note (see "*Required subordinated amount for Loan Notes*" below).

The Nominal Liquidation Amount of a Loan Note can be increased as follows:

- for each Loan Note, the Nominal Liquidation Amount of that Loan Note will increase if Finance Charge Collections are available to reimburse earlier reductions in the Nominal Liquidation Amount from charge-offs from uncovered Investor Default Amounts or from the use of Utilised Required Retained Principal Collections to pay any senior costs shortfall, class A monthly shortfall, class B monthly shortfall, Servicer payment shortfall, monthly expenses loan shortfall or class C monthly shortfall, which would otherwise be covered by LNI Available Funds (see "*Use of LNI Available Principal Amounts*" below). Increases will be allocated first to the Senior Loan Notes with a Nominal Liquidation Amount Deficit and then, in succession, to the subordinated classes with Nominal Liquidation Amount Deficits;

- for each Loan Note, the Nominal Liquidation Amount of that Loan Note will increase by an amount equal to any increase in the Outstanding Principal Amount of such Loan Note at any time after the initial issuance of such Loan Note; and

- for each Loan Note, the amount of any pre-funding amount released from the Principal Funding Account Ledger for such Loan Note.

The "**Nominal Liquidation Amount Deficit**" means, with respect to any Loan Note, the excess of the Adjusted Outstanding Principal Amount of such Loan Note over the Nominal Liquidation Amount for such Loan Note.

LNI Available Funds allocated to a Loan Note will also be applied, as described in "*—Use of LNI Available Principal Amounts*" below, to reimburse earlier reductions in the Nominal Liquidation Amount of such Loan Note from uncovered Investor Default Amounts and that Loan Note's share of Utilised Required Retained Principal Collections allocated to that Loan Note to pay any senior costs shortfall, class A monthly shortfall, class B monthly shortfall, Servicer payment shortfall, monthly expenses loan shortfall or class C monthly shortfall. LNI Available Funds available to reimburse earlier reductions of the Nominal Liquidation Amount will be treated as LNI Available Principal Amounts, and will be applied to the Senior Loan Notes *pro rata* based on the ratio of the Nominal Liquidation Amount Deficit for such Senior Loan Note to the aggregate Nominal Liquidation Amount Deficits of all such outstanding Loan Notes of that class until all reductions in the Nominal Liquidation Amount of such class have been reimbursed in full and then to each Subordinated Loan Note in order of priority in a similar manner.

In most circumstances, the Nominal Liquidation Amount of a Loan Note, together with any principal amounts standing to the credit of the Principal Funding Account Ledger for such Loan Note, will equal the Outstanding Principal Amount of that Loan Note. However, if there are reductions in the Nominal Liquidation Amount as a result of uncovered Investor Default Amounts or Utilised Required Retained Principal Collections from that Loan Note to pay any senior costs shortfall, class A monthly shortfall, class B monthly shortfall, Servicer payment shortfall, monthly expenses loan shortfall or class C monthly shortfall, there will be a deficit in the Nominal Liquidation Amount of that Loan Note. Unless that deficit is reimbursed through the application of Finance Charge Collections allocated to that Loan Note, the Outstanding Principal Amount of that Loan Note may not be paid in full and the holder of that Loan Note may receive less than the full Outstanding Principal Amount of that Loan Note. This will occur because the amount of Principal Collections allocated to pay that Loan Note is less than the Outstanding Principal Amount of that Loan Note.

The Nominal Liquidation Amount of a Loan Note may not be reduced below zero, and may not be increased above the Adjusted Outstanding Principal Amount of that Loan Note.

Allocations of charge-offs from uncovered Investor Default Amounts and Utilised Required Retained Principal Collections to pay any senior costs shortfall, class A monthly shortfall, class B monthly shortfall, Servicer payment shortfall, monthly expenses loan shortfall or class C monthly shortfall will reduce the Nominal Liquidation Amount of the outstanding Loan Notes only and do not affect Loan Notes that are issued after that time.

Required subordinated amount for Loan Notes

The required subordinated amount for a Senior Loan Note is the amount of Subordinated Loan Notes that is required to be outstanding and available to provide subordination for that Senior Loan Note on the date when that Senior Loan Note is issued. This amount will be specified in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, the Final Terms or Drawdown Prospectus, as applicable of the Note Series which such Loan Note supports. No Loan Note may be issued unless the required subordinated amount for that Loan Note is available at the time of its issuance, as specified in the related Loan Note Supplement and, in the case of Global Loan Note No. 1, such Final Terms or Drawdown Prospectus, as applicable. The required subordinated amount is also used, in conjunction with usage, to determine the remaining Available Subordinated Amount for a Senior Loan Note and whether a Subordinated Loan Note may be repaid before its Final Redemption Date while Senior Loan Notes are outstanding. Usage, in respect of each Loan Note, is a record of the consumption of the enhancement required by such Loan Note. For further information on the required subordinated amount, please refer to the section entitled "*—Issuance of new Loan Notes*" below.

Accumulation Reserve Account and Accumulation Reserve Account Ledgers

Pursuant to the Loan Note Issuer No.1 Account Bank Agreement, Loan Note Issuer No. 1 has established and will maintain an Accumulation Reserve Account at a Qualified Institution (currently held at Bank of Scotland at its branch located at Leeds) (the "**Accumulation Reserve Account**"). Loan Note Issuer No. 1 will also establish ledgers in respect of the Accumulation Reserve Account in respect of each Loan Note specified as an "**Accumulation Reserve Account Ledger**" in respect of the relevant Loan Note. Each Accumulation Reserve Account Ledger will be established to assist with the payment by Loan Note Issuer No. 1 of the monthly distribution amount for the relevant Loan Note during the Accumulation Period for that Loan Note. The "**monthly distribution amount**" in respect of a Loan Note comprises, in relation to a Monthly Period, the monthly interest amount, any deferred interest and any additional interest in each case payable in respect of such Loan Note as specified in the relevant Loan Note Supplement.

On each Transfer Date from and after the Accumulation Reserve Account Funding Date for a Loan Note but prior to the termination of the Accumulation Reserve Account Ledger for that Loan Note, Loan Note Issuer No. 1 will apply certain amounts of LNI Available Funds in the priority described below in "*Use of LNI Available Funds*" to increase the amount credited to the Accumulation Reserve Account Ledger for that Loan Note (to the extent such amount is less than the Required Accumulation Reserve Account Amount for that Loan Note).

The "**Accumulation Reserve Account Funding Date**" shall mean, unless otherwise specified in the related Loan Note Supplement and set out in the relevant Final Terms or Drawdown Prospectus, as applicable, in respect of an Accumulation Period following an Accumulation Period Commencement Date in respect of a Loan Note the Transfer Date which occurs not later than the earliest of:

(a) the Transfer Date with respect to the Monthly Period which commences 3 months prior to the commencement of the Accumulation Period for such Loan Note; or

(b) the first Transfer Date for which the Quarterly Excess Available Funds Percentage is less than 1 per cent., but in such event the Accumulation Reserve Account Funding Date shall not be required to occur earlier than the Transfer Date with respect to the Monthly Period which commences 12 months prior to the commencement of the Accumulation Period for such Loan Note; or

(c) the first Transfer Date for which the Quarterly Excess Available Funds Percentage is less than 2 per cent., but in such event the Accumulation Reserve Account Funding Date shall not be required to occur earlier than the Transfer Date with respect to the Monthly Period which commences 6 months prior to the commencement of the Accumulation Period for such Loan Note; or

(d) the first Transfer Date for which the Quarterly Excess Available Funds Percentage is less than 3 per cent., but in such event the Accumulation Reserve Account Funding Date shall not be required to occur earlier than the Transfer Date with respect to the Monthly Period which commences 3 months prior to the commencement of the Accumulation Period for such Loan Note,

provided, **however**, **that** if the Accumulation Period Length is determined to be one month there shall be no Accumulation Reserve Account Funding Date for such Loan Note and no amounts shall be accumulated in the Accumulation Reserve Account to the credit of the Accumulation Reserve Account Ledger maintained for such Loan Note pursuant to the STDCMA.

The "**Excess Available Funds Percentage**" means, with respect to any Transfer Date, the percentage, if any, by which the Portfolio Yield for the preceding Monthly Period exceeds the Expense Rate for such Monthly Period.

The "**Expense Rate**" means, with respect to any Monthly Period, the sum of:

(a) the annualised percentage equivalent of a fraction the numerator of which is the sum of (i) the Senior Costs Items plus (ii) the Monthly Expenses Loan Amount, in each case, for such Monthly Period and the denominator of which is the weighted average Floating Calculation Investor Interest Amount for such Monthly Period;

(b) the weighted average (based on the Outstanding Principal Amount of the Related Debt) of the Rate of Interest applicable to each Loan Note for the period from and including the Loan Note Interest Payment Date for such Loan Note in such Monthly Period to but excluding the Loan Note Interest Payment Date for such Loan Note in the following Monthly Period; and

(c) the annualised percentage equivalent of a fraction the numerator of which is the Investor Servicing Fee Amount for such Monthly Period and the denominator of which is the weighted average Floating Calculation Investor Interest Amount for such Monthly Period.

The "**Portfolio Yield**" means, with respect to any Monthly Period, the annualised percentage equivalent of a fraction:

(a) the numerator of which is equal to the sum of:

    (1) the aggregate amount of LNI Available Funds with respect to such Monthly Period; *minus*

    (2) the aggregate Investor Default Amount for such Monthly Period; and

(b) the denominator of which is the weighted average Floating Calculation Investor Interest Amount for such Monthly Period.

The "**Quarterly Excess Available Funds Percentage**" means, unless otherwise specified in the related Loan Note Supplement and, in respect of Global Loan Note No. 1, set out in the relevant Final Terms or Drawdown Prospectus, as applicable, with respect to each Transfer Date, the percentage equivalent of a fraction the numerator of which is the sum of the Excess Available Funds Percentages with respect to the immediately preceding three Monthly Periods and the denominator of which is three.

The "**Accumulation Reserve Account Surplus**" means, with respect to any Transfer Date on or after the Accumulation Reserve Account Funding Date for a Loan Note, the amount, if any, by which the amount on deposit in the Accumulation Reserve Account and credited to the Accumulation Reserve Account Ledger for that Loan Note exceeds the Required Accumulation Reserve Account Amount for such Loan Note.

The "**Required Accumulation Reserve Account Amount**" for any Loan Note on any Transfer Date on or after the Accumulation Reserve Account Funding Date will be specified in the Supplement to a Global Loan Note and, in respect of Global Loan Note No. 1, set out in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series.

All amounts on deposit to the credit of the Accumulation Reserve Account Ledger for a Loan Note on any Transfer Date (after giving effect to any deposits to, or withdrawals from, such Accumulation Reserve Account Ledger to be made on such Transfer Date) will be invested until the following Transfer Date by Loan Note Issuer No. 1 in Permitted Investments. The interest and other investment income (net of investment expenses and losses) earned on such investments will be retained in the Accumulation Reserve Account Ledger (to the extent that the amount on deposit is less than the Required Accumulation Reserve Account Amount for that Loan Note) or, *inter alia*, deposited into the Funding 1 Finance Charge Collections Ledger for application as LNI Available Funds on the related Transfer Date.

On or before each Transfer Date with respect to the Accumulation Period for a Loan Note prior to the payment in full of the relevant Loan Note and, as applicable, on the first Transfer Date for the Rapid Amortisation Period for that Loan Note, Loan Note Issuer No. 1 shall calculate the "**Accumulation Reserve Draw Amount**" which shall be equal to the Principal Funding Investment Shortfall for such Loan Note with respect to such Transfer Date with respect to the Accumulation Period or, as applicable, the first Transfer Date for the earlier of the Rapid Amortisation Period for such Loan Note. Such amount will be reduced to the extent that funds otherwise would be available for deposit (and apart from such reduction would be required to be deposited) in the Accumulation Reserve Account and credited to the Accumulation Reserve Account Ledger for such Loan Note with respect to such Transfer Date.

The "**Principal Funding Investment Shortfall**" means, with respect to each Transfer Date in relation to any Loan Note, the amount, if any, by which the Principal Funding Investment Proceeds in respect of that Loan Note for such Transfer Date are less than the Principal Funding Covered Amount for that Loan Note determined as at such Transfer Date.

The "**Principal Funding Investment Proceeds**" means, with respect to each Transfer Date in relation to any class A Loan Note, class B Loan Note or class C Loan Note, the investment earnings, if any, standing to the credit of the Principal Funding Account Ledger for such Loan Note (net of investment expenses and losses) which have been earned on amounts credited to such Principal Funding Account Ledger which do not represent any pre-funding for the class of Loan Note to which such Loan Note belongs, for the period from (and including) the immediately preceding Transfer Date to (but excluding) such Transfer Date.

The "**Principal Funding Covered Amount**" shall mean, unless otherwise specified in a global loan note or a Supplement to a Global Loan Note and set out in the Final Terms or Drawdown Prospectus, as applicable, for the related Note Series, in relation to any Loan Note, an amount determined at each Transfer Date equal to the product of (a) the fraction, the numerator of which is the actual number of days in the Related Loan Note Interest Period for such Loan Note and the denominator of which is 365, (b) the Loan Note interest rate in effect for such Loan Note with respect to such Loan Note Interest Period, and (c) the average amount credited to the Principal Funding Account Ledger for such Loan Note that does not represent pre-funding for the Monthly Period preceding such Transfer Date.

In the event that for any Transfer Date, the Accumulation Reserve Draw Amount for a Loan Note is greater than zero, then the Accumulation Reserve Draw Amount, up to the Available Accumulation Reserve Account Amount, shall be withdrawn from the amount deposited in the Accumulation Reserve Account standing to the credit of the Accumulation Reserve Account Ledger for such Loan Note on such Transfer

Date by Loan Note Issuer No. 1 and then deposited in the Loan Note Issuer No. 1 Distribution Account and credited to the Funding 1 Finance Charge Collections Ledger and shall be included in the LNI Available Funds for such Transfer Date.

In the event that the Accumulation Reserve Account Surplus for a Loan Note on any Transfer Date, after giving effect to all deposits to and withdrawals from the amounts in the Accumulation Reserve Account standing to the credit of the Accumulation Reserve Account Ledger with respect to such Transfer Date, is greater than zero, then Loan Note Issuer No. 1 shall withdraw an amount equal to such Accumulation Reserve Account Surplus for that Loan Note and then pay an amount equal to this amount to the Receivables Trustee by way of additional consideration for the grant of Loan Note Issuer No. 1's interest in the Penarth Receivables Trust (identified as "**Accumulation Reserve Account Surplus Amount**").

The "**Available Accumulation Reserve Account Amount**" means for any Loan Note, with respect to any Transfer Date, the lesser of (a) the amount on deposit in the Accumulation Reserve Account Ledger for that Loan Note on such date (before giving effect to any deposit made or to be made as described above into the Accumulation Reserve Account for credit to the Accumulation Reserve Account Ledger for such Loan Note on such date), and (b) the Required Accumulation Reserve Account Amount for such Loan Note.

Upon the earlier to occur of:

- the termination of Penarth Receivables Trust;
- the first Transfer Date for the Rapid Amortisation Period for a Loan Note; and
- the Transfer Date immediately preceding the Scheduled Redemption Date for a Loan Note,

Loan Note Issuer No. 1 shall withdraw the amounts deposited in the Accumulation Reserve Account standing to the credit of the Accumulation Reserve Account Ledger for that Loan Note and pay an amount equal to this amount to the Receivables Trustee by way of additional consideration identified as the Accumulation Reserve Account Surplus Amount. After this distribution from the amounts deposited in the Accumulation Reserve Account standing to the credit of the Accumulation Reserve Account Ledger for that Loan Note has been made, the Accumulation Reserve Account Ledger for that Loan Note shall be deemed to have been terminated for the purposes of the STDCMA.

Programme Reserve Account

Pursuant to the Loan Note Issuer No.1 Account Bank Agreement, the Loan Note Issuer No. 1 has established and maintains a programme reserve account at a Qualified Institution (currently held at Bank of Scotland at its branch located at Leeds) (the "**Programme Reserve Account**"). The Programme Reserve Account has been established to assist with the payment by Loan Note Issuer No. 1 of amounts payable on each Loan Note.

The Programme Reserve Account may be funded by Loan Note Issuer No. 1 on any issue date using funds advanced by the Expenses Loan Provider pursuant to the Expenses Loan Agreement.

On each Distribution Date, Loan Note Issuer No. 1 will apply LNI Available Funds in the order of priority described in "– *Application of LNI Available Funds*" to increase the amount on deposit in the Programme Reserve Account, up to the Required Programme Reserve Account Amount.

On each Transfer Date, after giving effect to any deposit to be made to, and any withdrawal to be made from, the Programme Reserve Account on that Transfer Date, Loan Note Issuer No. 1 will withdraw from the Programme Reserve Account an amount equal to the excess, if any, of the amount on deposit (after taking into account interest and income earned on the investments) in the Programme Reserve Account over the Required Programme Reserve Account Amount. Loan Note Issuer No. 1 will distribute this Programme Reserve Account Surplus to the Receivables Trustee as Additional Funds and it will cease to be the property of Loan Note Issuer No. 1.

All amounts on deposit in the Programme Reserve Account on any Transfer Date will be invested in Permitted Investments to the following Transfer Date. This will be done after giving effect to any deposits to, or withdrawals from, the Programme Reserve Account to be made on that Transfer Date. Permitted Investments must mature so that such funds will be available for withdrawal on or prior to the following Transfer Date. No such Permitted Investment shall be disposed of prior to its maturity. The interest and other income – net of investment expenses and losses – earned on the investments will be retained in the Programme Reserve Account to the extent that the amount on deposit in the Programme Reserve Account is less than the Required Programme Reserve Account Amount.

On each Transfer Date, Loan Note Issuer No. 1 will withdraw the Programme Reserve Draw Amount from the amount on deposit in the Programme Reserve Account and deposit it in the Loan Note Issuer No. 1 Distribution Account to be included in LNI Available Funds. The amount of this withdrawal will be reduced to the extent LNI Available Funds would be available for deposit in the Programme Reserve Account.

Upon the earlier to occur of:

- the termination of the Penarth Receivables Trust; and
- the Funding 1 Termination Date,

Loan Note Issuer No. 1 after taking into account all other deposits and withdrawals in respect of the Programme Reserve Account on such date shall withdraw all amounts on deposit in the Programme Reserve Account and pay an amount equal to such amounts to the Receivables Trustee as Additional Funds on such date. After this distribution from the Programme Reserve Account has been made, the Programme Reserve Account shall be regarded as having been terminated.

The amount targeted to be deposited in the Programme Reserve Account on any Transfer Date from LNI Available Funds is equal to the aggregate of each amount of the excess, if any, of the Required Programme Reserve Account Amount over the Available Programme Reserve Account Amount on such Transfer Date.

If the amount of LNI Available Funds available to be deposited into the Programme Reserve Account on such Transfer Date is less than the targeted amount, then Loan Note Issuer No. 1 shall transfer to the Programme Reserve Account the total amount of LNI Available Funds available to be transferred on such Transfer Date in respect of the funding of the Programme Reserve Account **provided that** such amount shall not be greater than the amount by which the Required Programme Reserve Account Amount exceeds the Available Programme Reserve Account Amount.

For the purposes of the above, the following definitions are required:

The "**Programme Reserve Draw Amount**" means, with respect to any Transfer Date, an amount equal to the lesser of (a) an amount equal to the product of (i) the percentage, if any, by which the Expense Rate for the preceding Monthly Period exceeds the Portfolio Yield for such Monthly Period, and (ii) the weighted average Floating Calculation Investor Interest Amount for such Monthly Period; and (b) the Available Programme Reserve Account Amount.

The "**Programme Reserve Account Percentage**" means the greater of (a) zero and (b) the percentage certified by the Cash Manager as being required to support the then current ratings of any Associated Debt outstanding or about to be issued **provided that** such percentage in (b) cannot be reduced thereafter unless the Cash Manager certifies that such reduction will not adversely affect the then current ratings of any Associated Debt outstanding.

The "**Programme Reserve Account Surplus**" means, with respect to any Transfer Date, the amount, if any, by which item (a) of the definition of Available Programme Reserve Account Amount exceeds the Required Programme Reserve Account Amount.

The "**Available Programme Reserve Account Amount**" means, with respect to any Transfer Date, the lesser of (a) the amount on deposit in the Programme Reserve Account on such date (before giving effect to any deposit made or to be made in the Programme Reserve Account Ledger on such date from LNI Available Funds) and (b) the Required Programme Reserve Account Amount.

The "**Required Programme Reserve Account Amount**" means, on each Transfer Date, the amount equal to the product of (i) the Programme Reserve Account Percentage for such Transfer Date and (ii) the sum of the Initial Principal Amounts of all Loan Notes outstanding as at the last day of the preceding Monthly Period.

Series Cash Reserve Account

Pursuant to the Loan Note Issuer No.1 Account Bank Agreement, Loan Note Issuer No. 1 has established and maintains a separate cash reserve account at a Qualified Institution (currently held at Bank of Scotland at its branch located at Leeds) (the "**Series Cash Reserve Account**") for the purpose of providing credit enhancement for any individual Loan Note specified in the related Note Series' Final Terms or Drawdown Prospectus, as applicable as having the benefit of a Series Cash Reserve Account. Loan Note Issuer No. 1 will also establish a ledger in the Series Cash Reserve Account in respect of each such Loan Note and specify such ledger as a "**Series Cash Reserve Account Ledger**" for such Loan Note. There may be more than one Series Cash Reserve Account Ledger in the Series Cash Reserve Account. Each Series Cash Reserve Account Ledger will be established to assist with the payment by Loan Note Issuer No. 1 of amounts payable on the relevant Loan Note and will be considered to be a separate Series Cash Reserve Account.

Amounts deposited in each Series Cash Reserve Account will be (i) calculated as referable to the relevant Loan Note to the extent of amounts credited to any Series Cash Reserve Account Ledger for such Loan Note and investment earnings thereon required for the Required Series Cash Reserve Account Amount less the aggregate of all Total Withdrawal Amounts withdrawn from time to time which utilised amounts are calculated as referable to that Loan Note; and (ii) calculated as referable to Loan Note Issuer No. 1 as Additional Funds to the extent of investment earnings on amounts deposited in such Series Cash Reserve Account Ledger not required above which are to be paid by Loan Note Issuer No. 1 to the Receivables Trustee as Additional Funds and identified as "**Investment Proceeds**".

Loan Note Issuer No. 1 shall:

- on each Transfer Date deposit in the Series Cash Reserve Account to the credit of the relevant Series Cash Reserve Account Ledger an amount, if any, equal to the entitlement of the relevant Loan Note in respect of which such Series Cash Reserve Account Ledger is maintained; and

- make withdrawals from the Series Cash Reserve Account in respect of amounts credited to each Series Cash Reserve Account Ledger from time to time:

  (a) in priority (i) on each Transfer Date in the amount up to the Available Series Cash Reserve Account Amount for the relevant Loan Note at such time to pay the monthly distribution amount for such Loan Note (to the extent necessary after applying LNI Available Funds) and (ii) on the Release Date for the relevant Loan Note, an amount up to the Available Series Cash Reserve Account Amount for the relevant Loan Note equal to the Nominal Liquidation Amount Deficit for such Loan Note (the aggregate of (i) and (ii) constituting the "**Total Withdrawal Amount**" for the relevant Loan Note); and

  (b) to make a payment of Additional Funds to the Receivables Trustee to the extent of any excess investment earnings or Series Cash Reserve Account Surplus (on any Transfer Date or upon termination of such Series Cash Reserve Account Ledger for the relevant Loan Note).

Funds on deposit in each Series Cash Reserve Account Ledger shall be invested by Loan Note Issuer No. 1 in Permitted Investments. Permitted Investments must mature so that such funds will be available for withdrawal on or prior to the following Transfer Date. No such permitted investment shall be disposed of prior to its maturity.

On each Transfer Date, an amount equal to all interest and investment earnings (net of losses and investment expenses) earned during the period immediately preceding such Transfer Date on the funds on deposit in each Series Cash Reserve Account Ledger will:

- be retained in such Series Cash Reserve Account Ledger to the extent that the Available Series Cash Reserve Account Amount for the relevant Loan Note is less than the Required Series Cash Reserve Account Amount for such Loan Note taking into account any amounts to be credited on that Transfer Date; and

- to the extent of any amount remaining after the application described above, be withdrawn from such Series Cash Reserve Account Ledger and paid to the Receivables Trustee as Additional Funds and identified as "**Investment Proceeds**" on such Transfer Date.

Upon the earlier to occur of:

- the termination of the Penarth Receivables Trust; and
- the Funding 1 Termination Date,

Loan Note Issuer No. 1 after taking into account all other deposits and withdrawals in respect of the Series Cash Reserve Account on such date shall withdraw all amounts on deposit in the Series Cash Reserve Account and pay an amount equal to such amounts to the Receivables Trustee as Additional Funds on such date. After this distribution from the Series Cash Reserve Account has been made, the Series Cash Reserve Account shall be regarded as having been terminated.

The amount targeted to be deposited in the Series Cash Reserve Account on any Transfer Date from LNI Available Funds is equal to the aggregate of each amount of the excess, if any, of the Required Series Cash Reserve Account Amount for each Loan Note over the Available Series Cash Reserve Account Amount for such Loan Note on such Transfer Date.

If the amount of LNI Available Funds available to be deposited into the Series Cash Reserve Account on such Transfer Date is less than the targeted amount for all Loan Notes that have Required Series Cash Reserve Account Amount, then Loan Note Issuer No. 1 shall allocate, among classes of Loan Notes that have a Required Series Cash Reserve Account Amounts Ledger pursuant to item (xi) in " — *Application of LNI Available Funds*" below. Following such allocation, to the extent that there is shortfall in respect of the targeted amount for the relevant Loan Notes of the same class, Loan Note Issuer No. 1 shall allocate and credit for each Loan Note to its Series Cash Reserve Account Ledger an amount equal to the product of (i) the total amount of LNI Available Funds transferred in respect of such class on such Transfer Date in respect of the funding of the Series Cash Reserve Account and (ii) a fraction the numerator of which is the Required Series Cash Reserve Account Amount for the related Monthly Period for the relevant Loan Note in relation to which such Series Cash Reserve Account Ledger is maintained and the denominator of which is the aggregate of the Required Series Cash Reserve Account Amounts for the related Monthly Period for each outstanding Loan Note in the same class which on such Transfer Date has a Required Series Cash Reserve Account Amount greater than its Available Series Cash Reserve Account Amount **provided that** such amount shall not be greater than the amount by which the Required Series Cash Reserve Account Amount for such Loan Note exceeds the Available Series Cash Reserve Account Amount for such Loan Note. Any surplus following such calculation will be reallocated on the same basis until all of the relevant amount of LNI Available Funds is allocated.

For the purposes of the above, the following definitions are required:

The "**Series Cash Reserve Account Percentage**" means, in respect of each Loan Note, the percentage set out in the Loan Note Supplement for such Loan Note and, in respect of Global Loan Note No. 1, as set out in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series.

The "**Series Cash Reserve Account Surplus**" means in relation to each Loan Note, with respect to any Transfer Date, the amount, if any, by which the Available Series Cash Reserve Account Amount for such Loan Note exceeds the Required Series Cash Reserve Account Amount for such Loan Note.

The "**Available Series Cash Reserve Account Amount**" means in relation to the relevant Loan Note then outstanding, with respect to any Transfer Date, the lesser of (a) the amount on deposit in the Series Cash Reserve Account Ledger in relation to such Loan Note on such date before giving effect to any deposit made or to be made in the Series Cash Reserve Account Ledger for such Loan Note on such date from LNI Available Funds, and (b) the Required Series Cash Reserve Account Amount in relation to such Loan Note.

The "**Required Series Cash Reserve Account Amount**" means in respect of each Loan Note on each Transfer Date the amount specified in the Loan Note Supplement for such Loan Note and, in the case of Global Loan Note No. 1, as set out in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series and is calculated as being an amount equal to the product of (i) the Series Cash Reserve Account Percentage for such Transfer Date multiplied by (ii) the sum of the Initial Principal Amounts of all Loan

Notes outstanding as at the last day of the preceding Monthly Period multiplied by (iii) a fraction, the numerator of which is the Nominal Liquidation Amount of the relevant Loan Note at the close of business on the last day of the preceding Monthly Period and the denominator of which is the Nominal Liquidation Amount of all Loan Notes outstanding at the close of business on the last day of the preceding Monthly Period.

Final repayment of the Loan Notes

Holders of Loan Notes will not receive payment of principal in excess of the Outstanding Principal Amount of that Loan Note.

A Loan Note will be considered to be paid in full, the holder of that Loan Note will have no further right or claim, and Loan Note Issuer No. 1 will have no further obligation or liability for principal or interest, on the earlier to occur of:

- the date of the payment in full of the Outstanding Principal Amount of and all accrued, past due and Additional Interest on that Loan Note; or

- the Final Redemption Date for that Loan Note after giving effect to all deposits, allocations, reallocations and payments to be made on that date.

Refinancing of a Loan Note

Should the Final Terms or Drawdown Prospectus, as applicable of a Note Series and the Loan Note Supplement of the related Loan Note so indicate, the Issuer may request that, in order for the Issuer to obtain the funds necessary to redeem such Note Series in full in accordance with Condition 7(c) if such Note Series has an option to be redeemed on a Call Date, Loan Note Issuer No. 1 may refinance the Loan Note which relates to the relevant Note Series through the issuance of a new Loan Note of the same class as the existing Loan Note. The proceeds received from the issuance of the new Loan Note shall then be used by Loan Note Issuer No. 1 to redeem the existing Loan Note. Such proceeds would not form part of LNI Available Funds and any excess over the amount used for redemption will be used to make a Contribution to the Receivables Trust.

The Loan Note Supplement for the relevant existing Loan Note, which provides that the Issuer may request the refinancing of the relevant Loan Note, shall also specify if the Transferor may subscribe for the new Loan Note issued in order to allow the refinancing of the relevant existing Loan Note.

For the avoidance of doubt, the issuance of the new Loan Note would be subject to the Issuance Tests being met and the redemption of the existing Loan Note will be subject to the Repayment Tests being met.

Subordination of interest and principal

Interest and Principal Payments on Subordinated Loan Notes will be paid from LNI Available Funds, LNI Available Principal Amounts and from the Series Cash Reserve Account Ledger for the relevant Loan Note as set out in "*Application of LNI Available Funds*" and "*Use of LNI Available Principal Amounts*" below and "*Series Cash Reserve Account*" above.

Principal amounts referable to a Loan Note may, after finance charges and other available funds of an income nature have been applied, to the extent of Required Retained Principal Collections first be applied to pay any senior costs shortfall, class A monthly shortfall, class B monthly shortfall, Servicer payment shortfall, monthly expenses loan shortfall or Class C monthly shortfall to the extent allocable to that Loan Note. In addition, unless otherwise indicated in the related Supplement to a Global Loan Note, Subordinated Loan Notes bear the risk of reduction in their Nominal Liquidation Amount due to charge-offs from uncovered Investor Default Amounts before Senior Loan Notes. This is as a result of charge-offs from uncovered Investor Default Amounts being allocated first to the most Subordinated Loan Notes thereby reducing the Nominal Liquidation Amount of such Subordinated Loan Notes to zero before the Nominal Liquidation Amount of Senior Loan Notes is reduced.

In addition, principal amounts allocated to a Loan Note will be used to fund targeted deposits to the Principal Funding Account Ledgers or principal sub-ledgers of Senior Loan Notes before being applied to the Principal Funding Account Ledgers or principal sub-ledgers of Subordinated Loan Notes.

Further interest

Global Loan Note No. 1 will also accrue further interest in an amount which is calculated under the STDCMA. On each Transfer Date, Loan Note Issuer No. 1 shall pay from the amount available to pay further interest in accordance with the priority of payments set out in "*—Use of LNI Available Principal Amounts*" below, an amount to each holder of a Loan Note (which forms part of Global Loan Note No. 1 or any other global loan note on which further interest is payable) equal to the product of (i) the amount available to be paid as further interest on such Transfer Date and (ii) a fraction the numerator of which is the weighted average Available Funds Calculation Amount for such Loan Note for the related Monthly Period and the denominator of which is the weighted average Available Funds Calculation Amount for all outstanding Loan Notes which form part of Global Loan Note No. 1 or any other global loan note on which further interest is payable. Holders of Loan Notes which form notional tranches of a global loan note which carries a right to further interest will also be obliged to make payments of deferred subscription price in respect of the global loan note of which such Loan Note forms part. See "*The Note Trust Deed and the Note Trust Deed Supplements — interest and payments*" for a description of the payment of deferred subscription price by the Issuer.

LNI Available Funds

Loan Note Issuer No. 1 will utilise LNI Available Funds to make the payments and provisions set out below.

"**LNI Available Funds**" with respect to any Monthly Period are an amount equal to the sum of:

- Available Funds transferred from the Funding 1 Finance Charge Collections Ledger; *plus*
- the amount transferred on the related Transfer Date from the Principal Funding Account in respect of (i) Principal Funding Investment Proceeds and (ii) Pre-Funding Investment Proceeds; *plus*
- the amount in respect of investment earnings not required to be retained in the Accumulation Reserve Account Ledger for a Loan Note and transferred on the related Transfer Date from the Accumulation Reserve Account; *plus*
- the amount of any Accumulation Reserve Draw Amount on such Transfer Date which is paid into the Loan Note Issuer No. 1 Distribution Account; *plus*
- the amount of any withdrawals from the Programme Reserve Account on such Transfer Date which is paid into the Loan Note Issuer No. 1 Distribution Account; *plus*
- the amount of any Group A (finance charge collections) (as defined in the Master Framework Agreement) Shared Excess Available Funds received by Loan Note Issuer No. 1 during such Monthly Period; and *less*
- the excess pre-funding collections amount for such Monthly Period.

In calculating LNI Available Funds, Loan Note Issuer No. 1 will calculate Available Funds transferred from the Funding 1 Finance Charge Collections Ledger of the Trustee Collection Account.

In that respect "**Available Funds**" with respect to any Monthly Period is an amount equal to the sum of:

- Finance Charge Collections distributed to Loan Note Issuer No. 1 in respect of the Funding 1 Beneficial Interest and credited to the Funding 1 Finance Charge Collections Ledger for that Monthly Period; *plus*
- the amounts in respect of the portion of Investor Acquired Interchange Amount and Investor Acquired Insurance Commission Amount distributed to Loan Note Issuer No. 1 in respect of the Funding 1 Beneficial Interest and credited or to be credited to the Funding 1 Finance Charge Collections Ledger for that Monthly Period; *plus*
- "**Available Investment Proceeds**" for that Monthly Period being an amount equal to the aggregate of (i) the Net Floating Investor Percentage of income on Permitted Investments in respect of the

Principal Collections Ledger for that Monthly Period and (ii) the income on Permitted Investments earned on the Funding 1 Finance Charge Collections Ledger for that Monthly Period.

Application of LNI Available Funds

On each Transfer Date, the Cash Manager, acting on the instructions of Loan Note Issuer No.1, will apply and transfer LNI Available Funds credited to the Funding 1 Finance Charge Collections Ledger on such Transfer Date, in the following order of priority:

(i) an amount in respect of "**Senior Costs Items**" being, in priority, (i) an amount equal to the Investor Trustee Payment for such Transfer Date plus any Investor Trustee Payment remaining unpaid in respect of any previous Transfer Date to be paid to the Receivables Trustee as Additional Funds on the immediately following Distribution Date; and (ii) *pari passu* (A) an amount equal to the Loan Note Issuer No. 1 Costs Amount for such Transfer Date to be retained by Loan Note Issuer No. 1 and (B) the aggregate of each Loan Note Holder's Costs Amount with respect to such Transfer Date to be paid to the relevant Loan Note Holder, on the immediately following Distribution Date;

(ii) the aggregate class A monthly distribution amount for such Transfer Date, to be paid to the holder(s) of class A Loan Notes;

(iii) the aggregate class B monthly distribution amount for such Transfer Date to be paid to the holder(s) of class B Loan Notes;

(iv) the aggregate class C monthly distribution amount for such Transfer Date which shall be paid to the holder(s) of class C Loan Notes;

(v) the aggregate class D monthly distribution amount for such Transfer Date which shall be paid to the holder(s) of class D Loan Notes, if any;

(vi) an amount in respect of "**Servicer Payment Items**" being an amount equal to the Investor Servicing Fee Amount for such Transfer Date plus any Investor Servicing Fee Amount due but not paid to the Receivables Trustee in respect of any prior Transfer Date to be paid to the Receivables Trustee as Additional Funds on the immediately following Distribution Date;

(vii) an amount equal to the aggregate Investor Default Amount, if any, for the preceding Monthly Period, which shall be paid to the Loan Note Issuer No. 1 principal ledger to form part of LNI Available Principal Amounts for such Transfer Date;

(viii) an amount equal to the Monthly Expenses Loan Amount, if any, for such Transfer Date, which shall be paid to the Expenses Loan Provider on the immediately following Distribution Date in accordance with the terms of the expenses loan;

(ix) an amount equal to the aggregate of (i) the aggregate amount of Investor Charge-Offs and (ii) the aggregate amount of any reductions to the Nominal Liquidation Amount of any Loan Note due to payments of Utilised Required Retained Principal Collections, in each case which have not been previously reinstated, to be paid to the Loan Note Issuer No. 1 principal ledger to form part of LNI Available Principal Amounts for such Transfer Date;

(x) on each Transfer Date an amount equal to the aggregate amount targeted to be transferred to the Accumulation Reserve Account and credited to the relevant Accumulation Reserve Account Ledgers;

(xi) in priority, (i) first, on each Transfer Date an amount equal to the aggregate amount targeted to be transferred to the Series Cash Reserve Account to be credited to the relevant Series Cash Reserve Account Ledgers **provided that** in the event of any shortfall, amounts will be credited in priority to the Series Cash Reserve Account Ledgers of a more Senior Loan Note Class prior to being credited to the Series Cash Reserve Account Ledgers of a more Subordinated Loan Note Class, (ii) second, on each Transfer Date occurring in the Monthly Period following the date on which the Targeted Pre-Funding Amount is equal to the aggregate Adjusted Outstanding Principal Amount of the class A Loan Notes and each class of Subordinated Loan Notes outstanding other than the most subordinated class of Subordinated Loan Notes outstanding and on each Transfer Date thereafter until such time as the pre-funding amount is reduced by more than the Pre-Funding Additional Amount (otherwise than solely by reason of any pre-funding amount being withdrawn from the Principal Funding Account on a Transfer Date), an amount equal to the Pre-Funding Additional Amount less any amounts paid on previous Transfer Dates in respect of the Pre-Funding Additional Amount since the last pre-funding amount was last reduced by more than the Pre-Funding Additional Amount (otherwise than solely by reason of any pre-funding amount being withdrawn from the Principal Funding Account on a Transfer Date) to be transferred to the Loan Note Issuer No. 1 principal ledger to be treated as LNI Available Principal Amounts and (iii) third, on each Transfer Date an amount up to the excess, if any, of the Required Programme Reserve Account Amount over the amount on deposit in the Programme Reserve Account will be deposited into the Programme Reserve Account;

(xii) an amount (if any) equal to the aggregate of any Approved Conduit Payment to be paid to the affected conduit on the immediately following Distribution Date;

(xiii) an amount in respect of "**Junior Costs Items**" being, in no order of priority between them but in proportion to the respective amounts due, (i) an amount equal to the Aggregate Investor Indemnity Amount if any, for the prior Monthly Period plus any Aggregate Investor Indemnity Amount remaining unpaid in respect of any previous Monthly Period to be paid to the Receivables Trustee as Additional Funds; (ii) an amount equal to the Loan Note Issuer No. 1 Profit Amount for the prior Monthly Period to be retained by Loan Note Issuer No. 1; (iii) an amount equal to the aggregate of each Loan Note Holder's Profit Amount to be paid to the holders of the Loan Notes; (iv) an amount equal to the additional amounts calculated as payable in accordance with any expenses loan, to be paid to the Expenses Loan Provider and (v) an amount equal to the aggregate of any amounts identified as "**Additional Junior Costs Items**" in any supplement to the global loan note as set out in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series, to be paid to the relevant Loan Note Holder, in each case on the immediately following Distribution Date;

(xiv) an amount, not to exceed the balance, if any, after giving effect to the payments set out above (such balance, the "**Shared Excess Available Funds**" for such Transfer Date) will be calculated and paid to other Trust Series in Group A (finance charge collections) (as defined in the Master Framework Agreement) to the extent required; and

(xv) an amount equal to the balance, if any, will be available to Loan Note Issuer No. 1 to be paid as further interest in respect of a global loan note with an entitlement to further interest or to the Receivables Trustee as excess LNI Available Funds.

The "**Aggregate Investor Indemnity Amount**" shall mean the aggregate of the investor indemnity amount in respect of a Monthly Period, each investor indemnity amount being (i), with respect to any Transferor section 75 indemnity claim an amount equal to the product of (a) the Transferor section 75 indemnity claim (in an amount not to exceed the amount of the related credit advance) and (b) the Net Floating Investor Percentage on the day during the Monthly Period in which the day such Transferor section 75 indemnity claim was made falls, and (ii) any Cash Back Promotional Costs Amount.

The "**Cash Back Promotional Costs Amount**" means the amount equal to the product of the Net Floating Investor Percentage and one-twelfth of the estimated annualised Cash Back payments referable to the Securitised Portfolio and notified by the Servicer from time to time.

An "**Approved Conduit Payment**" means any payment designated as an "Approved Conduit Payment" in the Supplement to a Global Loan Note relating to a Loan Note which is held by a conduit.

The "**Loan Note Holder's Costs Amount**" means, in respect of each Loan Note Holder, the amount set out in the relevant supplement to the global loan note for such Loan Note Holder and for the Issuer shall mean the amounts (evidenced by a formal invoice) as being required to pay the legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities of the Issuer as Loan Note Holder and the corporate service fees of Holdco accrued due and payable on any Distribution Date (including the legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities of the Note Trustee (which for the avoidance of doubt shall include those of any appointee and/or agent including any agent appointed pursuant to the Paying Agency Agreement) and any receiver) plus any such legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities remaining unpaid for previous Distribution Dates as such amount may be varied in the Final Terms or Drawdown Prospectus, as applicable for the related Note Series excluding in each case (A) any amount payable by such Loan Note Holder under the notes issued by it and (B) any Additional Junior Costs Items payable to such Loan Note Holder.

The "**Loan Note Holder's Profit Amount**" means in respect of each Loan Note Holder with respect to:

(a) any Transfer Date falling on or up to 16 October 2009, an amount of £1,750; and

(b) any Transfer Date falling after 16 October 2009, an amount rounded up to the nearest penny, equal to the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Note Series outstanding during the course of the previous 11 Monthly Periods.

The "**Loan Note Issuer No. 1 Costs Amount**" means the amounts (evidenced by a formal invoice) as being required to pay the legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities of Loan Note Issuer No. 1 and the corporate services fees of Loan Note Issuer No. 2 accrued due and payable on any Distribution Date (including the legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities of the Security Trustee and any agent and/or appointee and/or receiver appointed pursuant to the STDCMA) plus any such Cash Management Fee, legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities remaining unpaid for previous Distribution Dates.

The "**Loan Note Issuer No. 1 Profit Amount"** shall mean an amount rounded up to the nearest penny, equal to the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Series of Loan Notes outstanding during the course of the previous 11 Monthly Periods.

The "**Monthly Expenses Loan Amount**" means, with respect to any Transfer Date, the amount equal to any monthly interest accruals and any scheduled principal repayments which are, in each case, due and payable on the immediately following Distribution Date, including any amount outstanding in respect of any previous Distribution Dates, if any, on the expenses loan.

Shortfalls of LNI Available Funds

In the event that there are shortfalls in respect of the amount of LNI Available Funds available to make the payments and provisions targeted above such shortfalls will be calculated as referable to the Loan Notes as follows:

- senior costs shortfalls will be calculated as referable to the class A Loan Notes (or if no class A Loan Notes are outstanding to the class B Loan Notes or if no class B Loan Notes are outstanding to the class C Loan Notes), in each case as a class;

- if there is a shortfall in the amount available to pay the aggregate of the class A monthly distribution amounts, then each class A Loan Note will be allocated a pro rated portion of the amount available equal to a fraction the numerator of which is the class A monthly distribution amount for that class A Loan Note and the denominator of which is the aggregate of the class A monthly distribution amounts for all class A Loan Notes. The class A monthly shortfall will then be calculated as referable to each class A Loan Note accordingly;

- if there is a shortfall in the amount available to pay the aggregate of the class B monthly distribution amounts then each class B Loan Note will be allocated a pro rated portion of the amount available equal to a fraction the numerator of which is the class B monthly distribution amount for that class B Loan Note and the denominator of which is the aggregate of the class B monthly distribution amounts for all class B Loan Notes. The class B monthly shortfall will then be calculated as referable to each such class B Loan Note accordingly;

- if there is a shortfall in the amount available to pay the aggregate of the class C monthly distribution amounts then each class C Loan Note will be allocated a pro rated portion of the amount available equal to a fraction the numerator of which is the class C monthly distribution amount for that class C Loan Note and the denominator of which is the aggregate of the class C monthly distribution amounts for all class C Loan Notes. The class C monthly shortfall will then be calculated as referable to each such class C Loan Note accordingly;

- if there is a shortfall in the amount available to pay the aggregate of the class D monthly distribution amounts then each class D Loan Note, if any, will be allocated a pro rated portion of the amount available equal to a fraction the numerator of which is the class D monthly distribution amount for that class D Loan Note and the denominator of which is the aggregate of the class D monthly distribution amounts for all class D Loan Notes. The class D monthly shortfall will then be calculated as referable to each such Class D Note accordingly;

- shortfalls in the amount payable in respect of the Servicer Payment Items payable on any Transfer Date will be calculated as referable to the class A Loan Notes (or, if no class A Loan Notes are outstanding, to the class B Loan Notes or, if no class B Loan Notes are outstanding, to the class C Loan Notes or, if no class C Loan Notes are outstanding, to the class D Loan Notes) in each case as a class;

- shortfalls in the amount payable in respect of the Monthly Expenses Loan Amount payable on any Transfer Date will be calculated as referable to the class A Loan Notes (or, if no class A Loan Notes are outstanding, to the class B Loan Notes or, if no class B Loan Notes are outstanding, to the class C Loan Notes only if there are class D Loan Notes outstanding) in each case as a class;

- if there is a shortfall in the amount available to credit to the Series Cash Reserve Account Ledger of any class of Loan Notes, then each Loan Note of that class requiring an amount to be credited will be allocated a pro rated portion of the amount available equal to a fraction the numerator of which is the amount required for that Loan Note and the denominator of which is the aggregate of all amounts required for all outstanding Loan Notes of that class;

- shortfalls in the amount available to pay the Loan Note Holder's Profit Amount to each Loan Note Holder will be borne *pro rata* by each Loan Note Holder by reference to the amount payable and the Loan Note Holder's Profit Amount for each Loan Note Holder will not be paid to the extent of the insufficiency; and

- shortfalls in the amount available to pay Additional Junior Costs Items will be allocated *pro rata* between each junior cost item by reference to the amount payable and each relevant additional junior costs item will not be paid to the extent of the insufficiency.

When shortfalls are calculated due to there being insufficient LNI Available Funds to make the payments and provisions specified in "*Use of LNI Available Principal Amounts*" below, the amount of the shortfall for each item will be met:

- from LNI Available Principal Amounts in the manner and to the extent specified for the items identified (see "*Use of LNI Available Principal Amounts*" below);

- from the Series Cash Reserve Account to the extent funds are available for that purpose in respect of any Loan Note in the Series Cash Reserve Account Ledger for that Loan Note (see "*Series Cash Reserve Account*" above);

- by deferring payment in respect of such items to the next Transfer Date on which LNI Available Funds are sufficient to make a payment; or

- by such item not being payable to the extent of such shortfall.

Use of LNI Available Principal Amounts

Loan Note Issuer No. 1 will utilise LNI Available Principal Amounts to make the payments and provisions set out below.

LNI available principal amounts ("**LNI Available Principal Amounts**") with respect to any Monthly Period are an amount equal to the sum of:

- amounts transferred to the Loan Note Issuer No. 1 principal ledger from the Penarth Receivables Trust in respect of the Monthly Principal Amount; *plus*

- any amounts transferred to the Loan Note Issuer No. 1 principal ledger from the Penarth Receivables Trust in respect of Utilised Required Retained Principal Collections; *plus*

- any amount representing any pre-funding amount transferred to the Loan Note Issuer No. 1 principal ledger on the related Transfer Date; *plus*
- amounts transferred to the Loan Note Issuer No. 1 principal ledger from LNI Available Funds in respect of the aggregate Investor Default Amount; *plus*
- amounts transferred to the Loan Note Issuer No. 1 principal ledger from LNI Available Funds in respect of reimbursements of Investor Charge-Offs and reductions to the Nominal Liquidation Amounts of Loan Notes; *plus*
- amounts transferred to the Loan Note Issuer No. 1 principal ledger from LNI Available Funds in respect of the Pre-Funding Additional Amount.

On each Transfer Date following the application of LNI Available Funds and the calculation of shortfalls (if any) the Cash Manager, acting on the instructions of Loan Note Issuer No.1, will transfer from LNI Available Principal Amounts standing to the credit of the Loan Note Issuer No. 1 principal ledger on such Transfer Date to the extent of Utilised Required Retained Principal Collections the following amounts in the following order of priority:

- *first*, an amount up to the senior costs shortfall, equal to:

  (a) if there are any class A Loan Notes outstanding, the amount of the senior costs shortfall, to be allocated to the class A Loan Notes as a class, in an amount equal to the lesser of:

    (i) the amount of the senior costs shortfall calculated as referable to the class A Loan Notes; and

    (ii) an amount equal to the unused Class A Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and any reimbursements of Nominal Liquidation Amount Deficits); or

  (b) if there are no class A Loan Notes outstanding, the amount of the senior costs shortfall, to be allocated to the class B Loan Notes as a class, equal to the lesser of:

    (i) the amount of the senior costs shortfall calculated as referable to the class B Loan Notes; and

    (ii) an amount equal to the unused Class B Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and any reimbursements of Nominal Liquidation Amount Deficits); or

  (c) if there are no class A Loan Notes and no class B Loan Notes outstanding, the amount of the senior costs shortfall, to be allocated to the class C Loan Notes as a class, equal to the lesser of:

    (i) the amount of the senior costs shortfall calculated as referable to the class C Loan Notes; and

    (ii) an amount equal to the unused Class C Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger and applied in respect of Senior Costs Items;

- *secondly*, an amount up to the class A monthly shortfall, equal to the aggregate of the amount in respect of each class A Loan Note, which will be allocated to such class A Loan Note, equal to such class A Loan Note's *pro rata* share of the lesser of:

  (a) the amount of the class A monthly shortfall calculated as referable to such class A Loan Note; and

(b) the unused Class A Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall and any reimbursements of Nominal Liquidation Amount Deficits),

to be transferred to the Funding 1 Finance Charge Collections Ledger and applied in respect of the aggregate class A monthly distribution amount;

- *thirdly*, an amount up to the class B monthly shortfall, equal to the aggregate of the amount in respect of each class B Loan Note, which will be allocated to such class B Loan Note, equal to such Class B Loan Note's *pro rata* share of the lesser of:

(a) the amount of the class B monthly shortfall calculated as referable to such class B Loan Note; and

(b) the unused Class B Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall and the class A monthly shortfall and any reimbursements of Nominal Liquidation Amount Deficits),

to be transferred to the Funding 1 Finance Charge Collections Ledger and applied in respect of the aggregate class B monthly distribution amount;

- *fourthly*, if there are any class A Loan Notes outstanding, an amount up to the Servicer payment shortfall to be allocated to the class A Loan Notes as a class, equal to the lesser of:

(a) the amount of the Servicer payment shortfall calculated as referable to the class A Loan Notes; and

(b) the unused Class A Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall and the class B monthly shortfall and any reimbursements of Nominal Liquidation Amount Deficits),

to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of Servicer Payment Items;

- *fifthly*, if there are any class B Loan Notes outstanding an amount up to the Servicer payment shortfall to be allocated to the class B Loan Notes as a class, equal to the lesser of:

(a) the amount of the Servicer payment shortfall calculated as referable to the class B Loan Notes; and

(b) the unused Class B Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall and the Servicer payment shortfall allocated to the class A Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits),

to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of Servicer Payment Items;

- *sixthly*, if there are any class C Loan Notes outstanding an amount up to the Servicer payment shortfall to be allocated to the class C Loan Notes as a class, equal to the lesser of:

(a) the amount of the Servicer payment shortfall calculated as referable to the class C Loan Notes; and

(b) either (i) if there are any class D Loan Notes outstanding, the unused Class C Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall and the Servicer payment shortfall allocated to the class A Loan Notes and class B Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits) or (ii) if there are no class D Loan Notes outstanding, the Nominal Liquidation Amount of such class C Loan Note (determined after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall and the Servicer payment shortfall allocated to the class A Loan Notes, the class B Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits),

to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of Servicer Payment Items;

- *seventhly*, if there are any class D Loan Notes outstanding, an amount up to the Servicer payment shortfall to be allocated to the class D Loan Notes as a class, equal to the lesser of:

  (a) the amount of the Servicer payment shortfall calculated as referable to the class D Loan Notes; and

  (b) the Nominal Liquidation Amount of such class D Loan Note (determined after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall and the Servicer payment shortfall allocated to the class A Loan Notes, the class B Loan Notes and class C Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of Servicer Payment Items;

- *eighthly,* if there are any class A Loan Notes outstanding, an amount up to the monthly expenses loan shortfall to be allocated to the class A Loan Notes as a class, equal to the lesser of:

  (a) the amount of the monthly expenses loan shortfall calculated as referable to the class A Loan Notes; and

  (b) the unused Class A Available Subordinated Amount (after taking into account any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall, the Servicer payment shortfall and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of the Monthly Expenses Loan Amount;

- *ninthly*, if there are any Class B Loan Notes outstanding, an amount up to the monthly expenses loan shortfall to be allocated to the class B Loan Note, equal to the lesser of:

  (a) the amount of the monthly expenses loan shortfall calculated as referable to such class B Loan Note; and

  (b) the unused Class B Available Subordinated Amount (after taking into account any reductions due to Investor Charge-Offs and payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall, the Servicer payment shortfall and the monthly expenses loan shortfall allocated to the class A Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of the Monthly Expenses Loan Amount;

- *tenthly*, if there are any class C Loan Notes outstanding, an amount up to the monthly expenses loan shortfall to be allocated to the class C Loan Notes as a class, equal to the lesser of:

  (a) the amount of the monthly expenses loan shortfall calculated as referable to the class C Loan Notes; and

  (b) either (a) if there are any class D Loan Notes outstanding the unused Class C Available Subordinated Amount (after taking into account any reductions due to Investor Charge-Offs and payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall, the Servicer payment shortfall and the monthly expenses loan shortfall allocated to the class A Loan Notes and the class B Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits), or (b) if there are no class D Loan Notes outstanding, the Nominal Liquidation Amount of such class C Loan Note (determined after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall, the Servicer payment shortfall and the monthly expenses loan shortfall allocated to the class A Loan Notes and the class B Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of the Monthly Expenses Loan Amount;

- *eleventhly*, if there are any class D Loan Notes outstanding, an amount up to the monthly expenses loan shortfall to be allocated to the class D Loan Notes as a class, equal to the lesser of:

  (a) the amount of the monthly expenses loan shortfall calculated as referable to the class D Loan Notes; and

  (b) the Nominal Liquidation Amount of such class D Loan Notes (determined after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall, the Servicer payment shortfall and the monthly expenses loan shortfall allocated to the class A Loan Notes, the class B Loan Notes and class C Loan Notes and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger to be applied in respect of Servicer Payment Items; and

- *twelfthly*, an amount up to the class C monthly shortfall, equal to the aggregate of the amounts in respect of each class C Loan Note, which will be allocated to such class C Loan Note, equal to such class C Loan Note's *pro rata* share of the lesser of:

  (a) the amount of the class C monthly shortfall calculated as referable to such class C Loan Note; and

  (b) the unused Class C Available Subordinated Amount (after giving effect to any reductions due to Investor Charge-Offs and the payment of Utilised Required Retained Principal Collections in respect of the senior costs shortfall, the class A monthly shortfall, the class B monthly shortfall, the Servicer Payment shortfall, the monthly expenses loan shortfall and any reimbursements of Nominal Liquidation Amount Deficits),

  to be transferred to the Funding 1 Finance Charge Collections Ledger and applied in respect of the aggregate class C monthly distribution amount.

On each Transfer Date, following the application of LNI Available Principal Amounts to the extent of Utilised Required Retained Principal Collections as set out above, the Cash Manager, acting on the instructions of Loan Note Issuer No.1, will transfer from the Loan Note Issuer No. 1 principal ledger to the extent of the amount of LNI Available Principal Amounts remaining in the following order of priority:

- *first*, in priority, *pari passu* and *pro rata* to the amounts due on such date:

  (a) in respect of each class A Loan Note which is in an Accumulation Period following an Accumulation Period Commencement Date, an amount equal to the lesser of (i) the Controlled Deposit Amount for such class A Loan Note and (ii) the Nominal Liquidation Amount for such class A Loan Note (after giving effect to any reductions due to Investor Charge-Offs and any reimbursements of Nominal Liquidation Amount Deficits on such Transfer Date) to the Principal Funding Account Ledger maintained in respect of such class A Loan Note; and

  (b) in respect of each class A Loan Note which is in an Amortisation Period, an amount equal to the lesser of (i) the sum of (A) the Principal Amortisation Amount for such class A Loan Note plus (B) the amount of the reimbursement of the Nominal Liquidation Amount Deficits for such class A Loan Note and (ii) the Nominal Liquidation Amount for such class A Loan Note (after giving effect to any reductions due to Investor Charge-Offs and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the principal sub-ledger maintained in respect of such class A Loan Note; and

  (c) in respect of each class A Loan Note, an amount equal to the lesser of (i) such class A Loan Note's *pro rata* share of the Targeted Pre-Funding Amount for class A Loan Notes on such Transfer Date and (ii) the Nominal Liquidation Amount for such class A Loan Note (after giving effect to any reductions due to Investor Charge-Offs and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date), to be credited to the Principal Funding Account Ledger maintained in respect of such class A Loan Note;

- *secondly*, in priority, *pari passu* and *pro rata* to the amounts due on such date:

  (a) in respect of each class B Loan Note which is in an Accumulation Period following an Accumulation Period Commencement Date, an amount equal to the lesser of (i) the Controlled Deposit Amount for such class B Loan Note and (ii) the Nominal Liquidation Amount for such class B Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the Principal Funding Account Ledger maintained in respect of such class B Loan Note; and

  (b) in respect of each class B Loan Note which is in an Amortisation Period, an amount equal to the lesser of (i) the sum of (A) the Principal Amortisation Amount for such class B Loan Note plus (B) the amount of the reimbursement of the Nominal Liquidation Amount Deficits for such class B Loan Note and (ii) the Nominal Liquidation Amount for such class B Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the principal sub-ledger maintained in respect of such class B Loan Note,

  provided that, in respect of any transfer in respect of a class B Loan Note, such transfer will only be permitted to the extent that the Repayment Tests are satisfied on such date in respect of such class B Loan Note; and

  (c) in respect of each class B Loan Note, an amount equal to the lesser of (i) such class B Loan Note's *pro rata* share of the Targeted Pre-Funding Amount for class B Loan Notes on such Transfer Date and (ii) the Nominal Liquidation Amount for such class B Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date), to be credited to the Principal Funding Account Ledger maintained in respect of such class B Loan Note;

- *thirdly*, in priority, *pari passu* and *pro rata* to the amounts due on such date:

    (a) in respect of each class C Loan Note which is in an Accumulation Period following an Accumulation Period Commencement Date, an amount equal to the lesser of (i) the Controlled Deposit Amount for such class C Loan Note and (ii) the Nominal Liquidation Amount for such class C Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the Principal Funding Account Ledger maintained in respect of such class C Loan Note; and

    (b) in respect of each class C Loan Note which is in an Amortisation Period, an amount equal to the lesser of (i) the sum of (A) the Principal Amortisation Amount for such class C Loan Note plus (B) the amount of the reimbursement of the Nominal Liquidation Amount Deficit for such class C Loan Note and (ii) the Nominal Liquidation Amount for such class C Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the principal sub-ledger maintained in respect of such class C Loan Note,

    provided that, in respect of any transfer in respect of a class C Loan Note, such transfer will only be permitted to the extent that the Repayment Tests are satisfied on such date in respect of such class C Loan Note; and

    (c) in respect of each class C Loan Note, an amount equal to the lesser of (i) such class C Loan Note's *pro rata* share of the Targeted Pre-Funding Amount for class C Loan Notes on such Transfer Date and (ii) the Nominal Liquidation Amount for such class C Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date), to be credited to the Principal Funding Account Ledger maintained in respect of such class C Loan Note;

- *fourthly*, *pari passu* and *pro rata* to the amounts due on such date:

    (a) in respect of each class D Loan Note which is in an Accumulation Period following an Accumulation Period Commencement Date, an amount equal to the lesser of (i) the Controlled Deposit Amount for such class D Loan Note and (ii) the Nominal Liquidation Amount for such class D Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the Principal Funding Account Ledger maintained in respect of such class D Loan Note; and

    (b) in respect of each class D Loan Note which is in an Amortisation Period, an amount equal to the lesser of (i) the sum of (A) the Principal Amortisation Amount for such class D Loan Note plus (B) the amount of the reimbursement of the Nominal Liquidation Amount Deficits for such class D Loan Note and (ii) the Nominal Liquidation Amount for such class D Loan Note (after giving effect to any reductions due to Investor Charge-Offs and Utilised Required Retained Principal Collections and any reimbursements of Nominal Liquidation Amount Deficits, in each case, on such Transfer Date) to the principal sub-ledger maintained in respect of such class D Loan Note,

    provided that, in respect of any transfer in respect of a class D Loan Note, such transfer will only be permitted to the extent that the Repayment Tests are satisfied on such date in respect of such class D Loan Note;

- *fifthly*, an amount (not to exceed the amount transferred in respect of the aggregate Investor Default Amount from LNI Available Funds) equal to the aggregate Investor Default Amount, if any, for the preceding Monthly Period to be paid to the Receivables Trustee as Additional Funds and identified as "Loss Make-Up (Default)" to be credited to the Trustee Investment Account;

- *sixthly*, an amount (not to exceed the amount transferred in respect of reimbursements of Investor Charge-Offs and reductions in the Nominal Liquidation Amount of Loan Notes from LNI Available Funds) equal to the aggregate of (i) the aggregate amount of Investor Charge-Offs and (ii) the aggregate amount of any reductions in the Nominal Liquidation Amount of any Loan Note due to payments of Utilised Required Retained Principal Collections which have not been previously reinstated, are to be paid to the Receivables Trustee as Additional Funds, credited to the Trustee Investment Account, and identified as "Loss Make-Up (Charge-Offs)" or "**Refunded Utilised Principal Collections**";

- *seventhly* if an amount has been transferred from LNI Available Funds in respect of a Pre-Funding Additional Amount since the pre-funding amount was last reduced by more than the Pre-Funding Additional Amount, an amount equal to such amount to be credited to the Receivables Trustee Consideration Account as Additional Funds to be identified as part of "Excess Spread" **provided that** such amount shall be reduced by the amount of any Investor Charge-Offs deducted from the Investor Interest; and

- *eighthly*, an amount equal to the excess, if any, to be paid to the Receivables Trustee to be credited to the Trustee Investment Account to be treated as "Cash Available For Investment".

Reduction from Investor Charge-Offs to the Nominal Liquidation Amount of subordinated classes

Investor Default Amounts in respect of the Receivables will be allocable to the Funding 1 Beneficial Interest in accordance with the terms of the Penarth Receivables Trust and the De-Linked Supplement. If on any Transfer Date there are insufficient LNI Available Principal Amounts following the transfer of LNI Available Funds for such purpose to pay in full the aggregate Investor Default Amount for the preceding Monthly Period (being the aggregate of the amount of Investor Default Amounts in respect of the Receivables allocable to the Funding 1 Beneficial Interest) then an amount equal to the shortfall, being the Investor Charge-Off for Loan Note Issuer No. 1 will be allocated (and reallocated) on that Transfer Date as follows:

1. initially, the Investor Charge-Off will be allocated to each outstanding Loan Note of the most subordinated class *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such Loan Note for such Monthly Period to the weighted average Available Funds Calculation Amount for all outstanding Loan Notes of such class for such Monthly Period, **provided**, **however**, **that** any allocation of any Investor Charge-Offs that would otherwise have reduced the Nominal Liquidation Amount of any Loan Note of such class to zero will be reallocated to the remaining Loan Notes of that class but in no event will the Nominal Liquidation Amount of that class be reduced below zero;

2. if following such allocation, the amount of the Investor Charge-Off is not fully allocated to the outstanding Loan Notes of the most subordinated class the amount not so allocated will be allocated successively to the next most subordinated class of Loan Notes outstanding which have Nominal Liquidation Amounts of greater than zero subject to the limitations set out below. Consequently, the effect of such allocation or reallocation in respect of the subordinated classes of Loan Notes will be to allocate Investor Charge-Offs first to the class D Loan Notes (if any), then to the class C Loan Notes and then to the class B Loan Notes, in each case subject to the limitations set out below and on the basis that no amount of Investor Charge-Offs will be allocated to a more senior class of Loan Note until the aggregate Nominal Liquidation Amount of each Loan Note of all more subordinated classes of Loan Note have been reduced to zero; and

3. any amount of the Investor Charge-Off which cannot be allocated or reallocated to a subordinated class of Loan Notes due to the limitations set out below will reduce the Nominal Liquidation Amount of each class A Loan Note *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such Loan Note for such Monthly Period to the weighted average Available Funds Calculation Amount for all outstanding Loan Notes of such class for such Monthly Period, **provided**, **however**, **that** such Nominal Liquidation Amount of a class A Loan Note may not be reduced to less than zero.

Allocation or reallocation of any part of the Investor Charge-Off to any class of Loan Notes is subject to the limitation that after giving effect to the part of the Investor Charge-Off allocated and reallocated, as the case may be, to the relevant class of Loan Notes, that the aggregate Nominal Liquidation Amount of a Loan Note will not be less than zero.

Allocation or reallocations to Loan Notes will be applied to each Loan Note *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such Subordinated Loan Note for the related Monthly Period to the weighted average Available Funds Calculation Amount for all outstanding Loan Notes of that class for the related Monthly Period. If any reallocation would reduce the Nominal Liquidation Amount of a Loan Note of a class to below zero it will be reallocated to other Loan Notes of that class but in no event will the Nominal Liquidation Amount of a Loan Note be reduced to below zero.

As a result of the above the Nominal Liquidation Amount of each Loan Note will be reduced by an amount equal to the amount of the Investor Charge-Off which is allocated or reallocated to that Loan Note, **provided, however, that** if the weighted average Available Funds Calculation Amount for all Loan Notes is zero and the pre funding amount is greater than zero then it is acknowledged that the effect of the Investor Charge-Off will be to reduce the remaining Investor Interest in the Penarth Receivables Trust without causing a reduction in the Nominal Liquidation Amount of any Loan Note.

Reductions to the Nominal Liquidation Amount of subordinated classes from use of Utilised Required Retained Principal Collections

The use of LNI Available Principal Amounts to the extent of Utilised Required Retained Principal Collections to meet shortfalls of LNI Available Funds to make certain payments and targeted provisions on a Transfer Date is described above. Following the allocation of such shortfalls to the relevant Loan Notes the Nominal Liquidation Amounts of Loan Notes are reduced as follows:

1. the share of the senior costs shortfall paid from LNI Available Principal Amounts which is allocated to the class A Loan Notes will reduce the Nominal Liquidation Amount of first each of the class D Loan Notes, then each of the class C Loan Notes and then each of the class B Loan Notes;

2. the share of the senior costs shortfall paid from LNI Available Principal Amounts which is allocated to the class B Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to any reduction due to the amount of Investor Charge-Offs) of first each of the class D Loan Notes, then each of the class C Loan Notes;

3. the share of the senior costs shortfall paid from LNI Available Principal Amounts which is allocated to the class C Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to any reduction due to the amount of Investor Charge-Offs) of each of the class D Loan Notes;

4. the share of the class A monthly shortfall paid from LNI Available Principal Amounts which is allocated to each class A Loan Note will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of first, each of the class D Loan Notes, then each of the class C Loan Notes and then each of the class B Loan Notes, **provided however**, **that** the aggregate amount of such reduction in respect of the class A Loan Notes shall not exceed the greater of (i) zero and (ii) the amount equal to the Class A Available Subordinated Amount (after giving effect to any reductions due to the amount of the Investor Charge-Offs and the preceding paragraphs);

5. the share of the class B monthly shortfall paid from LNI Available Principal Amounts which is allocated to each class B Loan Note will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of first, the class D Loan Notes, then the class C Loan Notes;

6. the Servicer payment shortfall paid from LNI Available Principal Amounts which is allocated to the class A Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of first each of the class D Loan Notes, then each of the class C Loan Notes and then each of the class B Loan Notes;

7. the Servicer payment shortfall paid from LNI Available Principal Amounts which is allocated to the class B Loan Notes will reduce the Nominal Liquidation Amount (determined after giving

effect to the Investor Charge-Offs and the preceding paragraphs) of first each of the class D Loan Notes and then each of the class C Loan Notes;

8. the Servicer payment shortfall paid from LNI Available Principal Amounts which is allocated to the class C Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of each of the class D Loan Notes (if any) or, if there are no class D Loan Notes then outstanding, of each of the class C Loan Notes;

9. the share of the Servicer payment shortfall paid from LNI Available Principal Amounts which is allocated to each class D Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of each of the class D Loan Notes;

10. the share of the monthly expenses loan shortfall paid from LNI Available Principal Amounts which is allocated to the class A Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of first the class D Loan Notes, then each of the class C Loan Notes and then each of the class B Loan Notes;

11. the share of the monthly expenses loan shortfall paid from LNI Available Principal Amounts which is allocated to the class B Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of first each of the class D Loan Notes and then each of the class C Loan Notes;

12. the share of the monthly expenses loan shortfall paid from LNI Available Principal Amounts which is allocated to the class C Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of each of the class D Loan Notes (if any) or, if there are no class D Loan Notes then outstanding, of each of the class C Loan Notes;

13. the share of the monthly expenses loan shortfall paid from LNI Available Principal Amounts which is allocated to the class D Loan Notes will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of each of the class D Loan Notes; and

14. the share of the class C monthly shortfall paid from LNI Available Principal Amounts which is allocated to each class C Loan Note will reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the preceding paragraphs) of the class D Loan Notes.

Reductions of the Nominal Liquidation Amount of Loan Notes described above are subject to the following provisions:

The aggregate amount which reduces the Nominal Liquidation Amount of class A Loan Notes as set out above will reduce the Nominal Liquidation Amount (determined after giving effect to any reductions due to the amount of the Investor Charge-Offs) of each class A Loan Note *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such class A Loan Note for the related Monthly Period to the weighted average Available Funds Calculation Amount for all class A Loan Notes for the related Monthly Period; **provided, however, that** any allocation of any such reduction that would otherwise have reduced the Nominal Liquidation Amount of a class A Loan Note below zero will be reallocated to the remaining class A Loan Notes, but in no event will the Nominal Liquidation Amount of any class A Loan Note be reduced below zero; **provided further, however**, that each amount which would otherwise reduce the Nominal Liquidation Amount of the class A Loan Notes will instead reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the above) of first each of the class D Loan Notes, then each of the class C Loan Notes, then each of the class B Loan Notes to the extent it will not cause the Nominal Liquidation Amount of any such Loan Note to be reduced below zero.

The aggregate amount which reduces the Nominal Liquidation Amount of class B Loan Notes as set out above will reduce the Nominal Liquidation Amount (determined after giving effect to any reductions due to the amount of the Investor Charge-Offs) of each class B Loan Note *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such class B Loan Note for the related Monthly Period to the weighted average Available Funds Calculation Amount for all class B Loan Notes for the related Monthly Period; **provided**, **however**, **that** any allocation of any such reduction that would otherwise have reduced the Nominal Liquidation Amount of a class B Loan Note below zero will be reallocated to the remaining class B Loan Notes, but in no event will the Nominal Liquidation Amount of any class B Loan Note be reduced below zero; **provided further**, **however**, that each amount which would otherwise reduce the Nominal Liquidation Amount of the class B Loan Notes will instead reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the above) of first each of the class D Loan Notes, then each of the class C Loan Notes to the extent it will not cause the Nominal Liquidation Amount of any such Loan Note to be reduced below zero.

The aggregate amount which reduces the Nominal Liquidation Amount of class C Loan Notes as set out above will reduce the Nominal Liquidation Amount (determined after giving effect to any reductions due to the amount of the Investor Charge-Offs) of each class C Loan Note *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such class C Loan Note for the related Monthly Period to the weighted average Available Funds Calculation Amount for all class C Loan Notes for the related Monthly Period; **provided**, **however**, **that** any allocation of any such reduction that would otherwise have reduced the Nominal Liquidation Amount of a class C Loan Note below zero will be reallocated to the remaining class C Loan Notes, but in no event will the Nominal Liquidation Amount of any class C Loan Note be reduced below zero; **provided further**, **however**, that each amount which would otherwise reduce the Nominal Liquidation Amount of the class C Loan Notes will instead reduce the Nominal Liquidation Amount (determined after giving effect to the Investor Charge-Offs and the above) of each of the class D Loan Notes (if any) to the extent it will not cause the Nominal Liquidation Amount of any such Loan Note to be reduced below zero.

The aggregate amount which reduces the Nominal Liquidation Amount of class D Loan Notes as set out above will reduce the Nominal Liquidation Amount (after giving effect to any reductions due to the amount of the Investor Charge-Offs) of each class D Loan Note *pro rata* based on the ratio of the weighted average Available Funds Calculation Amount for such class D Loan Note for the related Monthly Period to the weighted average Available Funds Calculation Amount for all class D Loan Notes for the related Monthly Period; **provided**, **however**, **that** any allocation of any such reduction that would otherwise have reduced the Nominal Liquidation Amount of a class D Loan Note below zero will be reallocated to the remaining class D Loan Notes, but in no event will the Nominal Liquidation Amount of any class D Loan Note be reduced below zero.

Redemption and early redemption of Loan Notes

Whenever Loan Note Issuer No. 1 is to redeem a Loan Note, it will do so only to the extent that finance charges and principal amounts it has received and allocated to that Loan Note are sufficient to redeem that Loan Note in full, and only to the extent that the Loan Notes to be redeemed are not required to provide subordination for Senior Loan Notes. The holder of a Loan Note will have no claim against Loan Note Issuer No. 1 if Loan Note Issuer No. 1 fails to make a required redemption of a Loan Note before the Final Redemption Date because no funds are available for that purpose or because the Loan Notes that would otherwise be redeemed are required to provide subordination for Senior Loan Notes. The failure to redeem under these circumstances will not be a Loan Note Event of Default. If, following any payments made on the Final Redemption Date, the Outstanding Principal Amount of a Loan Note is greater than zero, then such Outstanding Principal Amount shall be reduced to zero and no further amounts of interest or principal shall be payable by Loan Note Issuer No. 1 in respect of such Loan Note.

Loan Note Issuer No. 1 may only repay principal amounts owing in respect of Loan Notes pursuant to the terms and conditions of the global loan notes, if the following conditions in relation to a class of Loan Note (together, the "**Repayment Tests**") are satisfied:

- Required subordination for repayment of any class B Loan Note

  On the Distribution Date in respect of any class B Loan Note, immediately after making such payment, the Class A Available Subordinated Amount must be at least equal to the Class A Required Subordinated Amount.

- Required subordination for repayment of any class C Loan Note

  On the Distribution Date in respect of any class C Loan Note, immediately after making such payment, the Class A Available Subordinated Amount must be at least equal to the Class A

Required Subordinated Amount and the Class B Available Subordinated Amount must be at least equal to the Class B Required Subordinated Amount.

- Required subordination for repayment of any class D Loan Note

  On the Distribution Date of any class D Loan Note, immediately after making such payment, the Class A Available Subordinated Amount must be at least equal to the Class A Required Subordinated Amount, the Class B Available Subordinated Amount must be at least equal to the Class B Required Subordinated Amount and the Class C Available Subordinated Amount must be at least equal to the Class C Required Subordinated Amount.

Issuance of new Loan Notes

Unless otherwise specified in the related Loan Note Supplement and which will be set out in the Final Terms or Drawdown Prospectus, as applicable of the Note Series which such Loan Note supports, Loan Note Issuer No. 1 may only issue a new Loan Note, or increase the Outstanding Principal Amount of an existing Loan Note, if the following conditions (together, the "**Issuance Tests**") are satisfied:

Increase in Required Series Cash Reserve Account Amount or Required Programme Reserve Account Amount

If the issuance of a Loan Note results in an increase in the Required Series Cash Reserve Account Amount of any Loan Note or the Required Programme Reserve Account Amount, on such date Loan Note Issuer No. 1 will have deposited an amount equal to the amount of such increase into the Series Cash Reserve Account for the credit of the relevant Series Cash Reserve Account Ledger maintained in respect of each affected Loan Note and/or into the Programme Reserve Account, as the case may be.

For the class A Loan Notes,

On the issue date for that Loan Note after giving effect to the issuance of that Loan Note, the Class A Available Subordinated Amount must be equal to or greater than the Class A Required Subordinated Amount.

The "**Class A Required Subordinated Amount**" is calculated, on any date, as the product of (A x B) where:

A = the highest Class A Required Subordinated Percentage currently specified in respect of any class A Loan Note then outstanding; and

B = the sum of (a) the Adjusted Outstanding Principal Amount of all Loan Notes on such date (after giving effect to any payments of principal to be made on the Loan Notes on such date) plus (b) any pre-funding amount recorded in the Principal Funding Account Ledger for any Loan Note.

The "**Class A Available Subordinated Amount**" is calculated, on any date, as the sum of (a) the aggregate of the Adjusted Outstanding Principal Amounts of class B Loan Notes, class C Loan Notes and class D Loan Notes (after giving effect to any issuances, deposits, allocations, re-allocations or repayments of principal to be made on the Loan Notes on such date); (b) the Available Programme Reserve Account Amount (if any) on deposit in the Programme Reserve Account on such date; and (c) any pre-funding amounts recorded in the Principal Funding Account Ledger for any of the class B Loan Notes and class C Loan Notes on such date.

The "**Class A Required Subordinated Percentage**" has the meaning set in the relevant Final Terms or Drawdown Prospectus, as applicable.

For the class B Loan Notes,

On the issue date for that Loan Note after giving effect to the issuance of that Loan Note, the Class B Available Subordinated Amount must be equal to or greater than the Class B Required Subordinated Amount.

The "**Class B Required Subordinated Amount**" is calculated, on any date, as the product of (A x B) where:

A = the highest Class B Required Subordinated Percentage currently specified in respect of any class B Loan Note then outstanding; and

B = the sum of (a) the Adjusted Outstanding Principal Amount of all Loan Notes on such date (after giving effect to any payments of principal to be made on the Loan Notes on such date) plus (b) any pre-funding amount recorded in the Principal Funding Account Ledger for any Loan Note.

The "**Class B Required Subordinated Percentage**" has the meaning set out in the relevant Final Terms or Drawdown Prospectus, as applicable.

The "**Class B Available Subordinated Amount**" is calculated, on any date, as the sum of (a) the aggregate of the Adjusted Principal Amounts Outstanding of class C Loan Notes and class D Loan Notes (after giving effect to any issuances, deposits, allocations or re-allocations or repayments of principal to be made on the Loan Notes on such date); and (b) the Available Programme Reserve Account Amount (if any) on deposit in the Programme Reserve Account on such date; and (c) any pre-funding amounts recorded in the Principal Funding Account Ledger for any class C Loan Note.

For the class C Loan Notes,

On the issue date for that Loan Note after giving effect to the issuance of that Loan Note, the Class C Available Subordinated Amount must be equal to or greater than the Class C Required Subordinated Amount.

The "**Class C Required Subordinated Amount**" is calculated, on any date, as the product of A x B where:

A = the highest Class C Required Subordinated Percentage currently specified in respect of any class C Loan Note then outstanding; and

B = the sum of (a) the Adjusted Outstanding Principal Amount of all Loan Notes on such date (after giving effect to any payments of principal to be made on the Loan Notes on such date) plus (b) any pre-funding amount recorded in the Principal Funding Account Ledger for any Loan Note.

The "**Class C Required Subordinated Percentage**" has the meaning set out in the relevant Final Terms or Drawdown Prospectus, as applicable.

The "**Class C Available Subordinated Amount**" is calculated, on any date, as the sum of (a) the aggregate of the Adjusted Principal Amounts Outstanding of the class D Loan Notes corresponding to all Note Series (after giving effect to any issuances, deposits, allocations, re-allocations or repayments of principal to be made on the Loan Notes on such date); and (b) the Available Programme Reserve Account Amount (if any) on deposit in the Programme Reserve Account on such date.

Loan Note Issuer No. 1 is not required to provide prior notice to, permit any prior review by or to obtain the consent of any Loan Note Holder of an outstanding Loan Note to issue any additional Loan Note. There are no restrictions on the timing or amount of any additional issuance of Loan Notes, so long as the conditions described above are met.

Loan Note Issuer No. 1 may from time to time, without notice to, or the consent of, the registered holders of a Loan Note, increase the Outstanding Principal Amount of a Loan Note so long as the conditions described above are met.

When issued, the additional Loan Notes will be identical in all respects to the other outstanding Loan Notes of that class equally and rateably entitled to the benefits of the STDCMA, the relevant global loan note and the related Supplement to a Global Loan Note as applicable to the previously issued Loan Notes of that class without preference, priority or distinction.

Payments on Loan Notes

Loan Note Issuer No. 1 and the Security Trustee will treat the person registered as the holder of any Global Loan Note as the absolute owner of the Loan Notes represented thereby, whether or not the Loan Note is overdue and notwithstanding any notice to the contrary, for the purpose of making payment and for all other purposes.

Loan Note Issuer No. 1 will make payments on a Loan Note to the registered holder of the Loan Note by the close of business on the Loan Note Record Date established for the related Distribution Date.

If any withholding or deduction for any taxes, duties, assessments or government charges is imposed, levied, collected, withheld or assessed on payments of principal or interest on any Loan Note by any jurisdiction or any political subdivision or authority in or of any jurisdiction having power to tax, payments by Loan Note Issuer No. 1 will be reduced accordingly and neither Loan Note Issuer No. 1, nor the Security Trustee, will be required to make any additional payments to the holders of the Loan Notes for that withholding or deduction. Such reduced payments will not be treated as deferred payments and, accordingly, will not bear Additional Interest. As at the date of this Base Prospectus, there is no obligation under UK tax law on Loan Note Issuer No. 1 to make any deduction or withhold any amount on payments made under the Loan Notes.

The "**Loan Note Record Date**" in respect of any Transfer Date or Distribution Date means the last Business Day of the preceding Monthly Period, unless otherwise specified in the related Loan Note Supplement and the Final Terms or Drawdown Prospectus, as applicable of the Note Series which such Loan Note supports.

The Expenses Loan Agreement

Loan Note Issuer No. 1 (as borrower) is a party to a loan agreement (the "**Expenses Loan Agreement**") with Bank of Scotland (as the initial "**Expenses Loan Provider**") under which the Expenses Loan Provider makes advances to Loan Note Issuer No. 1 to be utilised by Loan Note Issuer No. 1 from time to time (i) in meeting certain costs and expenses of Loan Note Issuer No. 1 relating to the issuance of Loan Notes including the costs of the Issuer as subscriber for those Loan Notes and (ii) funding any initial funding requirement of the Programme Reserve Account or any Series Cash Reserve Account. The amounts outstanding under the Expenses Loan Agreement, together with interest thereon, will be repaid out of LNI Available Funds (see "*—Application of LNI Available Funds*"). To the extent that such LNI Available Funds are sufficient on each Relevant Date, repayments of principal and payment of the total amount of interest payable on the Principal Amount Outstanding on the loan will be made by monthly instalments on each Distribution Date.

SOURCES OF FUNDS TO PAY THE LOAN NOTES

General

Loan Note Issuer No. 1 is an Investor Beneficiary of the Penarth Receivables Trust.

On the first Issue Date, the Original Loan Note Issuer No. 1 made a Contribution to the trust property of the Penarth Receivables Trust and thereby increased its Aggregate Investor Interest in the trust property. The increase in the beneficial entitlement of the Original Loan Note Issuer No. 1 was documented in a supplement designated the "**De-Linked Supplement**".

The parties to the De-Linked Supplement are now the Receivables Trustee, Bank of Scotland (as the Transferor Beneficiary, the Servicer and the Transferor), Loan Note Issuer No. 1 as an Investor Beneficiary and Loan Note Issuer No. 2 as an Investor Beneficiary. On each Issue Date, the proceeds from the issue of the Loan Notes to the Issuer on the Issue Date (together with an amount drawn under the Expenses Loan Agreement) will be used by Loan Note Issuer No. 1 on the relevant Issue Date to fund its further Contribution in respect of the Funding 1 Beneficial Interest to the Penarth Receivables Trust which will thereby increase the Aggregate Investor Interest of Loan Note Issuer No. 1 in the trust property (see "*The Receivables — Assignment of Receivables to the Receivables Trustee*" and "*The Penarth Receivables Trust — Contributions to trust property*").

Loan Note Issuer No. 1 will, on each Issue Date, return its existing Investor Certificate to the Receivables Trustee for annotation. Upon a further Contribution occurring, the Receivables Trustee will annotate the Investor Certificate to reflect such Contribution and the increase in the Aggregate Investor Interest of Loan Note Issuer No. 1, and then return such certificate.

The Funding 1 Beneficial Interest will be included in Group One and will not be subordinated to any other Investor Beneficiary or Trust Series.

"**Group One**" means any outstanding Trust Series in respect of Loan Note Issuer No. 1 or Loan Note Issuer No. 2 including the Funding 1 Beneficial Interest and each other Trust Series specified in any Supplement to be included in Group One.

Additional funds payable by Loan Note Issuer No. 1

In addition to the Contribution described above, Loan Note Issuer No. 1 will be obliged each month to make a further Contribution (to the extent it has funds available for that purpose as calculated by the Receivables Trustee in accordance with the De-Linked Supplement). This Further Payment will be paid by Loan Note Issuer No. 1 to the Receivables Trustee by way of further Contribution in respect of its interest in the Penarth Receivables Trust and will be described in this Base Prospectus as "**Additional Funds**".

Additional funds are made up of a number of different elements, with the different possible categories:

(a) "Investor Trustee Payment amount";

(b) "Investor Servicing Fee Amount";

(c) "Loss Make-Up (Default)";

(d) "Loss Make-Up (Charge-Offs)";

(e) "Refunded Utilised Principal Collections";

(f) "Excess Spread";

(g) "Accumulation Reserve Account Surplus Amount";

(h) "Programme Reserve Account Surplus Amount";

(i) "Series Cash Reserve Account Surplus Amount";

(j) "Investment Proceeds" (to the extent not included in Excess Spread);

(k) "investor indemnity payment amount"; and

(l) "excess pre-funding Collections amount".

Each constituent element of any payment of Additional Funds shall be paid, when due, by Loan Note Issuer No. 1 to the Receivables Trustee, in the following manner:

(a) in respect of Loss Make-Up (Default), Loss Make-Up (Charge-Off) and Refunded Utilised Principal Collections, by depositing such amounts in the Trustee Investment Account;

(b) in respect of Investor Trustee Payment amounts, Investor Servicing Fee Amounts and investor indemnity payment amounts, by depositing such amounts in a specified account of the Receivables Trustee for payment to the Receivables Trustee; and

(c) in respect of Excess Spread, Accumulation Reserve Account Surplus Amount, Programme Reserve Account Surplus Amount, Series Cash Reserve Account Surplus amount, Investment Proceeds and excess pre-funding Collections amounts, by depositing such amounts in the Receivables Trustee Consideration Account.

Pursuant to the Loan Note Issuer No.1 Account Bank Agreement, Loan Note Issuer No. 1 has opened a bank account in relation to the De-Linked Trust Series, held in its own name, and located in the United Kingdom at a Qualified Institution (currently held at Bank of Scotland at its branch located at Leeds) (the "**Loan Note Issuer No. 1 Distribution Account**"). It will be used by Loan Note Issuer No. 1 to discharge amounts due by Loan Note Issuer No. 1 which Loan Note Issuer No. 1 receives in accordance with its beneficial entitlement in respect of the De-Linked Trust Series.

Beneficial entitlement of Loan Note Issuer No. 1 to trust property-rights of the Investor Beneficiary in respect of the De-Linked Trust Series

The part of Loan Note Issuer No. 1's beneficial entitlement to different categories of trust property in the Penarth Receivables Trust referable to the De-Linked Trust Series (the "**Funding 1 Beneficial Interest**") will be calculated by the Servicer on behalf of the Receivables Trustee by applying the relevant Investor Percentage for the De-Linked Trust Series. This beneficial entitlement, on each day up to and including the Funding 1 Termination Date, shall be as set out below:

(a) in respect of Undivided Bare Trust Property other than Finance Charge Collections, Acquired Interchange, Acquired Insurance Commission and income on Permitted Investments, that proportion which the Aggregate Investor Interest for the De-Linked Trust Series bears on that day to the sum of the Combined Aggregate Adjusted Investor Interest and the Adjusted Transferor Interest on that day (**provided that**, for the avoidance of doubt, in the calculation of the Combined Aggregate Adjusted Investor Interest in this clause (and in the equivalent provision which is applicable to each other Trust Series of the Investor Interest of the Investor Beneficiaries), the "**Adjusted Investor Interest**" for the De-Linked Trust Series shall be an amount equal to the Investor Interest);

(b) in respect of (i) that Undivided Bare Trust Property which consists of Finance Charge Collections received during any Monthly Period, the Floating Investor Percentage and (ii) that Undivided Bare Trust Property which consists of Acquired Interchange, Acquired Insurance Commission and income on Permitted Investments received during any Monthly Period, the Net Floating Investor Percentage, in each case, for the De-Linked Trust Series for that Monthly Period; and

(c) in relation to Segregated Bare Trust Property held for Loan Note Issuer No. 1, the Segregated Bare Trust Property held absolutely for Loan Note Issuer No. 1 from time to time.

For further explanation of the Floating Investor Percentage, see "— *Calculation and distribution of Finance Charge Collections and Acquired Interchange to Loan Note Issuer No. 1*" below.

The beneficial entitlement of Loan Note Issuer No. 1 to trust property shall terminate on the day immediately following the Funding 1 Termination Date.

The following definitions are necessary to understand the calculations described above.

The "**Initial Investor Interest**" shall mean in this Base Prospectus an amount denominated in Sterling equal to the initial Contribution by Loan Note Issuer No. 1 in respect of the De-Linked Supplement.

The term "**Investor Charge-Off**" means, on any Transfer Date, the amount by which the LNI Available Principal Amounts following the transfer of LNI Available Funds for the previous Monthly Period was unable to cover the aggregate Investor Default Amount for such period (see "*Defaulted Receivables: Investor Charge-Offs*" below).

The term "**Investor Default Amount**" means, with respect to any Receivable in a Defaulted Account, an amount equal to the product of (a) the Default Amount and (b) the Net Floating Investor Percentage on the day during the Monthly Period in which such account became a Defaulted Account.

The term "**Investor Interest**" shall mean, on any date of determination, an amount equal to the Initial Investor Interest as increased by:

- the aggregate amount of any Investor Interest Contribution Increases;

  and as reduced by:

- the aggregate of:

  (a) Principal Collections (but excluding, for the avoidance of doubt, amounts which are not Principal Collections but are expressed to be treated as such for the purpose of the calculations set out in the De-Linked Supplement) distributed to Loan Note Issuer No. 1 in respect of the De-Linked Trust Series (with the effect that the aggregate amount of Loan Note Issuer No. 1's beneficial entitlement in the Undivided Bare Trust in respect of the De-Linked Trust Series is reduced) prior to such date;

  (b) Principal Collections used by Loan Note Issuer No. 1 in respect of the De-Linked Trust Series as Utilised Required Retained Principal Collections as reduced by the aggregate of that part of the Additional Funds paid by Loan Note Issuer No. 1 in accordance with the De-Linked Supplement identified as "**Refunded Utilised Principal Collections**";

  (c) Investor Default Amounts as reduced by the aggregate of that part of the Additional Funds paid by Loan Note Issuer No. 1 in accordance with the De-Linked Supplement identified as "**Loss Make-Up (Default)**" referable to the De-Linked Trust Series and the amount of any Investor Charge-Offs identified on any Transfer Date in respect of such Investor Default Amounts; and

  (d) Investor Charge-Offs as reduced by the aggregate of that part of the Additional Funds paid by Loan Note Issuer No. 1 in accordance with the De-Linked Supplement identified as "**Loss Make-Up (Charge-Off)**" (excluding, for the avoidance of doubt, any Investor Default Amounts as reduced by the aggregate of that part of the Additional Funds paid by Loan Note Issuer No. 1 in accordance with the De-Linked Supplement identified as "**Loss Make-Up (Default)**"),

all calculated as at that date.

The term "**Loss Make-Up (Charge-Offs)**" shall mean a constituent element of any payment of Additional Funds paid by Loan Note Issuer No. 1 to the Receivables Trustee in accordance with the De-Linked Supplement.

The term "**Loss Make-Up (Default)**" shall mean a constituent element of any payment of Additional Funds paid by Loan Note Issuer No. 1 to the Receivables Trustee in accordance with the De-Linked Supplement.

The term "**Monthly Period**" means, the period from and including the first day of a calendar month to and including the last day of the same calendar month, except that the first Monthly Period with respect to any calculation in respect of the De-Linked Trust Series shall begin on and include the Issue Date and shall end on and include the date specified in the first Final Terms or Drawdown Prospectus, as applicable.

The term "**Refunded Utilised Principal Collections**" shall mean a constituent element of any payment of Additional Funds paid by Loan Note Issuer No. 1 into the Trustee Investment Account in accordance with the De-Linked Supplement, which represents an amount of Principal Collections which, following the application of the Utilised Required Retained Principal Collections as the reallocated Principal Collections, is paid by Loan Note Issuer No. 1 to the Receivables Trustee and can therefore be used to reinstate the Investor Interest.

With respect to Principal Collections that may be utilised as reallocated Principal Collections (as to which see "*The Loan Notes — Use of LNI Available Principal Funds*"), amounts will only be transferred to Loan Note Issuer No. 1 with respect to the De-Linked Trust Series to the extent there is a shortfall in distributions of Finance Charge Collections in respect of the De-Linked Trust Series. The maximum amount of Principal Collections that can be distributed to Loan Note Issuer No. 1 in respect of the De-Linked Trust Series during any Monthly Period will be determined by reference to the Principal Investor Percentage (subject to the sharing of Principal Collections with other Investor Beneficiaries in Group One).

Investor Interest Contribution Increases

On any Business Day, subject to the satisfaction of the Increase Conditions (as defined below) and such other conditions as may be required to be satisfied in connection with Related Debt following notice from Loan Note Issuer No. 1, the Funding 1 Beneficial Interest shall be increased by the amount of any Additional Contribution made by Loan Note Issuer No. 1 on such Business Day (such Business Day being the "**Funding 1 Contribution Increase Date**" for such Investor Interest Contribution Increase) by the deposit of such Additional Contribution into the Trustee Investment Account on the Funding 1 Contribution Increase Date and the recording of such Additional Contribution in the trust certificate register and the Investor Certificate by the amount of such Additional Contribution (subject to the Increase Conditions). This increase is referred to as "**Investor Interest Contribution Increase**".

For the purposes of calculating an Investor Interest Contribution Increase the following terms are applicable:

The term "**Additional Contribution**" shall mean with respect to any date of determination during any Monthly Period each of the following:

- the payment of an amount by Loan Note Issuer No. 1 utilising the proceeds of an increase in the amount of the Related Debt;
- the payment of an amount by Loan Note Issuer No. 1 utilising the release of pre-funding amounts (other than, for the avoidance of doubt, pre-funding amounts retained in the Principal Collections Ledger during such Monthly Period) from a Principal Funding Account Ledger for any Loan Note during such Monthly Period; and
- the payment of an amount by Loan Note Issuer No. 1 utilising amounts available following application of LNI Available Principal Amounts.

The term "**Increase Conditions**" means with respect to any Investor Interest Contribution Increase, the following:

- with respect to an Additional Contribution by way of the payment of an amount by Loan Note Issuer No. 1 utilising the proceeds of an increase in the amount of the Related Debt:
    - (i) the notice of such Investor Interest Contribution Increase has delivered by Loan Note Issuer No. 1 by the time specified;
    - (ii) no Notification Event (as such term is defined in the Master Framework Agreement), Early Redemption Event (other than in relation to not repaying the Outstanding Principal Amount of a Loan Note in full on the Scheduled Redemption Date for such Loan Note or related to tax events), Loan Note Event of Default or an event that, after the giving of notice or the lapse of time, would constitute a Notification Event, Early Redemption Event or Loan Note Event of Default shall have occurred and be continuing;
    - (iii) the Issuance Tests are met;

(iv) notification from each Rating Agency that the Investor Interest Contribution Increase will not result in the relevant Rating Agency reducing or withdrawing its then existing rating of any Associated Debt or any other Loan Note or variable funding Loan Note in relation to any Investor Beneficiary with respect to which it is a Rating Agency;

(v) all of the representations and warranties of the Transferor and Servicer contained in the RSD and the RTDSA shall be true and correct as though made on the date of such Investor Interest Contribution Increase;

(vi) the conditions set out in the RTDSA have been complied with;

(vii) the Servicer has delivered to the Receivables Trustee an authorised officer's certificate dated the date such Investor Interest Contribution Increase is to take effect, certifying that the Increase Conditions described above have been satisfied;

(viii) with respect to an Additional Contribution by way of a release of a pre-funding amount, the notice of such Investor Interest Contribution Increase has been delivered by Loan Note Issuer No. 1 by no later than the proposed time of the Investor Interest Contribution Increase; and

(ix) with respect to an Additional Contribution by way of utilising LNI Available Principal Amounts, the notice of such Investor Interest Contribution Increase has been delivered in the monthly statement to the Receivables Trustee specifying the Transfer Date on which such Investor Interest Contribution Increase is to take place.

Beneficial Entitlement of Loan Note Issuer No. 1 to Collections

The Receivables Trustee, will, prior to the close of business on each day (each, a "**Relevant Date**") that Collections or other amounts are deposited or arise in the Trustee Collection Account, effect the transfers detailed below:

- distribute to Loan Note Issuer No. 1 by crediting to the Funding 1 Finance Charge Collections Ledger an amount equal to the sum of (i) the product of (1) the Floating Investor Percentage on the day such Finance Charge Collections arise and (2) the aggregate amount of Finance Charge Collections processed on the related Date of Processing to be applied in accordance with the De-Linked Supplement *plus*, where the Relevant Date is also a Transfer Date, (ii) the product of (1) the Net Floating Investor Percentage for the Monthly Period preceding that in which the relevant Transfer Date falls, (2) the aggregate amount of Acquired Interchange transferred to the Trustee Collection Account on such Transfer Date and (iii) the product of (1) the Net Floating Investor Percentage for the Monthly Period preceding that in which the relevant Transfer Date falls, (2) the aggregate amount of Acquired Insurance Commission transferred to the Trustee Collection Account on such Transfer Date, to be applied in accordance with the De-Linked Supplement;

- an amount equal to the product of (i) the Required Retained Principal Collections Percentage on the day such Principal Collections arise, (ii) the Principal Investor Percentage on the day such Principal Collections arise and (iii) the aggregate amount of Principal Collections processed on the relevant Date of Processing shall be retained in the Principal Collections Ledger of the Trustee Collection Account for application in accordance with the De-Linked Supplement on the Transfer Date for such Monthly Period;

- an amount equal to the product of (i) a percentage equal to the Principal Investor Percentage on the day such Principal Collections arise, (ii) a percentage equal to 100 per cent. less the Required Retained Principal Collections Percentage on such day and (iii) the aggregate amount of Principal Collections processed on the relevant Date of Processing:

  (1) *first*, shall be retained in the Principal Collections Ledger as Group One Retained Principal Collections up to an amount equal to the Funding 1 Beneficial Interest's *pro rata* share of the Daily Principal Shortfall on the Relevant Date to be utilised in accordance with the De-Linked Supplement; and

  (2) *secondly*, any excess shall be utilised as Cash Available For Investment in accordance with the De-Linked Supplement.

The "**Daily Principal Shortfall**" means on any date of determination the excess of the amount required for a Monthly Period for all outstanding Trust Series in Group One (which includes the Funding 1 Beneficial Interest) which are in an Amortisation Period or an Accumulation Period over the amount of Principal Collections retained in the Principal Collections Ledger for that Monthly Period for all outstanding Trust Series in Group One that can be utilised, if needed, as shared Principal Collections for outstanding Trust Series in Group One and which are not Required Retained Principal Collections; and

- on each Transfer Date, amounts deposited in the Trustee Collection Account and credited to and retained in the Principal Collections Ledger during the related Monthly Period shall be applied as follows:

  (1) an amount equal to the Required Retained Principal Collections not utilised as Utilised Required Retained Principal Collections, as part of the Amortisation Amount or as shared Principal Collections shall be utilised as Cash Available For Investment on such Transfer Date in accordance with the De-Linked Supplement; and

  (2) an amount equal to amounts credited to the Principal Collections Ledger as Group One Retained Principal Collections not utilised as part of the Amortisation Amount or shared Principal Collections shall be utilised as Cash Available For Investment on such Transfer Date in accordance with the De-Linked Supplement,

  provided however, **that** the aggregate of the amounts retained in the Principal Collections Ledger for any Monthly Period shall not exceed the sum of (A) the Aggregate Investor Interest for all Trust Series at the close of business on the last day of the prior Monthly Period taking into account (x) any adjustments or distributions to be made on the related Transfer Date and (y) any Investor Interest Contribution Increases made during that Monthly Period and (B) any Utilised Required Retained Principal Collections relating to the Monthly Period in which such amount is retained.

Amounts that are credited by the Receivables Trustee to the Funding 1 Finance Charge Collections Ledger will be transferred on a Transfer Date from the Trustee Collection Account to the Loan Note Issuer No. 1 Distribution Account (see "*Additional funds payable by Loan Note Issuer No. 1*" above and "— *Calculation and Distribution of Finance Charge Collections and Acquired Interchange to Loan Note Issuer No. 1*" below). See also "— *Distribution Ledgers*".

On or before each Transfer Date, the Receivables Trustee, acting on the advice of the Servicer, will deliver to Loan Note Issuer No. 1 information regarding calculations with respect to the Penarth Receivables Trust, including calculations and information regarding distributions of trust property and the movement of monies between the Undivided Bare Trust, the Segregated Bare Trust, the Deferred Payment Bare Trust and any other Trusts and to Loan Note Issuer No. 1 for the prior Monthly Period with respect to such Transfer Date.

Calculation and Distribution of Finance Charge Collections and Acquired Interchange to Loan Note Issuer No. 1

On each day on which Finance Charge Collections, Acquired Interchange, Acquired Insurance Commission, or income on Permitted Investments are transferred to the Trustee Collection Account, the Receivables Trustee will credit an amount to the Funding 1 Finance Charge Collections Ledger in the Trustee Collection Account. The amount to be credited will be determined by applying the Floating Investor Percentage (as described below) to such amounts of Finance Charge Collections and the Net Floating Investor Percentage (as defined below) to such amounts of Acquired Interchange. The amount credited to the Funding 1 Finance Charge Collections Ledger at the end of each Monthly Period will be transferred on the related Transfer Date from the Trustee Collection Account to the Loan Note Issuer No. 1 Distribution Account. From that account amounts will be applied to meet the obligations of Loan Note Issuer No. 1 for the relevant Monthly Period (including payments representing Excess Spread) or will be paid back to the Receivables Trustee as Additional Funds for the grant of Loan Note Issuer No. 1's beneficial interest in the Penarth Receivables Trust. See "*Additional funds payable by Loan Note Issuer No. 1*" above. See also "*Distribution ledgers*".

On each Relevant Date, the Floating Investor Percentage will be applied by the Receivables Trustee to determine Loan Note Issuer No. 1's beneficial entitlement to distributions of Finance Charge Collections in respect of the De-Linked Trust Series. This amount will then be credited to the Funding 1 Finance Charge Collections Ledger for the benefit of Loan Note Issuer No. 1.

On each Relevant Date, the Net Floating Investor Percentage will be applied by the Receivables Trustee to determine Loan Note Issuer No. 1's beneficial entitlement to distributions of Acquired Interchange in respect of the De-Linked Trust Series. This amount will then be credited to the Funding 1 Finance Charge Collections Ledger for the benefit of Loan Note Issuer No. 1.

The Receivables Trustee will make such determinations by making the following calculation:

$$A \times B$$

Where:

A = the Floating Investor Percentage or Net Floating Investor Percentage, as the case may be, on such Relevant Date, and

B = the total amount of Finance Charge Collections processed on, or, as applicable, the total amount of Acquired Interchange paid in, on the related Date of Processing

In broad terms, the Floating Investor Percentage will be calculated by reference to the aggregate of the Available Funds Calculation Amounts (as defined below) for all Loan Notes plus the pre-funding amount. The Available Funds Calculation Amount for each Loan Note will not take into account whether such Loan Note is in a Loan Note Revolving Period or an Amortisation Period or an Accumulation Period. Consequently, other than with respect to the existence of the pre-funding amount during a Monthly Period when there is pre-funding, the Floating Investor Percentage will be applied in the same manner whether or not any Loan Note is in an Amortisation Period or in an Accumulation Period.

The definition of "**Floating Investor Percentage**" for the De-Linked Trust Series means, with respect to any date of determination during any Monthly Period, the percentage equivalent (which percentage shall never exceed 100 per cent.) of a fraction:

(a) the numerator of which is the sum of (i) the Floating Calculation Investor Interest Amount on the date of determination (or with respect to the initial Issue Date, the Initial Investor Interest) *plus* (ii) the lesser of (A) an amount equal to (x) the aggregate outstanding face amount of Eligible Principal Receivables in the Penarth Receivables Trust as at the close of business on the last day of the previous Monthly Period *minus* (y) the sum of (1) the Floating Calculation Investor Interest Amount on the date of determination (or with respect to the initial Issue Date, the Initial Investor Interest) *plus* (2) the sum of the numerators used to calculate the Investor Percentages for distributions with respect to Finance Charge Receivables, Acquired Interchange or Receivables in Defaulted Accounts at any time, as applicable, for all outstanding Trust Series (excluding the De-Linked Trust Series) with respect to the date in the Monthly Period for which the Floating Investor Percentage is being determined and (B) the pre-funding amount on the date of determination; and

(b) the denominator of which is the greater of:

(i) an amount equal to the aggregate outstanding face amount of Eligible Principal Receivables in the Penarth Receivables Trust as at the close of business on the last day of the previous Monthly Period (or, with respect to the first Monthly Period, as at the close of business on the day immediately preceding the Issue Date); and

(ii) the sum of (A) the sum of (i) the Floating Calculation Investor Interest Amount on the date of determination (or with respect to the initial Issue Date, the Initial Investor Interest) *plus* (ii) the amount calculated under item (ii) of the numerator above *plus* (B) the sum of the numerators used to calculate the Investor Percentages for distributions with respect to Finance Charge Receivables, Acquired Interchange or Receivables in Defaulted Accounts at any time, as applicable, for all outstanding Trust Series (excluding the De-Linked Trust Series) with respect to the date in the Monthly Period for which the Floating Investor Percentage is being determined,

provided, **however**, **that** with respect to any Monthly Period in respect of which a Percentage Reset Date occurs, the element of the numerator determined pursuant to (a)(ii)(A)(x) and the denominator determined pursuant to (b) (i) above shall be, on and after such date, an amount equal to the aggregate outstanding face amount of Eligible Principal Receivables in the Penarth Receivables Trust at the beginning of the day on the most recently occurring Percentage Reset Date as adjusted for the outstanding face amount of Eligible Principal Receivables at the beginning of such day added to or, as the case may be, removed from the Undivided Bare Trust on such Percentage Reset Date and **provided further however** that if on any date of determination the Floating Calculation Investor Interest Amount is zero and the Investor Interest is less than £100,000 then the Floating Investor Percentage shall be zero.

The "**Net Floating Investor Percentage**" for the Funding 1 Beneficial Interest means, with respect to any date of determination during any Monthly Period, a percentage equal to (i) the Floating Investor Percentage less (ii) the Pre-Funding Percentage (if any) on such date of determination **provided**, **however**, **that** if on the date of determination the Net Floating Investor Percentage is zero and the Pre-Funding Percentage is greater than zero then the Net Floating Investor Percentage will be calculated on the basis that the Floating Calculation Investor Interest Amount for the purposes of calculating the Floating Investor Percentage is the amount of the Investor Interest.

In calculating the Floating Investor Percentage or the Net Floating Investor Percentage, as the case may be, the following terms are relevant:

The "**Available Funds Calculation Amount**" means, on any date of determination during any Monthly Period for any Loan Note, an amount equal to the sum of (i) the Nominal Liquidation Amount for such Loan Note on the last day of the preceding Monthly Period or, if such Loan Note was issued since the last day of the preceding Monthly Period, the issuance date for such Loan Note, *plus* (ii) the aggregate amount of any increases in the Nominal Liquidation Amount of such Loan Note as a result of (x) the increase in the Principal Amount Outstanding under any Loan Note and (y) a reduction in the pre-funding amount (other than any pre-funding amounts deposited during such Monthly Period) credited to the Principal Funding Account Ledger for such Loan Note, in each case, during such Monthly Period on or prior to such date **provided**, **however**, **that** the "Available Funds Calculation Amount" for any Loan Note which (a) will be repaid in full during such Monthly Period or (b) will have a Nominal Liquidation Amount of zero during such Monthly Period, shall be zero.

The "**Floating Calculation Investor Interest Amount**" shall mean, for the purposes of calculation only, on any date of determination during any Monthly Period, an amount equal to the aggregate of the Available Funds Calculation Amount for each Loan Note.

The "**Percentage Reset Date**" shall mean, with respect to any Monthly Period, any date on which:

(a) the Investor Interest is increased as a result of an Investor Interest Contribution Increase (other than as a result of an Additional Contribution utilising amounts available following application of LNI Available Principal Amounts); or

(b) an Addition Date occurs; or

(c) a Removal Date occurs.

The "**Pre-Funding Percentage**" for the Funding 1 Beneficial Interest means a percentage calculated in the same manner as the Floating Investor Percentage but substituting the pre-funding amount in the numerator. The Pre-Funding Percentage will be reduced to the extent that calculating a Pre-Funding Percentage would reduce the Floating Investor Percentages of any other outstanding Trust Series.

Distributions of Principal Collections to Loan Note Issuer No. 1

The amount of Principal Collections transferred on a daily basis (see "*The Penarth Receivables Trust — allocation and application of Collections*") during any Monthly Period to the Principal Collections Ledger of the Trustee Collection Account will only be transferred and distributed to Loan Note Issuer No. 1 as an Investor Beneficiary (to the extent of its beneficial interest) after making the calculations described below.

Principal Collections credited daily to the Principal Collections Ledger in the Trustee Collection Account will not be distributed to Loan Note Issuer No. 1 as an Investor Beneficiary but a specified percentage of

Principal Collections will be retained for calculation purposes in the Principal Collections Ledger and held on an undivided basis (the Group One Retained Principal Collections and the Required Retained Principal Collections, each as defined below) as provided for below. Amounts of Principal Collections that are retained in this way as Group One Retained Principal Collections will be used by the Receivables Trustee as shared Principal Collections (see "— *Shared Principal Collections*" below) and, to the extent not used as shared Principal Collections, will be transferred to the Trustee Investment Account to be used as Cash Available For Investment as previously described in "*The Penarth Receivables Trust — Application of Cash Available For Investment-payments of Acceptance Price and for further Eligible Receivables*".

As noted above, a specified percentage of Principal Collections calculated by reference to the De-Linked Trust Series equal to the amount of the Required Retained Principal Collections Percentage of such Principal Collections will be retained within the Trustee Collection Account of the Penarth Receivables Trust and may be deposited in the Loan Note Issuer No. 1 Distribution Account on a Transfer Date to meet certain payments or distributions to Loan Note Issuer No. 1 in respect of the De-Linked Trust Series which it is not able to satisfy from Finance Charge Collections and Acquired Interchange distributed as described above under "*Calculation and distribution of Finance Charge Collections, Acquired Interchange to Loan Note Issuer No. 1*".

The "**Group One Retained Principal Collections**" means those Principal Collections retained in the Principal Collections Ledger each month in respect of Principal Collections calculated by reference to all outstanding Trust Series in Group One that can be utilised, if needed, as shared Principal Collections to make distributions to outstanding Trust Series in Group One on a Transfer Date and which are not Required Retained Principal Collections for any Trust Series (including the De-Linked Trust Series).

The "**Required Retained Principal Collections**" means, those Principal Collections retained in the Principal Collections Ledger each month calculated by reference to the Required Retained Principal Collections Percentage on each day of such month, that can be utilised, if needed, as Utilised Required Retained Principal Collections.

The "**Required Retained Principal Collections Percentage**" means with respect to any date of determination during any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the aggregate of the unused subordinated amounts for such date calculated for those Loan Notes which have unused subordinated amounts of Subordinated Loan Notes and the denominator of which is the Principal Calculation Investor Interest Amount for such date. For the purpose of this definition, "the aggregate of the unused subordinated amounts" means, with respect to any such date of determination, if class A Loan Note remains outstanding, the total unused class A Available Subordinated Amounts; if there are no class A Loan Notes outstanding, the total unused class B Available Subordinated Amounts and, if there are no class B Loan Notes outstanding, the total unused class C Available Subordinated Amounts.

For calculation purposes, to the extent amounts of Required Retained Principal Collections are distributed to Loan Note Issuer No. 1 to help it make certain of its payments or distributions, these amounts are defined as "**Utilised Required Retained Principal Collections**" as set out in more detail in "*The Loan Notes — use of LNI Available Principal Amounts*" above.

To the extent that amounts of Required Retained Principal Collections are not used to cover income deficiencies, such excess amounts will be used by the Receivables Trustee as Available Retained Principal Collections on the related Transfer Date (as described below).

Payment of amounts representing Available Retained Principal Collections

A portion of Principal Collections credited each Business Day (until there is no Daily Principal Shortfall) to the Trustee Collection Account which are allocable to Loan Note Issuer No. 1 less any Required Retained Principal Collections, will be accumulated by the Receivables Trustee during each Monthly Period in the Principal Collections Ledger (allocable to Loan Note Issuer No. 1) as Group One Retained Principal Collections. Any amount of Principal Collections allocable to Loan Note Issuer No. 1 on any Business Day in excess of the pro rated share of the Group One Retained Principal Collections attributable to Loan Note Issuer No. 1 and Required Retained Principal Collections will be transferred to the Trustee Investment Account to be used as Cash Available For Investment. The amount accumulated on each day during any Monthly Period will, together with Required Retained Principal Collections not utilised, form part of Available Retained Principal Collections. The amount of Available Retained Principal Collections will be utilised first to cover the Monthly Principal Amount for that Monthly Period, which amount will be transferred by the Receivables Trustee (on each related Transfer Date) to the Loan Note Issuer No. 1 Distribution Account to be credited to the Loan Note Issuer No. 1 principal ledger on the related Transfer Date. Available Retained Principal Collections in excess of the Monthly Principal Amount will be used by the Receivables Trustee, first as shared Principal Collections, and then to make payments to the Transferor as Cash Available For Investment as previously described in "*The Penarth Receivables Trust — Application of Cash Available For Investment — Payments of Acceptance Price and for further Eligible Receivables*".

The "**Available Retained Principal Collections**" shall mean for the purposes of calculation in respect of a Transfer Date and a related Monthly Period:

(a) the aggregate amount of Retained Principal Collections for such Monthly Period, *minus*

(b) the amount of reallocated Principal Collections with respect to such Monthly Period which are distributed to Loan Note Issuer No. 1 and used as Utilised Required Retained Principal Collections, *plus*

(c) the amount of Shared Principal Collections with respect to Group One that are allocated to the De-Linked Trust Series in accordance with the De-Linked Supplement.

The "**Retained Principal Collections**" shall mean, with respect to any Monthly Period, the aggregate amount credited to the Principal Collections Ledger for such Monthly Period pursuant to the De-Linked Supplement (which is an amount equal to the aggregate of Group One Retained Principal Collections and Required Retained Principal Collections).

The "**Funding 1 Termination Date**" shall mean the earlier to occur of (a) the Distribution Date on which both (i) Funding 1's Investor Interest is reduced to zero and is not capable of reinstatement pursuant to the RTDSA as supplemented by the De-Linked Supplement and (ii) all the Related Debt has an outstanding Principal Amount equal to zero and (b) the latest Distribution Date specified as a termination date in respect of any outstanding Related Debt **provided that** such latest Distribution Date shall be no earlier than the date falling two years after the latest date which is a Scheduled Redemption Date in relation to any Loan Note or such shorter period as may be certified by the Cash Manager as being consistent with the then current rating of any Associated Debt or, if no Associated Debt is then outstanding, an investment grade rating for a new issuance of Associated Debt.

Calculation of Principal Collections to be distributed to Loan Note Issuer No. 1 in respect of the De-Linked Trust Series

The calculation of amounts available for distribution to Loan Note Issuer No. 1 in respect of Principal Collections will be determined on the basis of the Principal Investor Percentage for the Monthly Period in which such Principal Collections arise. In broad terms, the Principal Investor Percentage will be calculated by reference to the aggregate of the Principal Calculation Amounts for all Loan Notes. This will take into account whether such Loan Notes are in a Loan Note Revolving Period or an Amortisation Period or an Accumulation Period.

The "**Principal Investor Percentage**" means, with respect to any date of determination during any Monthly Period, the percentage equivalent (which percentage shall never exceed 100 per cent.) of a fraction:

- the numerator of which is an amount equal to the Principal Calculation Investor Interest Amount for such date of determination; and
- the denominator of which is the greater of:
    - (i) an amount equal to the aggregate outstanding face amount of Eligible Principal Receivables in the Penarth Receivables Trust as at the close of business on the last day of the previous Monthly Period (or with respect to the first Monthly Period, as at the close of business on the day immediately preceding the Issue Date); and
    - (ii) the sum of (A) the Principal Calculation Investor Interest Amount as at the close of business on the date of determination plus (B) the sum of the numerators used to calculate the Investor Percentages for distributions with respect to Eligible Principal Receivables for all outstanding Trust Series (excluding the De-Linked Trust Series) with respect to the

date in the Monthly Period for which the Principal Investor Percentage is being determined,

provided, **however**, **that** with respect to any Monthly Period in respect of which a Percentage Reset Date occurs, the denominator determined pursuant to (i) above shall be, on and after such date, an amount equal to the aggregate outstanding face amount of Eligible Principal Receivables in the Penarth Receivables Trust as at the beginning of the day on the most recently occurring Percentage Reset Date as adjusted for the outstanding face amount of Eligible Principal Receivables at the beginning of such day added to or, as the case may be, removed from the Undivided Bare Trust on such Percentage Reset Date.

In calculating the Principal Investor Percentage, the following terms are relevant:

The "**Principal Calculation Amount**" shall mean, on any date of determination during any Monthly Period for any Loan Note, an amount equal to either (a) for any Loan Note in an Accumulation Period or an Amortisation Period, the Nominal Liquidation Amount for such Loan Note as at the close of business on the day prior to the commencement of such Accumulation Period or Amortisation Period or (b) for any Loan Note which is not in an Accumulation Period or an Amortisation Period, the aggregate of (i) the Nominal Liquidation Amount for such Loan Note, as at the close of business on the last day of the immediately preceding Monthly Period (or, with respect to the first Monthly Period for such Loan Note, the Initial Principal Amount for such Loan Note), plus (ii) the aggregate amount of any increases in the Nominal Liquidation Amount of such Loan Note as a result of (x) the increase in the principal amount outstanding under such Loan Note and (y) a reduction in the pre-funding amount (other than pre-funding amounts deposited during such Monthly Period) for such Loan Note, from the Principal Funding Account Ledger for such Loan Note, in each case, during such Monthly Period on or prior to such date; **provided however that** the "Principal Calculation Amount" for any Loan Note which (a) will be repaid in full during such Monthly Period or (b) will have a Nominal Liquidation Amount of zero during such Monthly Period shall be zero.

The "**Principal Calculation Investor Interest Amount**" shall mean, on any date of determination during any Monthly Period, an amount equal to the aggregate of the Principal Calculation Amounts for all outstanding Loan Notes.

On each Transfer Date the Receivables Trustee will withdraw the Monthly Principal Amount from the Trustee Collection Account (and debit the Principal Collections Ledger).

The "**Monthly Principal Amount**" is the lesser of an amount equal to the Available Retained Principal Collections which are standing to the credit of the Principal Collections Ledger and the Amortisation Amount targeted to be paid on such Transfer Date. In calculating the Monthly Principal Amount the following terms are relevant:

The "**Amortisation Amount**" for any date of determination shall be equal to the least of:

- the Targeted Principal Amount for such date;
- the sum of (i) the Maximum Regulated Deposit Amount for such date of determination and (ii) the aggregate of each Principal Amortisation Amount for the related Monthly Period for Loan Notes which are in a Rapid Amortisation Period; and
- either:

  (x) if on such date of determination there is a pre-funding amount of greater than zero (taking into account any deposits of withdrawals to be made with respect to the Principal Funding Account on the related Transfer Date for the Monthly Period in respect of such date of determination) an amount equal to the Funding 1 Beneficial Interest less £120,000; or

  (y) if on such date of determination there is no pre-funding amount (taking into account any deposits or withdrawals to be made with respect to the Principal Funding Account on the related Transfer Date for the Monthly Period in respect of such date of determination) an amount equal to the Funding 1 Beneficial Interest.

The "**Targeted Principal Amount**" means, on any date of determination in respect of any Monthly Period, an amount equal to the sum of (i) the aggregate of the Principal Amortisation Amount, if any, for each outstanding Loan Note for such Monthly Period, (ii) the Controlled Deposit Amount, if any, for each outstanding Loan Note for the Transfer Date in respect of such Monthly Period and (iii) the Targeted Pre-Funding Amount for the Transfer Date in respect of such Monthly Period.

The "**Principal Amortisation Amount**" means in respect of each Loan Note, unless otherwise specified in the Loan Note Supplement for such Loan Note:

- for any Monthly Period with respect to a Rapid Amortisation Period for such Loan Note, an amount equal to the Nominal Liquidation Amount of that Loan Note as at the close of business on the last day of the Monthly Period preceding such Monthly Period (determined after giving effect to any allocation of shortfalls and any reallocations, payments or deposits of LNI Available Principal Amounts on the related Transfer Date); or
- for any Monthly Period with respect to a partial Amortisation Period, an optional Amortisation Period or any other period specified as an Amortisation Period in the Loan Note Supplement for such Loan Note, an amount equal to the amount specified in such Loan Note Supplement.

The "**Maximum Regulated Deposit Amount**" means for any date of determination with respect to any Monthly Period either:

(i) an amount equal to the lesser of (a) an amount equal to the sum of (1) the product of (A) one twelfth of the aggregate of (x) the stated Initial Investor Interests of all outstanding Trust Series (excluding companion Series and the De-Linked Trust Series) and (y) the aggregate of the Principal Calculation Amounts for each Loan Note outstanding multiplied by (B) a fraction, the numerator of which is the aggregate of the Principal Calculation Amounts for each Loan Note outstanding which is in an Accumulation Period or an Amortisation Period and the denominator of which is the aggregate of the stated Initial Investor Interests of all outstanding Trust Series (including the aggregate of the Principal Calculation Amounts for each Loan Note outstanding of the relevant Loan Notes of the De-Linked Trust Series) which are in an accumulation, amortisation or other similar period requiring Principal Collections to be allocated to such Trust Series (including the De-Linked Trust Series) and (2) an amount equal to De-Linked Trust Series *pro rata* share (calculated by reference to the amount of the shortfall for a Trust Series compared to the aggregate shortfall for all relevant Trust Series) of the amount of the excess of the Maximum Regulated Deposit Amount of each Trust Series which is in an accumulation, amortisation or other similar period requiring Principal Collections to be allocated to such Trust Series over the Monthly Principal Amount for such Trust Series and (b) an amount equal to the sum of (1) the aggregate of the Principal Amortisation Amount, if any, for each outstanding Loan Note which is not in a Rapid Amortisation Period, for the related Monthly Period, (2) the Controlled Deposit Amount, if any, for each outstanding Loan Note for the related Transfer Date, and (3) the Targeted Pre-Funding Amount for the related Transfer Date; or

(ii) such other amount notified to the Receivables Trustee by the beneficiaries **provided that** such other amount shall not be valid unless the relevant notice to the Receivables Trustee is accompanied by an officer's certificate that such other amount or the method of calculating such amount has been approved as the Maximum Regulated Deposit Amount by the FCA and the PRA as regulator of the Transferor or any successor thereto.

Unavailable Principal Collections

As noted in "*The Penarth Receivables Trust — Allocation and Application of Collections*", where an unavailable principal collection arises on any day in the Trustee Collection Account, such amount will be withdrawn from the Trustee Collection Account (and debited to the Principal Collections Ledger) and transferred to the Trustee Investment Account. Once deposited in the Trustee Investment Account, such amount will be treated as described in "*The Penarth Receivables Trust — Application of Cash Available For Investment — Payments of Acceptance Price and for further Eligible Receivables*". Unavailable Principal Collections will only be transferred from the Trustee Investment Account to the Transferor Beneficiary if and to the extent that the Adjusted Transferor Interest at that time is greater than zero.

Shared Principal Collections

The De-Linked Trust Series is in Group One. This means that the De-Linked Trust Series shares Principal Collections with other outstanding Trust Series in Group One. "**Group One**" means any outstanding Trust Series in respect of Loan Note Issuer No. 1 or Loan Note Issuer No. 2 including the Funding 1 Beneficial Interest and each other Trust Series specified in any Supplement to be included in Group One.

"**Shared Principal Collections**" for Group One means, as the context may require, either:

- the amount of Principal Collections calculated for the De-Linked Trust Series which may be applied to the Series Principal Shortfall (or equivalent) with respect to other outstanding Trust Series in Group One; or
- the amounts of Principal Collections calculated in respect of other outstanding Trust Series in Group One which the applicable Supplements for such Trust Series specify are to be treated as "shared Principal Collections" and which may be applied and distributed to Loan Note Issuer No. 1 to cover the Series Principal Shortfall with respect to the De-Linked Trust Series.

A "**Principal Shortfall**" means, a shortfall in any scheduled or permitted principal distributions to, or deposits in the Principal Funding Account for the benefit of, Loan Note Issuer No. 1 in respect of the De-Linked Trust Series, which have not been covered out of the Principal Collections allocable to such Trust Series and certain other amounts for such Trust Series.

Shared Excess Finance Charge Collections

De-Linked Trust Series is part of "Group A (finance charge collections)", which means the De-Linked Trust Series and each other Trust Series specified in its related Supplement to be included in Group A (finance charge collections) for the purposes of sharing excess Finance Charge Collections. This means that the De-Linked Trust Series shares Shared Excess Available Funds with other Trust Series in Group A (finance charge collections) to the extent required. As at the date of this Base Prospectus, there are no other Trust Series in Group A (finance charge collections), but additional Trust Series may in the future be designated as Group A (finance charge collections).

Defaulted Receivables; Investor Charge-offs

On each Transfer Date, the Receivables Trustee will calculate the aggregate Investor Default Amount for the preceding Monthly Period.

The "**Default Amount**" means, with respect to any Defaulted Account, the amount of Principal Receivables (other than Ineligible Receivables) in such Defaulted Account on the day such account became a Defaulted Account.

On each Transfer Date, if the aggregate Investor Default Amount exceeds the amount of LNI Available Principal Amounts following the transfer of LNI Available Funds available to cover such aggregate Investor Default Amount, the amount of such Investor Charge-Off will reduce the Funding 1 Beneficial Interest.

Distribution ledgers

The Receivables Trustee has established within the Trustee Collection Account, two ledgers in relation to amounts of Principal Collections (the "**Principal Collections Ledger**") and Finance Charge Collections (the "**Finance Charge Collections Ledger**") respectively. All amounts credited to each ledger are held on the terms of the Undivided Bare Trust, unless otherwise specified under the terms of the RTDSA or any Supplement thereto.

The Receivables Trustee has established a ledger to record amounts of Finance Charge Collections credited to the Trustee Collection Account and distributed to Loan Note Issuer No. 1 (the "**Funding 1 Finance Charge Collections Ledger**"). All amounts credited to such ledger are held on Segregated Bare Trust for the sole benefit of Loan Note Issuer No. 1.

Investor Trustee Payment Amount

As described in "*The Penarth Receivables Trust — Trustee payment amount*" above, a share of the Aggregate Trustee Payment Amount is calculated as allocable to and is borne by Loan Note Issuer No. 1 (as an Investor Beneficiary) in respect of the De-Linked Trust Series. This share of the Aggregate Trustee Payment Amount with respect to each Transfer Date (the "**Investor Trustee Payment**") will be an amount equal to the sum of (A) the product of (1) a fraction, the numerator of which is the weighted average Floating Calculation Investor Interest Amount for the Monthly Period preceding such Transfer Date and the denominator of which is the aggregate of the weighted average of the Investor Interests of each Trust Series in respect of which such Aggregate Trustee Payment Amount was incurred, and (2) the aggregate of each relevant Trustee Payment Amount (as has been certified to the Servicer by the end of any Monthly Period as being accrued due and payable in respect of such Monthly Period) plus (B) an amount equal to one twelfth of the annual Trustee Fee applicable to Loan Note Issuer No. 1 to the extent accrued due and payable on such Transfer Date.

Qualified Institutions

If the bank at which the Trustee Collection Account or Trustee Investment Account is held ceases to be a Qualified Institution, then the Receivables Trustee will, within 30 days, establish a new account to replace the affected account or Accounts, and will transfer any cash and interest to such new account or Accounts. The Receivables Trustee may in its discretion elect to move any or all of the aforementioned Accounts from the Qualified Institution at which they are kept as at the date of this Base Prospectus to another or other Qualified Institutions.

A "**Qualified Institution**" means (i) an institution which at all times has (a) a short-term unsecured debt rating of at least A-1 by Standard & Poor's (or, where no short-term unsecured debt rating by Standard & Poor's is available, at least A+ by Standard & Poor's), P-1 from Moody's and a short-term issuer default rating of at least F1 by Fitch Ratings and (b) a long-term unsecured debt rating of at least A2 by Moody's and a long-term issuer default rating of at least A by Fitch Ratings or (ii) such other short-term or long-term rating which is otherwise acceptable to the relevant Rating Agency or (iii) such other institution, **provided that** the Servicer has certified that in its opinion, formed on the basis of due consideration, the appointment of such other institution will not result in the downgrade or withdrawal by the Rating Agencies of the ratings of any Associated Debt.

All the previous references relating to the definition of a "Qualified Institution" in the documentation to "Fitch's Rating Watch Negative" are no longer applicable.

Funding 1 Pay Out Events

If any one of the following events shall occur with respect to the De-Linked Trust Series:

- failure on the part of the Transferor (i) to make any payment or deposit required by the terms of the RSD, on or before the date occurring five Business Days after the date such payment or deposit is required to be made herein or (ii) duly to observe or perform in any material respect any covenants or agreements of the Transferor set out in the RSD or the De-Linked Supplement, which failure has a Material Adverse Effect on the interests of the Investor Beneficiary (in respect of the De-Linked Trust Series) and which continues unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Receivables Trustee, or to the Transferor and the Receivables Trustee by the Investor Beneficiary (in respect of the De-Linked Trust Series) and which continues unremedied during such 60 day period to have a Material Adverse Effect on the interests of the Investor Beneficiary (in respect of the De-Linked Trust Series) for such period;

- any representation or warranty made by the Transferor in the RSD or the De-Linked Supplement, or any information required to be delivered by the Transferor pursuant to the RSD, (i) shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Receivables Trustee, or to the Transferor and the Receivables Trustee by the Investor Beneficiary (in respect of the De-Linked Trust Series), and (ii) as a result of which there is a Material Adverse Effect on the interests of the Investor Beneficiary (in respect of the De-Linked Trust Series) and which continues unremedied during such 60 day period to have a Material Adverse Effect for such period; **provided**, **however**, **that** a Funding 1 Pay Out Event pursuant to the De-Linked Supplement shall not be deemed to have occurred hereunder if the Transferor has complied with its obligations pursuant to the RSD, in respect of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the RSD; or

- any Servicer Default shall occur which would have a Material Adverse Effect on the Investor Beneficiary (in respect of the De-Linked Trust Series),

then, in the case of any event described above after the applicable grace period (if any) set out in such subparagraphs, either the Receivables Trustee or Loan Note Issuer No. 1 as Investor Beneficiary (Term) (in respect of the De-Linked Trust Series) by notice then given in writing to the Transferor and the Servicer (and to the Receivables Trustee if given by Loan Note Issuer No. 1 as Investor Beneficiary (Term)) may declare that a Pay Out Event (a "**Funding 1 Pay Out Event**") has occurred as at the date of such notice. If Loan Note Issuer No. 1 gives such notice, it may only do so on the instruction of the holder of the Related Debt. If the Receivables Trustee gives such notice, it must also give notice to Loan Note Issuer No. 1 (in respect of the De-Linked Trust Series).

THE SECURITY TRUST DEED AND CASH MANAGEMENT AGREEMENT

General

Global Loan Note No. 1 was issued by the Original Loan Note Issuer No. 1 on 16 October 2008 and the Original Loan Note Issuer No.1 novated its interest in Global Loan Note No.1 to Loan Note Issuer No.1 on the Novation Date. Global Loan Note No.1 is now governed by a security trust deed and cash management agreement dated on the Novation Date (as amended and restated from time to time) and made between *inter alios* Bank of Scotland, Deutsche Bank Trust Company Americas (the "**Security Trustee**") and Loan Note Issuer No. 1 (the "**STDCMA**"). As part of an onshoring exercise undertaken to move the Programme from Jersey to England and Wales, the original security trust deed and cash management agreement dated 16 October 2008 (as amended and restated from time to time) was terminated pursuant to a deed of release dated the Novation Date, and the STDCMA was executed. Global Loan Note No. 1 and each other global loan note issued under the STDCMA may be varied and supplemented, from time to time, by the creation of a Loan Note by a Supplement to a Global Loan Note of which that Loan Note forms a notional tranche (each a "**Supplement to a Global Loan Note**"). Under the STDCMA, the Security Trustee declares that it will hold all secured property upon the security trust set out in the STDCMA for the secured creditors of all Loan Notes, and for each other person which from time to time becomes an additional secured creditor, in accordance with the terms of the STDCMA.

Covenants of Loan Note Issuer No. 1

The STDCMA also contains positive and negative covenants made by Loan Note Issuer No. 1 in favour of the Security Trustee, to be held on trust for each holder at any time of a Loan Note (a "**Loan Note Holder**"). One of the covenants is that Loan Note Issuer No. 1 will pay interest and repay principal on each Loan Note when due. Other covenants are included to ensure, among other things, that Loan Note Issuer No. 1 remains bankruptcy remote and gives the Security Trustee access to all information and reports that it may need in order to discharge its responsibilities in relation to the Loan Note Holders.

Loan Note Security

The STDCMA creates Security for all Loan Notes created or to be created by Loan Note Issuer No. 1, comprising an assignment by way of first fixed Security of all of Loan Note Issuer No. 1's right, title and interest:

- in the Funding 1 Corporate Services Agreement;
- as an Investor Beneficiary of the Penarth Receivables Trust;
- to any sums of money standing to the credit of the Loan Note Issuer No. 1 Distribution Account (in respect of such amount as is available for the Funding 1 Beneficial Interest); and
- to any Permitted Investments in respect of the Funding 1 Beneficial Interest; and

a floating charge granted by Loan Note Issuer No. 1 over all of its business and assets not otherwise secured (and over Scottish assets otherwise secured) under the STDCMA in favour of the Security Trustee.

The Security described above and created under the STDCMA in respect of the Funding 1 Beneficial Interest is described as the "**Loan Note Security**".

The STDCMA creates Security Interests complying with Scots law in relation to assets governed by or otherwise subject to Scots law. All other Security is created under English law.

Enforcement and priority of payments

The terms and provisions of the STDCMA also set out the general procedures by which the Security Trustee may take steps to enforce the Loan Note Security in accordance with the terms of the STDCMA and the terms and conditions of each Loan Note. The STDCMA provides for a general discretion of the Security Trustee to enforce the Loan Note Security situated outside of the United Kingdom and also provides for the Security Trustee to be instructed by the Note Trustee to take action in relation to the enforcement of the relevant Loan Notes and Security in the United Kingdom. The Security Trustee anticipates that in respect of any Loan Notes which support a Note Series issued by the Issuer, it will seek instructions or directions from the Note Trustee prior to taking any enforcement action and the Note Trustee expects that it will (subject to and in accordance with the note Conditions and the Note Trust Deed) give such instruction or direction either in its absolute discretion or as directed to do so by an Extraordinary Resolution of Noteholders (see "*Terms and Conditions of the Notes*"). The Security Trustee is not, however, obliged to act on the Note Trustee's directions unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

The STDCMA sets out the priority in which the Security Trustee will pay out any monies that it receives under the Loan Notes constituted by the relevant Loan Note Supplement before and after the Security is enforced. This is described further in "*The Loan Notes*".

Appointment, powers, responsibilities and liability of the Security Trustee

The STDCMA also sets out the terms on which the Security Trustee is appointed, the indemnification of the Security Trustee, the payment it receives and the extent of the Security Trustee's authority. It also contains provisions limiting or excluding the liability of the Security Trustee in certain circumstances. The Security Trustee is also given the ability to appoint a delegate or agent in the execution of any of its duties under the STDCMA. The STDCMA also sets out the circumstances in which the Security Trustee may resign or retire.

The STDCMA states that the Security Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances including, without restriction, in relation to taking action to enforce Loan Note Security or debt which it holds. The Security Trustee is also entitled to be paid its costs and expenses in priority to the claims of the Loan Note Holders.

The Security Trustee is not responsible for any liability which may be suffered because any assets comprised in the Loan Note Security, or any deeds or documents of title to such assets, are inadequately insured or are held by custodians on behalf of the Security Trustee.

The Security Trustee and its related companies are entitled to enter into business transactions with Loan Note Issuer No. 1, Loan Note Issuer No. 2, the Receivables Trustee, Bank of Scotland or related companies of any of those companies without accounting for any profit resulting from those transactions.

The Security Trustee is relieved of liability for making searches or other enquiries in relation to the assets comprising the Security. The Security Trustee has no responsibility in relation to the legality and the enforceability of the trust arrangements and the connected Loan Note Security. The Security Trustee will not be obliged to take any action which might result in its incurring personal liabilities. The Security Trustee is not obliged to monitor or investigate the performance of any other person under the documents relating to Loan Note Issuer No. 1 or the documents relating to the Penarth Receivables Trust and shall be entitled to assume, until it has actual notice to the contrary, that all such persons are properly performing their duties and that no Loan Note Event of Default, Pay Out Event or Funding 1 Pay Out Event has occurred, unless it receives express notice to the contrary.

The Security Trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of any Loan Note Security.

The Security Trustee is not responsible for checking the calculations contained in or otherwise verifying any information coming into its possession in relation to the Penarth Receivables Trust. The Security Trustee is not responsible for monitoring or determining whether or not any or all of the Issuance Tests are satisfied prior to or at the time of any issue of Loan Notes or any increase of the Outstanding Principal Amount of an existing Loan Note by Loan Note Issuer No. 1.

Cash Manager

Bank of Scotland has been appointed by Loan Note Issuer No. 1 as initial Cash Manager (the "**Cash Manager**") to provide cash management services under the terms of the STDCMA.

Governing law

The STDCMA is governed by English law.

THE NOTE TRUST DEED

General

Each of the notes issued by the Issuer will be governed by the Note Trust Deed made between the Note Trustee and the Issuer. For each issue of a Note Series, the Note Trust Deed will be varied and supplemented upon the Issue Date of such Note Series by a supplemental trust deed for that Note Series (each a "**Note Trust Deed Supplement**"). Under the Note Trust Deed, the Issuer declares in favour of the Note Trustee that it (i) assigns by way of security its rights, title and interest in the Issuer Master Framework Agreement, the Issuer account bank agreement, the Paying Agency Agreement, the Loan Notes, each Loan Note Supplement, the Swap Agreements, the Note Trust Deed (including the Conditions) and any deed or other document executed in accordance with the provisions of the Note Trust Deed and expressed to be supplemental to the Note Trust Deed including, without limitation, the relevant Note Trust Deed Supplement (including the Conditions) and (ii) creates a floating charge over the whole of its undertaking and assets not charged by any fixed charge (and Scottish assets so charged) upon the security trust set out in the Note Trust Deed (as varied and supplemented by any Note Trust Deed Supplement). The Note Trust Deed Supplement for a Note Series will also secure, in respect of that Note Series, the rights of the Issuer in and to the Loan Note created by Loan Note Issuer No. 1 in favour of the Issuer which supports the Note Series in question. Together, the terms of the Note Trust Deed with the terms of a particular Note Trust Deed Supplement for a Note Series will set out the following:

- the constitution of the notes for that Note Series;
- the applicable covenants, representations and warranties of the Issuer in relation to that Note Series;
- the Security for that Note Series;
- the pre-enforcement and post-enforcement priorities and enforcement procedures relating to that Note Series; and
- the appointment of the Note Trustee, its powers and responsibilities and the limitations on those responsibilities.

Constitution of the Notes

The Note Trust Deed, when supplemented by a particular Note Trust Deed Supplement, sets out the form of each note for the relevant Note Series. It also sets out the terms and conditions of each note and the conditions for the cancellation of any note of that Note Series.

Covenants, representations and warranties of the Issuer

The Note Trustee holds the benefit of the Issuer covenants on trust for the benefit of the Noteholders. The covenants are set out in the Note Trust Deed with reference to the Issuer Master Framework Agreement. Covenants given by the Issuer include compliance with and performance of all its obligations under the Conditions, the payment of interest and repayment of principal on each note when due, and the provision to the Note Trustee of access to all information and reports that it may need in order to discharge its responsibilities in relation to the Noteholders.

Note Security

The Note Trustee shall hold the benefit of the security created pursuant to the Note Trust Deed on trust for the benefit of, *inter alios*, the Noteholders of all Series. Nevertheless, each Note Trust Deed Supplement will create a segregated Security Interest held on trust by the Note Trustee for the benefit of, *inter alia*, the Noteholders of that Note Series and such Security will be separate and distinct from the Security created by any other Note Trust Deed Supplement.

Each Note Trust Deed and Note Trust Deed Supplement creates a floating charge complying with Scots law in relation to assets governed by or otherwise subject to Scots law. All other Security is created under English law including the Security taken over the bank accounts of the Issuer located in the United Kingdom.

Enforcement and priority of payments

The terms and provisions of the Note Trust Deed and each Note Trust Deed Supplement also set out the general procedures by which the Note Trustee may take steps to enforce the Security created thereunder (subject to being indemnified and/or secured and/or prefunded to its satisfaction) so that the Note Trustee may protect the interests of each of the Noteholders (and any other secured parties) in accordance with the terms of the Note Trust Deed and such Note Trust Deed Supplement and the terms and conditions of each Note Series.

The notes

As the beneficial holder of Global Loan Note No. 1, the Issuer will be entitled to receive a payment, at specified times, of a portion of interest payments and Principal Payments, as well as certain other amounts. These payments will be received by the Issuer in respect of each relevant Note Series and utilised in and towards payment of interest on, and redemption of, the relevant Note Series as well as payments to the Swap Counterparty under any Swap Agreement (if one is entered into in relation to the notes of such Note Series) and payment of certain other expenses. See "*Cashflows of the Issuer*", "*Description of the Swap Agreements*", "*Interest and Payments*" and "*Scheduled Redemption of a Note Series*" below.

See also "*The Loan Notes*" for further information on the cash flows relating to the Loan Notes utilised to pay interest on and to redeem the notes.

The ability of the Issuer to meet its obligations to repay the principal of, and to pay interest on, each Note Series will depend on the receipt by it of funds from Loan Note Issuer No. 1 and receipt by it of amounts from a Swap Counterparty under the Swap Agreement if one is entered into in relation to a particular Note Series. See "*Risk Factors*" and "*Description of the Swap Agreements*".

The Issuer and the Note Trustee will have no recourse to Bank of Scotland or any of its affiliates.

Recourse

It should be noted that if the net proceeds of the enforcement of Security in respect of a particular Note Series following a mandatory redemption — after meeting the expenses of the Note Trustee and any receiver — are insufficient to make all payments due on the notes of that Note Series, the assets of the Issuer not already secured under a fixed charge will not be available for payment of that shortfall.

Cashflows of the Issuer

Each Loan Note Supplement sets out how money is distributed under each Loan Note to the Issuer as the holder of the Loan Note. All payments made from the account of Loan Note Issuer No. 1 will be made monthly on a Distribution Date, which will also be the monthly Interest Payment Date in respect of the notes during the Rapid Amortisation Period (except for notes that have the benefit of a Swap Agreement which have a monthly Interest Payment Date only after their Scheduled Redemption Date).

Other payments, in particular, payments of interest on the notes prior to any Amortisation Period will be made on an Interest Payment Date which falls at the end of an annual, semi-annual, quarterly or monthly period, as applicable. The Interest Payment Dates of each Loan Note will be monthly (see "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below).

Monthly Payments of an Income Nature

On each Distribution Date the aggregate of the amounts (other than amounts in respect of principal), transferred on or before the immediately preceding Transfer Date by Loan Note Issuer No. 1 to the Issuer's distribution account and credited to the Distribution Ledger for the relevant Note Series together with any interest earned on the Distribution Ledger for the relevant Note Series on the previous Distribution Date, shall be applied in the order of priority set out below as follows:

1. an amount equal to the Loan Note Holder's Costs Amount for such Transfer Date shall be used or retained in the Issuer's distribution account for payment of each item of the Loan Note Holder's Costs Amount;

2. for each Note Series of class A notes *pari passu* and in no priority between each item;

   (a) in respect of a Distribution Date falling during any period that is not an Amortisation Period, an amount equal to the monthly distribution amount for the relevant class A Loan Note credited to the Distribution Ledger for the relevant Note Series of class A notes shall be used or retained in the Issuer Distribution Account, identified for the Note Series in question, for payment, in each case as described in paragraph (1) or (2) in "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below;

   (b) in respect of a Distribution Date falling in the Rapid Amortisation Period where there is no Swap Agreement entered into by the Issuer, an amount equal to the monthly distribution amount for the relevant class A Loan Note credited to the Distribution Ledger for the relevant Series of class A notes on the Transfer Date falling on or immediately prior to such Distribution Date, shall be paid by the Issuer to the Noteholders of the relevant Note Series of class A notes in accordance with the terms and conditions of the notes; and

   (c) if a Swap Agreement has been entered into in respect of the notes, then in respect of a Distribution Date during the Rapid Amortisation Period on or prior to the relevant Scheduled Redemption Date, an amount equal to the monthly distribution amount for the relevant class A Loan Note credited to the Distribution Ledger for the relevant Note Series of class A notes shall be retained in the Issuer Distribution Account, identified for the Note Series of class A notes in question, for payment, in each case, as described in "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below;

3. for each Note Series of class B notes *pari passu* and in no priority between each item;

   (a) in respect of a Distribution Date falling during any period that is not an Amortisation Period, an amount equal to the monthly distribution amount for the relevant class B Loan Note credited to the Distribution Ledger for the relevant Note Series of class B notes shall be used or retained in the Issuer Distribution Account, identified for the Note Series in question, for payment, in each case as described in paragraph (1) or (2) in "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below;

   (b) in respect of a Distribution Date falling in the Rapid Amortisation Period where there is no Swap Agreement entered into by the Issuer, an amount equal to the monthly distribution amount for the relevant class B Loan Note credited to the Distribution Ledger for the relevant Note Series of class B notes on the Transfer Date falling on or immediately prior to such Distribution Date, shall be paid by the Issuer to the Noteholders of the relevant Note Series of class B notes in accordance with the terms and conditions of the notes; and

   (c) if a Swap Agreement has been entered into in respect of the notes, then in respect of a Distribution Date during the Rapid Amortisation Period on or prior to the relevant Scheduled Redemption Date, an amount equal to the monthly distribution amount for the relevant class B Loan Note credited to the Distribution Ledger for the relevant Note Series of class B Notes shall be retained in the Issuer Distribution Account, identified for the Note Series of class B notes in question, for payment, in each case, as described in "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below;

4. for each Note Series of class C notes *pari passu* and in no priority between each item;

   (a) in respect of a Distribution Date falling during any period that is not an Amortisation Period, an amount equal to the monthly distribution amount for the relevant class C Loan Note credited to the Distribution Ledger for the relevant Note Series of class C notes shall be used or retained in the Issuer Distribution Account, identified for the Note Series in question, for payment, in each case as described in paragraph (1) or (2) in "— *Annual, Semi-Annual, Quarterly or Monthly Payments* " below;

   (b) in respect of a Distribution Date falling in the Rapid Amortisation Period where there is no Swap Agreement entered into by the Issuer, an amount equal to the monthly distribution amount for the relevant class C Loan Note credited to the Distribution Ledger for the relevant Series of class C notes on the Transfer Date falling on or immediately prior to such Distribution Date, shall be paid by the Issuer to the Noteholders of the relevant Note Series of class C notes in accordance with the terms and conditions of the notes; and

(c) if a Swap Agreement has been entered into in respect of the notes, then in respect of a Distribution Date during the Rapid Amortisation Period on or prior to the relevant Scheduled Redemption Date, an amount equal to the monthly distribution amount for the relevant class C Loan Note credited to the Distribution Ledger for the relevant Note Series of class C note shall be retained in the Issuer Distribution Account, identified for the Note Series of class C notes in question, for payment, in each case, as described in "—*Annual, Semi-Annual, Quarterly or Monthly Payments*" below;

5. for each Note Series of class D notes *pari passu* and in no priority between each item;

(a) in respect of a Distribution Date falling during any period that is not an Amortisation Period, an amount equal to the monthly distribution amount for the relevant class D Loan Note credited to the Distribution Ledger for the relevant Note Series of class D notes shall be used or retained in the Issuer Distribution Account, identified for the Note Series in question, for payment, in each case as described in paragraph (1) or (2) in "— *Annual, Semi-Annual, Quarterly or Monthly Payments* " below;

(b) in respect of a Distribution Date falling in the Rapid Amortisation Period where there is no Swap Agreement entered into by the Issuer, an amount equal to the monthly distribution amount for the relevant class D Loan Note credited to the Distribution Ledger for the relevant Note Series of class D notes on the Transfer Date falling on or immediately prior to such Distribution Date, shall be paid by the Issuer to the Noteholders of the relevant Note Series of class D notes in accordance with the terms and conditions of the notes; and

(c) if a Swap Agreement has been entered into in respect of the notes, then in respect of a Distribution Date during the Rapid Amortisation Period on or prior to the relevant Scheduled Redemption Date, an amount equal to the monthly distribution amount for the relevant class D Loan Note credited to the Distribution Ledger for the relevant Note Series of class D notes shall be retained in the Issuer Distribution Account, identified for the Note Series of class D notes in question, for payment, in each case, as described in "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below;

6. amounts equal to the Loan Note Holder's Profit Amount, in respect of Distribution Dates during all periods, will be retained in the Issuer profit retention ledger in the Issuer Distribution Account; and

7. the remainder (if any) shall be paid to Loan Note Issuer No. 1 as deferred subscription price in respect of the Loan Notes for which the Issuer is Loan Note Holder.

Where the full amount of any payment described in "— *Monthly Payments of an Income Nature*" above and "— *Annual, Semi-Annual, Quarterly or Monthly Payments*" below cannot be made due to insufficiency in the funds credited to the relevant series distribution ledger or account which are available to make such payment, the payment will be made to the extent of available funds and the shortfall will be deferred to the next and succeeding Distribution Dates, Transfer Dates or Interest Payment Dates, as applicable.

Annual, Semi-Annual, Quarterly or Monthly Payments

On each Interest Payment Date which occurs annually, semi-annually, quarterly or monthly during a period as specified below, the Issuer shall make the following payments in respect of the relevant Note Series:

1. if no Swap Agreement has been entered into in respect of the relevant Note Series, in respect of an Interest Payment Date falling in a period that is not an Amortisation Period and prior to the Scheduled Redemption Date for the relevant Note Series, the aggregate of the monthly distribution amounts for the relevant Loan Note credited to the Distribution Ledger for the relevant Note Series on the one, three, six or twelve (depending on whether monthly, quarterly, semi-annual or annual applies and unless otherwise specified) Distribution Dates falling on or immediately prior to such Interest Payment Date, shall be paid by the Issuer to the relevant Note Series Noteholders in accordance with the terms and conditions of the notes; or

2. if a Swap Agreement has been entered into in respect of the relevant Note Series, in respect of an Interest Payment Date falling in a period that is on or prior to the Scheduled Redemption Date for the relevant Note Series, the aggregate of the monthly distribution amounts for the relevant Loan Note credited to the Distribution Ledger for the relevant Note Series on the one, three, six or twelve (depending on whether monthly, quarterly, semi-annual or annual applies and unless otherwise specified) Distribution Dates falling on or immediately prior to such Interest Payment Date, shall be paid by the Issuer to the Swap Counterparty and/or the relevant Note Series Noteholders (as the case may be) and converted to a sum for distribution to the Noteholders in accordance with the terms and conditions of the notes and subject to the terms of the Swap Agreement.

Amounts transferred by Loan Note Issuer No. 1 relating to the Issuer Distribution Account

Amounts will be transferred by Loan Note Issuer No. 1 and credited to the Distribution Ledger for the relevant Note Series in the Issuer Distribution Account, from time to time as specified in the Loan Note Supplement for the relevant Loan Note. These payments and the utilisation thereof by Loan Note Issuer No. 1 are described in detail in, respectively, "*Cashflows of Loan Note Issuer No. 1*", "— *Interest and Payments*" below and "— *Scheduled Redemption of a Note Series*" below.

Interest and payments

Each Note Series will bear interest for a period equal to an Interest Period under the notes at a rate determined in accordance with the relevant Note Trust Deed Supplement and the terms and conditions of the notes to be paid by or on behalf of the Issuer.

Interest Payment Dates

The First Interest Payment Date for each Note Series will be specified in the relevant Final Terms or Drawdown Prospectus, as applicable.

With respect to a Note Series where there is no Swap Agreement entered into by the Issuer, during any period that is not an Amortisation Period, interest on the notes will be paid monthly, quarterly, semi-annually or annually (depending on the note terms and conditions) on the Interest Payment Date in accordance with the relevant note terms and conditions after making any necessary payments described in "*Monthly Payments of an Income Nature*" above. During the Rapid Amortisation Period, interest will be paid monthly.

With respect to a Note Series where the Issuer has entered into any Swap Agreement, during any period prior to and on the relevant Scheduled Redemption Date, amounts in Sterling will be paid monthly, quarterly, semi-annually or annually (depending on the note terms and conditions) on the Interest Payment Date by the Issuer to the Swap Counterparty under the terms of the Swap Agreement and in accordance with the terms and conditions of the notes and after making any necessary payments described in "— *Monthly Payments of an Income Nature*" above.

With respect to a Note Series where the Issuer has entered into a Swap Agreement, during the Rapid Amortisation Period on, prior to or, as applicable, after the relevant Scheduled Redemption Date, interest will be paid in accordance with the relevant note terms and conditions after making any necessary payments described in "*Monthly Payments of an Income Nature*" above. See also "*Description of the Swap Agreements*".

If any withholding or deduction for any taxes, duties, assessments or government charges of whatever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest on any note by any jurisdiction or any political subdivision or authority in or of any jurisdiction having power to tax, payments by the Issuer to the holder of the relevant note will be reduced accordingly and none of the Issuer, the Note Trustee, any Paying Agent and the Registrar, will be required to make any additional payments to the Noteholders for that withholding or deduction. Such reduced payments will not be treated as Deferred Interest and, accordingly, will not bear Additional Interest. See "*United Kingdom Taxation Treatment of the Notes*" for information on the United Kingdom withholding tax treatment of payments under the notes.

Termination payments for a Swap Agreement

Where the Issuer has entered into a Swap Agreement for a Note Series and the Swap Agreement is terminated otherwise than as a result of a Counterparty Swap Event of Default, the sum of (x) the aggregate amounts of monthly distribution amounts credited to the Distribution Ledger for the relevant Note Series in the Issuer Distribution Account, plus (y) principal amounts available to the Issuer to make payments in respect of the relevant Note Series, will be utilised on the relevant Interest Payment Date(s) on which a swap termination payment in respect of the Note Series is payable by the Issuer (if applicable), to determine the calculation of proportional allocation between the Swap Counterparty and the Issuer (in respect of such Note Series) to pay, in no order of priority between them but in proportion to the respective amounts due, (1) the swap termination payment, and (2) in and towards payment of first, interest, then Deferred Interest and Additional Interest (due and unpaid) and then principal amounts to the Noteholders. The Issuer shall use any principal amounts available to it in respect of the Note Series (whether credited to the Call Protection Accumulation Deposit Account (in respect of such Note Series) or the Distribution Ledger for the relevant Note Series of the Issuer Distribution Account) to make such payments.

If the Swap Agreement is terminated as a result of a Counterparty Swap Event of Default and there are insufficient amounts available to the Issuer to make payment of the swap termination amount (where such amount is payable by the Issuer) then the Issuer shall use principal amounts available to it in respect of the relevant Note Series, as provided above, to make payment of the swap termination amount, if all amounts payable to the relevant Noteholders on the relevant Interest Payment Date have first been paid.

Scheduled Redemption of a Note Series

Unless the Rapid Amortisation Period has earlier commenced (see "— *Mandatory Redemption of a Note Series*" below), each note will be redeemed on its relevant Scheduled Redemption Date to the extent of the amount which has on that day been credited to the relevant Distribution Ledger for the relevant Note Series in the Issuer Distribution Account (or, if the Issuer has entered into a Swap Agreement in respect of the Note Series being redeemed, to the extent of the amount which on that day has been credited to the relevant Distribution Ledger in the Issuer Distribution Account or, as applicable, the relevant Distribution Ledger in the Call Protection Accumulation Deposit Account by Loan Note Issuer No. 1 or the Swap Counterparty, as the case may be), in accordance with the provisions of the relevant Loan Note Supplement in respect of amounts owing under the relevant Loan Notes (less any amount which is to be utilised to make payment of any swap termination amount due to any event other than a Counterparty Swap Event of Default if a Swap Agreement has been entered into). See also "*Description of the Swap Agreements*".

Mandatory Redemption of a Note Series

Where the Issuer has entered into a Swap Agreement for a Note Series and if the Rapid Amortisation Period commences prior to or on the relevant Scheduled Redemption Date, then the principal amounts credited to the Distribution Ledger for the relevant Note Series in the Issuer Distribution Account or, as applicable, the Distribution Ledger for the relevant Note Series in the Call Protection Accumulation Deposit Account by Loan Note Issuer No. 1, less any amount which is to be utilised to make payment of any swap termination amount (other than as a result of a Counterparty Swap Event of Default) will be applied as follows:

(a) on each Distribution Date prior to and including the relevant Scheduled Redemption Date principal amounts in respect of the relevant note will be held in the Distribution Ledger for the relevant Note Series in the Issuer Distribution Account or, as applicable, the Distribution Ledger for the relevant Note Series in the Call Protection Accumulation Deposit Account until the Scheduled Redemption Date whereupon such amounts will be paid in accordance with the terms and conditions of the relevant Note Series; or

(b)

(1) on the Scheduled Redemption Date, principal amounts credited to the Distribution Ledger for the relevant Note Series in the Issuer Distribution Account or, as applicable, the Distribution Ledger for the relevant Note Series in the Call Protection Accumulation Deposit Account will be applied in accordance with the terms and conditions of the relevant Note Series; and

(2) on each Distribution Date after the Scheduled Redemption Date, any principal amounts credited to the Distribution Ledger for the relevant Note Series of the Issuer Distribution Account by Loan Note Issuer No. 1 will be applied in accordance with the terms and conditions of the relevant Note Series until the earlier of (A) redemption of the Note Series in full or (B) the Distribution Date falling on the Final Redemption Date of the notes.

See also "*Description of the Swap Agreements*" and "*Terms and Conditions of the Notes*".

Where the Issuer has not entered into a Swap Agreement for a Note Series and if the Rapid Amortisation Period commences prior to or on the relevant Scheduled Redemption Date, then the principal amounts will be credited monthly to the Distribution Ledger for the relevant Note Series in the Issuer Distribution Account by Loan Note Issuer No. 1 and on each monthly Interest Payment Date principal amounts will be applied in accordance with the terms and conditions of the relevant Note Series until the earlier of (A) redemption of the Note Series in full or (B) the Distribution Date falling on the Final Redemption Date of the notes.

See also "*Terms and Conditions of the Notes*".

Optional Early Redemption in full of a Note Series

If a Note Series is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as being able to be redeemed on any Call Date, then (subject to any additional Conditions (if any) specified in the relevant Final Terms or Drawdown Prospectus, as applicable) on any Interest Payment Date falling on or after the relevant Call Date and upon giving not more than 60 nor less than 30 days' prior written notice to the Note Trustee, the Swap Counterparty, the Rating Agencies and the Noteholders (in accordance with Condition 16 (*Notices*)), the Issuer may redeem all (but not some only) of the notes of such Note Series then outstanding at their then Principal Amount Outstanding together with accrued interest **provided that**, prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the relevant Note Series on such Interest Payment Date and to pay any amounts required to be paid in priority or *pari passu* with such Note Series outstanding in accordance with the conditions of the Note Trust Deed and relevant Note Trust Deed Supplement. See also "*Terms and Conditions of the Notes*".

Appointment, powers, responsibilities and liability of the Note Trustee

The Note Trust Deed also sets out the terms upon which the Note Trustee is appointed, the indemnification of the Note Trustee, the payment it receives and the extent of the Note Trustee's authority. It also contains provisions limiting or excluding liability of the Note Trustee in certain circumstances. The Note Trustee is also given the ability to appoint a delegate or agent in the execution of any of its duties under the Note Trust Deed. The Note Trust Deed also sets out the circumstances in which the Note Trustee may resign or retire.

The Note Trust Deed states that the Note Trustee is entitled to be indemnified and/or secured and/or pre-funded to its satisfaction and relieved from responsibility in certain circumstances, including, without restriction, in relation to taking action to enforce any Security or debt which it holds. The Note Trustee is also entitled to be paid its fees, costs and expenses in priority to the claims of the Noteholders.

The Note Trustee is not bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Issuer to all or any of the property in respect of which the Issuer has created Security. The Note Trustee is not liable for any failure, omission or defect in perfecting, protecting or further assuring the Security. The Note Trustee is not responsible for investigating, monitoring or supervising the observance or performance by any person in respect of the charged property or otherwise. The Note Trustee is not under any obligation to insure any of the Security or any deed or documents of title. The Note Trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of Security. The Note Trustee shall not be responsible for monitoring whether a Loan Note Event of Default has occurred.

DESCRIPTION OF THE SWAP AGREEMENTS

The Issuer may enter into Swap Agreements with the Swap Counterparty for each Note Series where the notes are issued in a currency other than Sterling or pay a fixed rate of interest, or a floating rate of interest different to the floating rate applicable to the relevant Loan Note, under separate ISDA master agreements (and the schedules and confirmations relating thereto) for any such Note Series requiring a swap, as the same may be amended and/or supplemented each between the Issuer and the Swap Counterparty.

The relevant Note Series may be denominated in a currency other than Sterling and, in that case, the Issuer will be obliged to make payments of interest and principal in respect of the relevant Note Series in a currency other than Sterling. However, certain amounts received by the Issuer will be denominated in Sterling. In order to protect the Issuer against such currency exchange rate exposure, the Issuer and the Swap Counterparty will enter into a currency swap transaction in relation to the relevant Note Series.

Under the terms of such currency swap transaction, the Issuer will pay to the Swap Counterparty:

(a) on or after the Issue Date (as set out in the relevant Final Terms or Drawdown Prospectus, as applicable), the non-Sterling proceeds received by the Issuer on the issue of the relevant Note Series;

(b) on each Interest Payment Date (as set out in the relevant Final Terms or Drawdown Prospectus, as applicable), an amount in Sterling determined by reference to a calculation including the aggregate of the applicable floating rate of interest and applicable spread (as determined pursuant to the relevant Swap Agreement);

(c) during the redemption period (as referred to in the relevant Swap Agreement) on each Interest Payment Date (as set out in the relevant Final Terms or Drawdown Prospectus, as applicable) on which any of the relevant Note Series are redeemed in part pursuant to the mandatory early redemption conditions, an amount in Sterling determined in accordance with the provisions of the relevant Swap Agreement; and

(d) on the Scheduled Redemption Date, as set out in the relevant Final Terms or Drawdown Prospectus, as applicable (or such earlier date on which the relevant Note Series are redeemed in full in accordance with the Conditions), an amount in Sterling determined in accordance with the provisions of the relevant Swap Agreement.

In return, the Swap Counterparty will be obliged to pay to the Issuer:

(a) on or after the Issue Date (as set out in the relevant Final Terms or Drawdown Prospectus, as applicable), an amount in Sterling calculated by reference to the non-Sterling proceeds of the issue of the relevant Note Series converted into Sterling at the relevant exchange rate as provided in the relevant Swap Agreement;

(b) on each Interest Payment Date (as set out in the relevant Final Terms or Drawdown Prospectus, as applicable), an amount in a non-Sterling currency determined by reference to a calculation including the aggregate of the applicable floating rate of interest and applicable spread (as determined pursuant to the relevant Swap Agreement);

(c) during the redemption period (as referred to in the relevant Swap Agreement) on each Interest Payment Date (as set out in the relevant Final Terms or Drawdown Prospectus, as applicable) on which any of the relevant Note Series are redeemed in part pursuant to the mandatory early redemption conditions, an amount in a non-Sterling currency determined in accordance with the provisions of the relevant Swap Agreement; and

(d) on the Scheduled Redemption Date, as set out in the relevant Final Terms or Drawdown Prospectus, as applicable (or such earlier date on which the relevant Note Series are redeemed in full in accordance with the Conditions), an amount in a non-Sterling currency determined in accordance with the provisions of the relevant Swap Agreement.

Redemption Period and Redemption Protection Period

This section "Redemption Period and Redemption Protection Period" contains a summary of provisions which may apply in respect of a Note Series and the related Swap Agreement if the Redemption Protection Period is specified as applicable to such Note Series in the related Final Terms or Drawdown Prospectus, as applicable. The summary contained in this section is not purported to be an exhaustive overview of the applicable arrangements and may be amended and/or supplemented in respect of any relevant Note Series in a Drawdown Prospectus.

In relation to any Swap Agreement subject to the Redemption Protection Period

In the event that an Amortisation Period commences prior to a Scheduled Redemption Date in respect of a Notes Series, certain deposit arrangements may apply in relation to the Swap Agreement for that Note Series. In such event, the period from the date of the commencement of the Amortisation Period to and including the relevant Scheduled Redemption Date for the relevant Note Series is called the "**Redemption Protection Period**". During the Redemption Protection Period, on any Business Day on which an amount (each amount, a "**Redemption Amount**" in respect of the Swap Agreement) is paid by Loan Note Issuer No. 1 from the Loan Note Issuer No. 1 Distribution Account (and the balance of the Distribution Ledger for the relevant Note Series shall be adjusted accordingly) to and credited to the appropriate Note Series ledger in an account (the "**Call Protection Accumulation Deposit Account**") in the name of the Issuer, each such deposit by Loan Note Issuer No. 1, in respect of the relevant tranche of Loan Note in amortisation shall be defined as a deposit of "**Interim Principal Repayment Funds**".

All amounts representing any Interim Principal Repayment Funds shall be: (1) maintained in the relevant Note Series ledger in the Call Protection Accumulation Deposit Account; (2) held by the Issuer subject to the security created pursuant to the Note Trust Deed (including the relevant Note Trust Deed Supplement thereto); and (3) invested in Swap Permitted Investments (as defined in the relevant Note Trust Deed Supplement and set out below) as directed by the Swap Counterparty. All income (the "**Reinvested Collateral Income**") in relation to the Interim Principal Repayment Funds and Swap Permitted Investments shall be released to the Issuer on each Distribution Date. The Issuer shall use Reinvested Collateral Income and income from Swap Permitted Investments as part of the amounts payable to the Swap Counterparty pursuant to the Swap Agreement on a Distribution Date. On any Distribution Date during the Redemption Protection Period, the Issuer's obligation to pay the applicable amount calculated pursuant to a Swap Agreement for a Note Series shall be reduced by an amount (if any) by which (a) the aggregate amount of the Interim Principal Repayment Funds then standing to the credit of the relevant Note Series ledger in the Call Protection Accumulation Deposit Account on that Distribution Date (but not including any Interim Principal Repayment Funds to be deposited on that Distribution Date) multiplied by the relevant interest rate for the applicable tranche of Global Loan Note No. 1 as specified in the related Loan Note Supplement, exceeds (b) the Reinvested Collateral Income and income from Swap Permitted Investments released to the Issuer on such Distribution Date.

"**Swap Permitted Investments**" has the meaning given to it in the relevant Final Terms or Drawdown Prospectus, as applicable.

On each Distribution Date, the Issuer's obligation to pay the relevant amount calculated pursuant to the Swap Agreement shall be increased by the amount (if any) by which: (a) the Reinvested Collateral Income released to the Issuer on such Distribution Date, exceeds (b) the aggregate amount of the Interim Principal Repayment Funds then standing to the credit of the relevant Note Series ledger in the Call Protection Accumulation Deposit Account on that Distribution Date (but not including any Interim Principal Repayment Funds to be deposited on that Distribution Date) multiplied by the relevant interest rate for the applicable Loan Note as specified in the related Loan Note Supplement.

In relation to foreign exchange Swap Agreements only

In the event that (a) the Rapid Amortisation Period commences on the Scheduled Redemption Date for the relevant Note Series, (b) the Redemption Protection Period has earlier commenced and on or prior to the Scheduled Redemption Date for the relevant Note Series there have been credited to the Issuer's Distribution Ledger for the relevant Note Series insufficient funds to redeem the relevant Note Series in full, or (c) in the event that the Rapid Amortisation Period commences on or prior to the Scheduled Redemption Date for the relevant Note Series in relation to a Swap Agreement without the benefit of the Redemption Protection Period (any such event, a "**Redemption Trigger**"), then the following provisions shall apply. The "**Redemption Period End Date**" is the Interest Payment Date as set out in the relevant Final Terms or Drawdown Prospectus, as applicable. From the occurrence of the Redemption Trigger, the termination date under the relevant Swap Agreement shall be amended to be the Redemption Period End Date. The period from and including the date of the commencement of the Amortisation Period or the Scheduled Redemption Date, as specified in Swap Agreement for the relevant Note Series, to the Redemption Period End Date is called the "**Redemption Period**". On each Distribution Date during the Redemption Period, the notional amount applicable in respect of payments to be made by the Issuer under the relevant Swap Agreement shall be reduced (for the next following calculation period for the Issuer) by an amount equal to the amount credited to the Distribution Ledger for the relevant Note Series during the period from (and including) the immediately preceding Distribution Date to (but excluding) such Distribution Date (the amount of such reduction, the "**Issuer Amortisation Amount**"). On each Interest Payment Date during the Redemption Period, the notional amount applicable in respect of payments to be made by the Swap Counterparty under the relevant Swap Agreement shall be reduced (for the next following calculation period for the Swap Counterparty) by an amount (the "**Counterparty Amortisation Amount**") calculated as specified below. The Counterparty Amortisation Amount is equal to A x B/C

where:

A = the notional amount applicable in respect of payments to be made by the Swap Counterparty pursuant to the relevant Swap Agreement and calculated on the effective date under such Swap Agreement;

B = the Issuer Amortisation Amount applicable on the relevant Distribution Date; and

C = the notional amount applicable to payments to be made by the Issuer pursuant to the relevant Swap Agreement and calculated on the effective date under such Swap Agreement.

Details of Swap Agreements in relation to any relevant Note Series

A summary of the provisions relating to a Swap Agreement including, but not limited to, details in relation to any early termination provisions, rating downgrade or withdrawal triggers in relation to a Swap Counterparty and any relevant provisions in relation to taxation in respect of any relevant Note Series will be set out in the relevant Drawdown Prospectus for such Note Series.

BANK OF SCOTLAND PLC

Bank of Scotland plc ("**Bank of Scotland**") was incorporated under the laws of Scotland with limited liability on 17 September 2007 (registration number SC327000). Bank of Scotland's registered office is at The Mound, Edinburgh EH1 1YZ, Scotland. Bank of Scotland is authorised by the PRA and regulated by the FCA and the PRA. Bank of Scotland (together with its subsidiary and associated undertakings, "**Bank of Scotland Group**") is a directly owned and controlled subsidiary of HBOS plc, which in turn is a directly owned and controlled subsidiary of Lloyds Bank plc.

Overview

Bank of Scotland Group provides a wide range of banking and financial services in the UK and in certain locations overseas.

Business and activities

As at 31 December 2018, Bank of Scotland Group's activities were organised into two financial reporting segments: Retail and Commercial Banking.

Retail offers a broad range of financial service products, including current accounts, savings, mortgages, credit cards, motor finance and unsecured loans to personal and business banking customers. Commercial Banking, through its four client facing segments – SME, Mid Markets, Global Corporates and Financial Institutions, provides clients with a range of products and services such as lending, transactional banking, working capital management, risk management and debt capital markets services.

Ring-fencing

Additional information on Bank of Scotland Group, and Lloyds Banking Group's approach to ring-fencing, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: http://www.lloydsbankinggroup.com. The information on this website does not form part of this Base Prospectus.

LLOYDS BANK PLC

Lloyds Bank plc ("**Lloyds Bank**") was incorporated under the laws of England and Wales on 20 April 1865 (registration number 2065). Lloyds Bank's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom. Lloyds Bank is authorised by the PRA and regulated by the FCA and the PRA. Lloyds Bank (together with its subsidiary and associated undertakings, "**Lloyds Bank Group**") is a wholly owned subsidiary of Lloyds Banking Group plc.

Overview

Lloyds Bank Group provides a wide range of banking and financial services in the UK and in certain locations overseas.

Business and activities

As at 31 December 2018, Lloyds Bank Group’s activities were organised into two financial reporting segments: Retail and Commercial Banking.

Retail offers a broad range of financial service products, including current accounts, savings, mortgages, credit cards, motor finance and unsecured loans to personal and business banking customers. Commercial Banking, through its four client facing segments – SME, Mid Markets, Global Corporates and Financial Institutions, provides clients with a range of products and services such as lending, transactional banking, working capital management, risk management and debt capital markets services.

Ring-fencing

Additional information on Lloyds Bank, and Lloyds Banking Group's approach to ring-fencing, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: http://www.lloydsbankinggroup.com. The information on this website does not form part of this Base Prospectus.

CREDIT CARD PORTFOLIO

Bank of Scotland and Lloyds Bank

Lloyds Banking Group's credit card division ("**LBG Credit Card Division**") was formed in August 2009 following the merger for administrative purposes of the HBOS Card Services division, and the Lloyds TSB Card Services division. Although legal ownership of the credit card accounts was unaffected and remains with each of Bank of Scotland and Lloyds Bank, respectively, the LBG Credit Card Division has responsibility for all Bank of Scotland originated accounts, and all Lloyds Bank originated accounts. Currently LBG Credit Card Division only offers credit card products and services to individuals and businesses in the United Kingdom.

Both Bank of Scotland and Lloyds Bank are credit institutions as defined in points (1) and (2) of Article 4(1) of the CRR.

Bank of Scotland, acting through the LBG Credit Card Division, manages its credit card portfolio which, since the merger of Halifax and Bank of Scotland in 2001, includes the credit card accounts originated or acquired by both Halifax and Bank of Scotland. As part of its branding strategy Bank of Scotland has continued to issue cards using the Halifax and Bank of Scotland brands depending on the marketing channel and location.

Type of assets in the Securitised Portfolio

The Securitised Portfolio is comprised solely of unsecured consumer credit card accounts regulated under the CCA. Minimum monthly payments are required to be made under the card account and such obligations constitute direct obligations of the cardholders.

All Bank of Scotland card accounts are either VISA® branded or MasterCard® branded. Since 2005, pursuant to an exclusive agreement with MasterCard® International all new cards issued by Bank of Scotland are MasterCard® branded. Lloyds Bank issues credit cards using the Visa®, MasterCard® and American Express® brands. Since 2006, pursuant to an agreement with MasterCard® International all existing credit cards have been converted to the MasterCard® brand and future credit card accounts are to be issued under the MasterCard® brand (save for credit cards issued using the American Express® brand). Lloyds Bank has a license agreement with American Express Limited which allows Lloyds Bank to issue cards which are American Express® branded and a commercial agreement to do so.

Lloyds Banking Group acquired the MBNA credit card business from Bank of America in June 2017, however receivables from these accounts do not form part of the Securitised Portfolio.

Currently, over 98 per cent. of the Lloyds Banking Group portfolio is branded MasterCard® and 8 per cent. of MasterCard® cardholders also have an American Express® card. American Express®, VISA® and MasterCard® credit cards are issued through the LBG Credit Card Division as part of the worldwide American Express®, VISA® and MasterCard® International systems, and transactions creating the Receivables through the use of those credit cards are processed through the American Express®, VISA® and MasterCard® International authorisation and settlement systems.

In January 2018, American Express announced its decision to withdraw from all licencing arrangements in the European Union and to wind down all existing partnership operations. As a result all existing customers with a Lloyds Bank American Express Duo card will be moved to an equivalent MasterCard product by the end of November 2019, or soon thereafter. This is not expected to have a material impact on the Securitised Portfolio.

The Receivables included in the Securitised Portfolio, from time to time, are generated exclusively from card accounts for the Halifax, Bank of Scotland and Lloyds Bank brands held by individuals.

As at 29 February 2019, approximately £4.5 billion of Principal Receivables on card accounts originated by Bank of Scotland were included in the Securitised Portfolio, representing approximately 83 per cent. of Bank of Scotland's total credit card portfolio.

As at 29 February 2019, approximately £3.6 billion of principal receivables on card accounts originated by Lloyds Bank were included in the Securitised Portfolio, representing approximately 86 per cent. of Lloyds

Bank's total credit card portfolio. See "*The Receivables — Assignment of Receivables to the Receivables Trustee*".

Integration of Bank of Scotland and Lloyds Bank servicing platforms

The LBG Credit Card Division is primarily based in Cardiff, Wales, Chester and London, England and has in excess of 500 employees, with in addition over 5,000 employees engaged in credit card activities across Lloyds Banking Group operating from a number of sites (including some sites shared with other Lloyds Banking Group units) in the United Kingdom including:

Belfast, Newport & Glasgow	Direct Channels (Sales & Service)
Basildon	Information Technology, Customer Services, Payment Processing
Cardiff Bay & London	Marketing, Account Management, Cards Scheme Management, Head Sales Office, Information Technology, Finance, Human Resource, Strategy, Risk, Commercial Partnerships and Business Change
Hove, Chester, Preston, Bangalore & Manila	Collections
Copley	Statement Production
Manchester and Andover	Fraud, Customer Services, Direct Channels (Sales & Service) Information Technology and Vendor Management
Leeds	Direct Channels (Sales & Service), Credit Underwriting, Fraud
Rosyth	Direct Channels (Sales & Service), Customer Services and Recoveries
Brighton	Credit Underwriting
Solent	Direct Channels (Sales & Service)

Origination and Credit Granting

The Halifax, Bank of Scotland and Lloyds Bank internet acquisition network is a channel which continues to grow in significance, where Bank of Scotland originates approximately 84 per cent. of new Bank of Scotland card accounts and Lloyds Bank originates approximately 66 per cent. of new Lloyds Bank card accounts. The Halifax, Bank of Scotland and Lloyds Bank retail branch networks (together, the "LBG retail branch network") continues to be a channel of acquisition for cards where Bank of Scotland originates approximately 13 per cent. of new Bank of Scotland card accounts and Lloyds Bank originates approximately 31 per cent. of new Lloyds Bank card accounts. A large amount of new Bank of Scotland and Lloyds Bank credit card accounts are also generated with individuals who have other pre-existing relationships with Lloyds Banking Group's retail branch network, for example customers that have a mortgage with Bank of Scotland or Lloyds Bank but no existing branch relationship. These non-branch customers are solicited through a wide range of channels including inbound retail call centres, direct mail solicitation campaigns and outbound telemarketing initiatives. Currently, the majority of credit card accounts are held by individuals that have an existing Lloyds Bank customer relationship. In relation to generating Bank of Scotland and Lloyds Bank card accounts with individuals that have no existing relationship with Bank of Scotland or Lloyds Bank, the principal channels of origination are internet recruitment, mass media advertising and direct mail campaigns. The LBG Credit Card Division (through its relationship with external credit bureaus such as Call Credit and Experian described below) pre-screens mailing lists to prevent solicitations being sent to prospective accountholders who have significant adverse credit bureau information.

Bank of Scotland and Lloyds Bank card applications are the same across all channels and across the Bank Portfolio and the Securitised Portfolio (with a shortened application for pre-approved applications for existing customers) and consistent with the format generally used by bank credit card issuers in the United Kingdom requiring prospective cardholders to provide information on, among other things, the applicant's income, employment status and residence. Depending on the channel of origination, applicants can complete the application on site at branches, send a completed application by mail, input their data on-line or give their information to a customer services operator who will input the data directly into an electronic application.

All applications are screened for credit-worthiness through system-based checking involving automated scoring systems (described below) and external verifications supported by the LBG Credit Card Division's underwriting staff. Digital applications, applications through the retail branch network and direct mail applications are processed through the Galaxy system. Applications through the regional call centres are currently processed by the Your Finances system. Your Finances and Galaxy access external credit bureau data provided by Experian and Call Credit.

The Securitised Portfolio was originated in the ordinary course of Bank of Scotland or Lloyds Bank's business in accordance with the origination processes set out above which were applied irrespective of whether the Receivables were to be securitised.

The LBG Credit Card Division uses its own customer data for all origination channels, where available. In addition, as part of the automated system-based checking, application details are screened through a wide variety of other data bases, including CIFAS, Experian Detect and SIRA to comply with money laundering verifications and detect fraudulent applications. The LBG Credit Card Division also utilise an internal suspect database. Bank of Scotland and Lloyds Bank believe that, should Experian and Call Credit cease to provide application processing services to the LBG Credit Card Division, they will be able to contract for comparable services from another qualified entity.

Although the LBG Credit Card Division uses an automated credit scoring system as described above, the LBG Credit Card Division develops the scorecards used as part of the system based application process. Scorecards used in the account origination and approval process provide an indication of an applicant's likelihood to repay his or her obligations and are derived using a combination of factors including Bank of Scotland or Lloyds Bank account history (in the case of applicants with an existing Bank of Scotland or Lloyds Bank customer relationship, as applicable), annual income, time at and place of residence, current employment and credit bureau data. Furthermore, the LBG Credit Card Division determines the credit score that is required for acceptance of a particular application from time to time. The credit score that is required for acceptance of a particular application is based on a variety of factors, including the product applied for and Bank of Scotland's or Lloyds Bank's (as applicable) risk tolerance pertaining to the product at the time of scoring. The risk tolerance may be adjusted based on factors such as economic conditions, profitability, campaign objectives, competition and the analysis of historical data.

A live affordability assessment is made as part of each application using a combination of customer stated income, credit bureau and existing customer data. The customer's estimated disposable income is used to determine whether the customer can afford new lending, and where they can, to assign the customers initial credit limit in combination with the customers risk score and their customer requested limit.

Approximately 3 per cent. of applications that are neither approved nor declined through the automated system-based checking are referred to the LBG Credit Card Division's underwriting staff for manual review.

An applicant whose application is approved is assigned an initial credit limit based on the applicant's credit score, income level and indebtedness. For applicants that are disapproved, a customer appeals process is available but only a very small percentage of such system based decisions are overturned.

Account Use and Maintenance

Cardholders may use their cards for purchases, cash advances and to finance balance transfers. Purchases occur when cardholders use their cards to acquire goods or services. Cash advances occur when cardholders use their cards to obtain cash from a financial institution directly or an automated teller machine (ATM). Balance transfers occur when a customer arranges (either by telephone, completion of a coupon, or as part of his or her original application) to transfer the balance of another credit or store-card or to consolidate his or her overdraft to his or her credit card. Balance transfers are typically 0 per cent. interest arrangements for a set period of time, offset by a fee, with a prevalence for new accounts. In addition, eligible cardholders have a further option to transfer funds from their credit card to their current account ("**Money Transfers**") utilising their existing line of credit which provides a flexible solution for meeting varying customer needs. Amounts due with respect to purchases, cash advances and balance transfers will be included in the Receivables offered to the Receivables Trustee under the Receivables securitisation agreement.

The LBG Credit Card Division manages the credit card portfolios of Bank of Scotland and Lloyds Bank with the goal of delivering agreed levels of return and maximising profitability. This is done by splitting classes of applicants into different segments based on profitability and risk. The division has a strong focus on profitability and all new products and marketing initiatives have to be evaluated using specified models (called net present value models) and must meet minimum profitability targets and loss coverage targets. Credit limits are both increased and decreased systematically based on the continuing evaluation of accountholders' credit behaviour and suitability. Credit limits may be adjusted at the request of the accountholder, subject to continuous evaluation of credit behaviour and suitability. In addition, Bank of Scotland and Lloyds Bank may also adjust the account's credit limit either upwards or downwards automatically based on updated behaviour scores and the performance of the account.

Each accountholder is subject to an agreement governing the terms and conditions of his or her account. Each agreement provides that Bank of Scotland or Lloyds Bank (as applicable), if it gives advance notice to the accountholder, may, at any time, change or terminate any terms, conditions, services or features of the account (including increasing or decreasing periodic finance charges, other charges or minimum payments). Each of Bank of Scotland and Lloyds Bank regularly reviews its card agreement forms to determine their compliance with applicable law and the suitability of their terms and conditions. If they need to be updated or amended, this will be done on a timetable consistent with the existing terms and conditions and, where relevant, regulatory requirements. One such regulatory requirement was published by the FCA in March 2018 requiring credit card providers to implement an ongoing program of identification, communication and interventions for those customers in 'Persistent debt', defined as a customer paying more in interest and charges than principal over an 18 month period.

Bank of Scotland and Lloyds Bank continue to monitor fraud via a system known as FALCON, which monitors real time credit card transactional activity and scores each transaction according to potential fraud risk, and continuously evaluates account holders' credit behaviour and suitability through TRIAD, an account management system. Additional changes to card facilities are performed using SAS, an analytical and data interrogation tool, to ensure all available data sources can be utilised in risk assessment. Both TRIAD and FALCON are maintained by the Fair Isaacs Company, an independent firm experienced in fraud and risk automation systems. All strategies and scorecards implemented within these systems are developed and maintained internally within Lloyds Banking Group.

Processing and Account Management

The LBG Credit Card Division, through its management system (First Vision), provides certain processing services at various sites, including but not limited to:

- maintenance of account holder data and account holder transaction management;
- transmission of cardholder data to the group's appointed card suppliers and statement printers; and
- interface to the payment schemes (VISA®, MasterCard® and American Express®) enabling the daily processing of authorisations and settlement.

Certain processing services are outsourced to First Data, a provider of payment processing services.

The settlement processes have links to VISA®, MasterCard® and American Express® to enable cardholder transactions to be transferred. First Data settle with Visa®, MasterCard® or American Express® (as applicable) on behalf of Lloyds Bank, before being settled by Lloyds Bank with First Data.

The LBG Credit Card Division and its material suppliers have detailed contingency plans in place including the use of contingency sites to minimise delays in processing, facilitate recovery of all customer and transactional information and replace services that are currently provided should any of its operations fail.

Card Production

Primary card manufacture is carried out across 2 sites – Vitre, France and Shenzhen China. Primary personalisation is carried out in Tewkesbury, United Kingdom. Nominated contingency sites are Shenzhen, China (manufacture) and Dijon, France (personalisation).

The LBG Credit Card Division also contracts with a third-party supplier, IDEMIA, for certain card production services. IDEMIA is a leading provider of microprocessor and multi-application smart cards in the United Kingdom.

IDEMIA provides the LBG Credit Card Division with services including, but not limited to:

- receipt of daily transmissions containing cardholder data relating to new cards, replacement cards and re-issue cards;
- magnetic stripe, embedding, chip encoding and despatching;
- plastic card personalised embossing;
- matching of plastics to card carriers and insertion of relevant inserts; and
- secure preparation of cards mail packages.

Statement Printing

Monthly statement data with respect to each account holder is produced by the LBG Credit Card Division, through First Vision. Each statement contains the balance from the previous month, all activity (payments, transactions, fees and charges) on the account that has occurred since the previous statement date and the current balance owed. Where appropriate, a statement may also contain details of any proposed changes to terms and conditions (subject to relevant notice periods) or messages related to account management. Statements are printed at Copley and dispatched to primary credit card accountholder. Paperless statements are made available electronically via PDF through the credit card area in Internet Banking.

Billing and Payment

Most credit card agreements issued by Bank of Scotland or Lloyds Bank contain terms that allow cardholders to make purchases free of interest for up to 56 days. For the majority of products, this means that if the balance is paid in full by the due date noted on the customer statement (this is generally 25 days from the date of the statement), finance charges will not be incurred. Cash advances (and balance transfers and Money Transfers on standard rates) are not eligible for interest free periods, and, as such, no interest waivers are allowed.

The majority of Bank of Scotland and Lloyds Bank active cardholders must make a monthly payment of at least an amount equal to the sum of finance charges (interest), all default fees and any insurance premiums billed in the month plus 1 per cent. of the balance plus one twelfth of any annual fee (if applicable). Cardholders not required to make such monthly minimum payment are as a result of entering into repayment plans or other similar arrangements with Bank of Scotland or Lloyds Bank, as applicable. Various charges and fees are assessed on card accounts in accordance with the terms and conditions of the product held. The key fees include finance charges, cash advance handling fees, late payment fees, over-limit fees, balance transfer fees, foreign exchange fees and insurance premiums.

Finance charges on accounts are calculated on a daily basis and posted monthly to the customer's account where they then appear on the customer's monthly statement. Finance charges are calculated from the date transactions are posted (with the exception of cash advances). The charges will be subject to any applicable interest free periods, interest waivers and the customer's account status.

The interest rates on Bank of Scotland and Lloyds Bank credit card accounts may be changed by Bank of Scotland or Lloyds Bank (as applicable) and approximately 90 per cent. are linked to the Bank of England Base Rate. At the moment, the standard annual percentage rate of charge for purchases on accounts ranges from 3.95 per cent. to 30.20 per cent. (excluding introductory offers). Bank of Scotland and Lloyds Bank may sometimes offer temporary promotional rates. Bank of Scotland and Lloyds Bank also offer activation programs and other incentives.

Payment Processing

Bank of Scotland and Lloyds Bank customers are able to make payments through a variety of methods including: at branch offices with a counter, via the post, telephone/internet banking and direct debit.

Delinquency and Loss Experience

Both Bank of Scotland and Lloyds Bank consider an account to be contractually delinquent at 1 day past due, where it will enter the collections system (Debt Manager) and start receiving actions. An account is assigned a risk band through TRIAD (collections decision engine) based on several criteria including a behaviour score. Treatments for these accounts will then be determined based on the TRIAD risk segmentation. Standard treatments for early cycle accounts include:

- statement message;
- SMS;
- letters; and
- telephone calls.

These actions are timed based on the risk segmentation driven by TRIAD, and include, on low risk accounts, hold periods where it is considered the account will self-cure. Telephony action is controlled by an in-house dialler.

Additionally, where terms and conditions allow, Bank of Scotland or Lloyds Bank (as applicable) may choose to exercise its right of set-off ("**ROSO**") and transfer savings or current account funds to clear credit card arrears. Sufficient funds will always be left to allow the customer to meet priority payments and reasonable day-to-day living expenses.

There is also a re-age process where an account holding at cycle or rolling back for three consecutive months will have its arrears cleared, although the balance remains unaltered.

Authorisation strategies and limit decrease strategies will be taken by the account management team to determine new credit limits and whether the card should be blocked.

At 180 days past due accounts are automatically charged off to recoveries, following checks that accounts have received appropriate regulatory letters, with certain exceptions such as outstanding insurance claims. In certain scenarios accounts will also be charged off early, specifically in situations of more extensive financial difficulty, where a repayment plan is not appropriate. These accounts may be charged off within 3-4 months. Other scenarios, such as confirmed bankruptcy, individual voluntary arrangements and deceased customers can result in the account being charged off earlier. Charged off accounts which hold a balance of less than £100 will be written off and closed.

Bank of Scotland and Lloyds Bank may provide a repayment plan for customers experiencing financial difficulties ("**Repayment Plan**"). The Repayment Plan policy which is the same for Bank of Scotland and Lloyds Bank, is a concessionary arrangement where a payment of less than the contractual amount may be accepted, charges suspended and interest charges reduced or suspended. Both Bank of Scotland and Lloyds Bank set certain criteria for entry into an initial three month formal Repayment Plan which may be extended for a further three months upon review. Accounts which do not meet these criteria will still benefit from reduced/suspended interest and suspended charges if the customers have no affordability or have missed three payment cycles. Additionally those customers with no affordability are not required to make contractual minimum payments and will roll into charge off after 65 days. On entry to a repayment plan, accounts are re aged to current and closed to further spend, and remain in a closed, paydown status following completion.

The criteria for entry into a formal Repayment Plan are:

- short term financial difficulty following an assessment of income and affordability; and
- a minimum repayment of 1% of balance per month.

Any customer failing to meet the contractual requirements of the plan will as stated above roll through to a charge off status.

Accounts that have filed for Insolvency are Charged Off within one month.

Post charge off, accounts are subject to a recoveries strategy which includes placement with debt collection agencies ("**DCAs**") and Debt sales which are performed on a monthly basis. Both DCAs and debt purchasers are subject to contracts and on-going monitoring and oversight of their performance and conduct post sale/placement by LBG Credit Card Division.

RECEIVABLE YIELD CONSIDERATIONS

Each Final Terms or Drawdown Prospectus, as applicable issued in connection with the issuance of a Note Series will contain a table setting forth the gross revenues from finance charges and fees billed to Accounts in the Bank Portfolio for each of the periods shown (the "**Bank Portfolio Yield Table**").

The historical yield figures in the Bank Portfolio Yield Table will be calculated on an accruals basis. Collections of Receivables included in the Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience in the Bank Portfolio Yield Table. During periods of increasing delinquencies or periodic payment deferral programmes, accrual yields may exceed cash amounts accrued and billed to Obligors. Conversely, as delinquencies decrease, cash yields may exceed accrual yields as amounts collected in a current period may include amounts accrued during prior periods. However, the Transferor believes that during the periods referred to in the Bank Portfolio Yield Table in the relevant Final Terms or Drawdown Prospectus, as applicable, the yield on an accrual basis closely approximates the yield on a cash basis. The yield on both an accrual and a cash basis will be affected by numerous factors, including the monthly Periodic Finance Charges on the Receivables, the amount of Annual Fees (if any) and other fees, changes in the delinquency rate on the Receivables and the percentage of Obligors who pay their balances in full each month and do not incur monthly Periodic Finance Charges.

The revenue for the Bank Portfolio of credit card accounts shown in the Bank Portfolio Yield Table will comprise of monthly Periodic Finance Charges, credit card fees and Interchange. These revenues vary for each account based on the type and volume of activity for each account (see "*Credit Card Portfolio*").

MATURITY ASSUMPTIONS

The De-Linked Supplement provides that Loan Note Issuer No. 1 will receive distributions of Principal Collections in respect of the Funding 1 Investor Interest on a Transfer Date when the Principal Amortisation Amount or Controlled Deposit Amount in respect of any Loan Note is greater than zero or when the Targeted Pre-Funding Amount is greater than zero. The aggregate amount of the targeted distribution of principal in such circumstances is referred to as the "**Targeted Principal Amount**". Principal Collections distributed to Loan Note Issuer No. 1 will be utilised in respect of the Loan Notes in accordance with the priority of payments applicable to the Loan Note Issuer No. 1 available principal amount.

If the Targeted Principal Amount is greater than zero, then on each Transfer Date prior to the payment of the Funding 1 Investor Interest in full, an amount equal to the Monthly Principal Amount will be deposited in the principal ledger of the Loan Note Issuer No. 1 Distribution Account in accordance with the priority of payments applicable to the Loan Note Issuer No. 1 available principal amount until the Targeted Principal Amount is reduced to zero. Although it is anticipated that Principal Collections will be available on each Transfer Date to make a deposit of the applicable amounts to Loan Note Issuer No. 1 in respect of Loan Notes in an Accumulation Period (other than for pre-funding) to allow repayment of such Loan Notes on the Scheduled Redemption Date for each such Loan Note, no assurance can be given in this regard. If the amount required to pay the relevant Loan Note in full on its Scheduled Redemption Date is not available, then an Early Redemption Event will occur for that Loan Note and the Rapid Amortisation Period for that Loan Note will commence.

If a Pay Out Event or an Early Redemption Event occurs during the Accumulation Period for a Loan Note, the Rapid Amortisation Period will commence and any amount on deposit in the Principal Funding Account Ledger for that Loan Note will be paid to Loan Note Issuer No. 1 on the first Transfer Date relating to the Rapid Amortisation Period for that Loan Note. In addition, to the extent that the Initial Principal Amount of that Loan Note has not been paid in full, Loan Note Issuer No. 1 will be entitled to monthly distributions of Principal Collections equal to the Targeted Principal Amount (which will include the amount required for the relevant Loan Note) until, among other things, the Initial Principal Amount of that Loan Note has been paid in full or until the termination date. A Pay Out Event occurs, either automatically or after specified notice, upon the occurrence of a Trust Pay Out Event or a Funding 1 Pay Out Event (see "*The Penarth Receivables Trust — Trust Pay Out Events*" and "*Sources of Funds to Pay the Loan Notes*"). An Early Redemption Event occurs either automatically or after specified notice (see "*The Loan Notes — Early Redemption Events*").

Each Final Terms or Drawdown Prospectus, as applicable will contain a table presenting the highest and lowest cardholder monthly payment rates for the Bank Portfolio during any month in the periods shown and the average cardholder monthly payment rates for all months during the periods shown, in each case calculated as a percentage of total opening monthly account balances during the periods shown (the "**Cardholder Monthly Payments Rates Bank Portfolio Table**"). Payment rates shown in the Cardholder Monthly Payments Rates Bank Portfolio Table are based on amounts which would be deemed payments of Principal Receivables and Finance Charge Receivables with respect to the related Accounts.

Generally, Obligors must make a monthly minimum payment on the account of a certain percentage of the statement balance. There can be no assurance that the monthly payment rates by Obligors in the future will be similar to the historical experience as set out in the relevant Final Terms or Drawdown Prospectus, as applicable. In addition, the amount of Collections may vary from month to month due to seasonal variations, general economic conditions and payment habits of individual Obligors. There can be no assurance that the payment rates of the Principal Receivables with respect to the Securitised Portfolio will be similar to the historical experience presented in the relevant Final Terms or Drawdown Prospectus, as applicable or that sufficient amounts will be available for deposit into the Principal Funding Account Ledger in respect of each Loan Note or the principal ledger, in each case, maintained for such Loan Note. If a Pay Out Event or an Early Redemption Event occurs, the average life and maturity of the notes of any Note Series could be significantly reduced.

In the case of a Note Series backed by a Loan Note with an Accumulation Period, because there may be a slowdown in the payment rate below the payment rates used to determine the accumulation amount or a Pay Out Event or an Early Redemption Event may occur which would initiate the Rapid Amortisation Period in respect of such Loan Note, there can be no assurance that the actual number of months elapsed from the date of issuance of the notes to the final Distribution Date relating thereto will equal the expected number of months. As described above, the Servicer may shorten the Accumulation Period and, in such event, there can be no assurance that there will be sufficient time to accumulate all amounts necessary to pay the relevant amounts on the Scheduled Redemption Date for each such Loan Note.

THE RECEIVABLES TRUSTEE

The Receivables Trustee was incorporated in England and Wales on 7 March 2019 with company number 11867448 as a private company with limited liability under the Companies Act 2006, as amended (which is also the relevant primary legislation under which the Receivables Trustee operates). The registered office of the Receivables Trustee is located at 35 Great St. Helen's, London EC3A 6AP.

The entire issued share capital of the Receivables Trustee is held by Intertrust Corporate Services Limited, a company incorporated in England and Wales and having its registered office at 35 Great St. Helen's, London EC3A 6AP (acting solely in its capacity as trustee of The Penarth Charitable Trust) (in such capacity the " **Share Trustee**") under the terms of a declaration of trust (the "**Share Declaration of Trust**") made by the Share Trustee on 5 April 2019 (and as subsequently amended). The Share Declaration of Trust provides that any income or capital held by the Share Trustee subject thereto is to be applied to or for the benefit of certain discretionary trusts.

The principal activities of the Receivables Trustee are to undertake and perform the office and duty of the Receivables Trustee as described in the RSD, the RTDSA, each Supplement and all documents incidental to those documents. Such duties include acting as trustee of the Penarth Receivables Trust, purchasing and accepting transfers of the Receivables from the Transferor and entering into documents incidental to or relating to those activities. The memorandum and articles of association of the Receivables Trustee may be inspected at the registered office of the Receivables Trustee.

Directors and secretary

The directors of the Receivables Trustee and their respective business addresses and other principal activities are:

Name	Nationality	Business Address	Principal Activities
Intertrust Directors 1 Limited	Not applicable	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	Not applicable	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Paivi Helena Whitaker	Finnish	35 Great St. Helen's, London EC3A 6AP	Director

The Receivables Trustee is organised as a special purpose vehicle and is largely passive, engaging only in the types of transactions described in this Base Prospectus. The Receivables Trustee is managed and controlled by its directors in the UK; however, it is expected that it will require only a small amount of active management.

Intertrust Directors 1 Limited and Intertrust Directors 2 Limited are also directors of Loan Note Issuer No. 1, Loan Note Issuer No. 2 and the Issuer. The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited are Paivi Helena Whitaker, Andrea Williams, Clive Short, Susan Abrahams and Michelle O’Flaherty whose business addresses are 35 Great St. Helen's, London EC3A 6AP and who perform no other principal activities outside the Receivables Trustee which are significant with respect to the Receivables Trustee.

In accordance with a corporate services agreement dated the Novation Date (as amended and restated from time to time) (the "**RT Corporate Services Agreement**"), Intertrust Management Limited, incorporated under the laws of England and Wales and having its registered office at 35 Great St. Helen's, London EC3A 6AP, provides the Receivables Trustee with general secretarial, registrar and company administration services. The fees of Intertrust Management Limited for providing such services are included in the Trustees Fees (see "*The Penarth Receivables Trust — Trustee payment amount*").

The secretary of the Receivables Trustee is Intertrust Corporate Services Limited.

Management and principal activities

The Receivables Trustee has been established specifically to act as trustee of the Penarth Receivables Trust. Its activities are restricted by the terms of the Penarth Receivables Trust as set out in the RTDSA, related Supplements and other Related Documents, and is limited to its trusteeship thereof, and transfer to it (pursuant to any Offers made to it by the Transferor) of Receivables and, under trusts relating thereto, the exercise of related rights and powers and other activities incidental thereto.

Pursuant to the RTDSA, the Servicer will undertake to collect monies relating to the Receivables, to administer the Designated Accounts and monies received in respect of them and to provide services in connection with the day-to-day management and administration of the business of the Penarth Receivables Trust, such as the preparation of Accounts and regulatory returns.

The Receivables Trustee will engage in the following activities:

(a) those incidental to the declaration of the Penarth Receivables Trust and the transfer to it of the Receivables;

(b) obtaining the relevant licence under the Consumer Credit Act 1974, as amended by the Consumer Credit Act 2006;

(c) the authorisation and execution of the documents to which it is a party;

(d) acting as Receivables Trustee in respect of the Penarth Receivables Trust;

(e) the authorisation and execution of the documents to which it is a party in order to create Trust Series within the Penarth Receivables Trust; and

(f) the authorisation of the documents referred to in this Base Prospectus to which it is party other than those documents executed in connection with the declaration of the Penarth Receivables Trust, the creation of future Trust Series or the creation of previous Trust Series within the Penarth Receivables Trust.

Under the terms of the RTDSA, the Receivables Trustee covenants in favour of the beneficiaries that it will not, without the prior written consent of each of the beneficiaries:

(a) carry on any business other than as trustee of the Penarth Receivables Trust and in respect of that business shall not engage in any activity or do anything whatsoever except:

    (i) hold, and exercise its rights in respect of, the Trust Property and perform its obligations in respect of the Trust Property;

    (ii) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Relevant Documents to which it is expressed to be a party;

    (iii) pay dividends or make other distributions to the extent permitted by applicable law;

    (iv) use, invest or dispose of any of its property or assets in the manner provided in or contemplated by the Relevant Documents to which it is expressed to be a party; and

    (v) perform any and all acts incidental to or otherwise necessary in connection with (i), (ii), (iii) or (iv) above;

(b) incur any indebtedness whatsoever (other than as expressly contemplated in the RTDSA or in any Supplement) or give any guarantee or indemnity in respect of any indebtedness;

(c) create any Encumbrance whatsoever over any of its assets, or use, invest, sell or otherwise dispose of any part of its assets (including any uncalled capital) or undertaking, present or future, other than as expressly contemplated by the RTDSA and any Relevant Document to which it is expressed to be a party;

(d) permit the validity or effectiveness of the Penarth Receivables Trust to be supplemented, amended, varied, terminated, postponed or discharged (other than as expressly contemplated in the RTDSA or in any Supplement or any Scottish Assignation and Trust Deed);

(e) have an interest in any bank account other than a Trust Account and the bank account in the United Kingdom referred to in paragraph (b) of sub-clause 7.13.2 of the RTDSA;

(f) maintain a branch registration outside of the United Kingdom;

(g) maintain or carry on any business through any office, establishment, branch, agency or permanent establishment outside of the United Kingdom for United Kingdom tax purposes; or

(h) have any employees or premises (other than a sufficient number of employees or premises in light of its contemplated business operations).

Under the terms of the RTDSA, the Receivables Trustee has also made a covenant in favour of the beneficiaries that it shall maintain all licences, authorisations and covenants and do all other things necessary to ensure its continued corporate existence and carry out its obligations under the Relevant Documents to which it is a party.

Share capital

The issued share capital of the Receivables Trustee comprises one ordinary share of £1.00.

There are no outstanding loans or subscriptions, allotments or options in respect of the Receivables Trustee.

Legal proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Receivables Trustee is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Receivables Trustee's financial position or profitability.

LOAN NOTE ISSUER NO. 1

Loan Note Issuer No. 1 was incorporated as a special purpose vehicle in the UK on 7 March 2019 with company number 11867560 as a private company with limited liability under the Companies Act 2006, as amended (which is also the relevant primary legislation under which Loan Note Issuer No. 1 operates). The registered office of Loan Note Issuer No. 1 is located at 35 Great St. Helen's, London EC3A 6AP.

The entire issued share capital of Loan Note Issuer No. 1 is held by the LNI Share Trustee under the Share Declaration of Trust made by the LNI Share Trustee on 5 April 2019 (and as subsequently amended). The Share Declaration of Trust provides that any income or capital held by the Share Trustee subject thereto is to be applied to or for the benefit of certain discretionary trusts.

The principal purpose of Loan Note Issuer No. 1 is to be an Investor Beneficiary of the Penarth Receivables Trust, to issue the Loan Notes and to enter into all financial arrangements in that connection. The memorandum and articles of association of Loan Note Issuer No. 1 may be inspected at the registered office of Loan Note Issuer No. 1.

Directors and secretary

The directors of Loan Note Issuer No. 1 and their respective business addresses and other principal activities are:

Name	Nationality	Business Address	Principal Activities
Intertrust Directors 1 Limited	Not applicable	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Intertrust Directors 2 Limited	Not applicable	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Paivi Helena Whitaker	Finnish	35 Great St. Helen's, London EC3A 6AP	Director

Loan Note Issuer No. 1 is organised as a special purpose vehicle and is largely passive, engaging only in the types of transactions described in this Base Prospectus. Loan Note Issuer No. 1 is managed and controlled by its directors in the UK; however, it is expected that it will continue to only require a small amount of active management with respect to its day-to-day activities.

Intertrust Directors 1 Limited and Intertrust Directors 2 Limited are also directors of the Receivables Trustee, Loan Note Issuer No. 2 and the Issuer. The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited are Paivi Helena Whitaker, Andrea Williams, Clive Short, Susan Abrahams and Michelle O'Flaherty whose business addresses are 35 Great St. Helen's, London EC3A 6AP and who perform no other principal activities outside Loan Note Issuer No. 1 which are significant with respect to Loan Note Issuer No. 1.

Fees are payable to Intertrust Management Limited, an affiliate of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited pursuant to and in accordance with the terms of a corporate services agreement dated the Novation Date (as amended and restated from time to time) (the "**Funding 1 Corporate Services Agreement**"). Intertrust Management Limited will provide Loan Note Issuer No. 1 with general secretarial, registrar and company administration services. The fees of Intertrust Management Limited, for providing such services are included in the Loan Note Issuer No. 1 Costs Amount. Loan Note Issuer No. 1 is aware that the payment of such fees and the appointment of such directors may result in potential conflicts of interests between the duties owed to it and the private interests of its board of directors.

So far as Loan Note Issuer No. 1 is aware, no potential conflicts of interest exist except those disclosed in the preceding two paragraphs.

The secretary of Loan Note Issuer No. 1 is Intertrust Corporate Services Limited.

Management and principal activities

Loan Note Issuer No. 1's activities will principally be the issue of Loan Notes, the holding of a beneficial interest in the Penarth Receivables Trust, the making of further Contributions in order to increase such beneficial interest, the entering into of all documents relating to such issue and such purchase to which it is expressed to be a party and the exercise of related rights and powers and other activities reasonably incidental thereto. Loan Note Issuer No. 1 has not engaged since its incorporation in any activities other than in connection with the above.

There are also certain covenants given by Loan Note Issuer No. 1 under the terms of the STDCMA (see "*The Security Trust Deed and Cash Management Agreement*").

Capitalisation and Indebtedness

The issued share capital of the Loan Note Issuer No. 1 comprises one ordinary share of £1.00.

As stated at the date of this Base Prospectus, there is no loan capital outstanding, loan capital created but unissued, term loan, other borrowing or Indebtedness in the nature of borrowing, contingent liability or guarantee in respect of Loan Note Issuer No. 1 other than the issuance of the Series 2013-1 A2 Loan Notes, Series 2014-2 B1 Loan Notes, Series 2014-2 C1 Loan Notes, Series 2014-2 D1 Loan Notes, Series 2015-1 A2 Loan Notes, Series 2015-2 A2 Loan Notes, Series 2018-1 A1 Loan Notes, Series 2018-1 A2 Loan Notes, Series 2018-2 A1 Loan Notes and Series 2018-2 A2 Loan Notes.

Under the terms of the mini-Supplement to the RTDSA, the Original Loan Note Issuer No. 1 made a Contribution to the Penarth Receivables Trust in the amount of £10 in order to become an Investor Beneficiary of the Penarth Receivables Trust. Pursuant to the novation, amendment and restatement deed in respect of the mini-Supplement to the RTDSA dated the Novation Date, the Original Loan Note Issuer No. 1 novated its position as Investor Beneficiary and interest in the Penarth Receivables Trust to the Loan Note Issuer No. 1.

Legal proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Loan Note Issuer No. 1 is aware) during the months between the incorporation of the Loan Note Issuer No. 1 and the date of this Base Prospectus which may have, or have had in the recent past, significant effects on Loan Note Issuer No. 1's financial position or profitability.

Securitised Assets

Loan Note Issuer No. 1 confirms that the securitised assets backing the issue of the Related Loan Note, namely the interest and principal collections in respect of the receivables, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Relevant Loan Note. However, investors are advised that this confirmation is based on the information available to Loan Note Issuer No. 1 at the date of the Base Prospectus and the relevant Final Terms or Drawdown Prospectus, as applicable and may be affected by future performance of such securitised assets. Consequently, investors are advised to review carefully the disclosure in the Base Prospectus together with any amendments or supplements thereto and other documents incorporated by reference in the Base Prospectus and, in relation to any note series, the relevant Final Terms or Drawdown Prospectus, as applicable.

THE ISSUER

The Issuer, Penarth Master Issuer plc, is a public limited liability company which was incorporated as a special purpose vehicle for the issue of asset backed securities in England and Wales, under the Companies Act 1985 (as amended), on 10 June 2008 as Victorianway plc with registered number 6615304. It changed its name to Penarth Master Issuer plc on 1 August 2008. Its registered office and principal place of business are located at 35 Great St. Helen's, London EC3A 6AP.

The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer (Telephone: +44 (0)207 398 6300).

Directors, secretary and corporate services

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Intertrust Directors 1 Limited	35 Great St. Helen's, London EC3A 6AP	Provision of directors to special purpose companies
Intertrust Directors 2 Limited	35 Great St. Helen's, London EC3A 6AP	Provision of directors to special purpose companies
Paivi Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

The Issuer is organised as a special purpose vehicle and will be largely passive, engaging only in the types of transactions described in this Base Prospectus. The Issuer will be managed and controlled by its directors in England and Wales; however, it is expected that, once the company is conducting business, it will require only a small amount of active management.

The directors of Intertrust Directors 1 Limited (registered number 3920254), Intertrust Directors 2 Limited (registered number 3920255) and Intertrust Corporate Services Limited (registered number 9320255) as at the date of this Base Prospectus are Paivi Helena Whitaker, Andrea Williams, Clive Short, Susan Abrahams and Michelle O'Flaherty, whose business addresses are 35 Great St. Helen's London EC3A 6AP, United Kingdom and who perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

Fees are payable to Intertrust Management Limited, an affiliate of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited pursuant to and in accordance with the terms of a corporate services agreement (the "**Issuer Corporate Services Agreement**"). The Issuer is aware that the payment of such fees and the appointment of such directors may result in potential conflicts of interests between the duties owed to it and the private interests of its board of directors.

The secretary of the Issuer is:

Name	Business Address
Intertrust Corporate Services Limited	35 Great St. Helen's London EC3A 6AP

Principal activities

The Issuer's principal activities are the issue of the notes, utilisation of the proceeds of those notes to acquire the corresponding Loan Note issued by Loan Note Issuer No. 1, the execution and performance of principal documents, the execution and performance of all documents relating thereto to which it is expressed to be a party, the exercise of related rights and powers and other activities reasonably incidental thereto.

Insolvency Matters Relating to the Issuer

The Issuer has been organised, and its activities are limited, to minimise the likelihood of insolvency proceedings being commenced against the Issuer and to minimise the likelihood that there would be claims against the Issuer if insolvency proceedings were commenced against it. The Issuer has not engaged in and will not engage in any activity other than the business and activities described or referred to in this Base Prospectus.

Share capital

The Issuer was incorporated with an authorised share capital of £50,000, comprising 50,000 ordinary shares of £1 each. Two ordinary shares were allotted for cash, and fully paid, on incorporation. On 31 July 2008, 49,998 ordinary shares were resolved to be allotted and on 1 October 2008 were each quarter paid. 49,999 shares are held by Penarth Asset Securitisation Holdings Limited ("**Holdco**") and one share is held by Intertrust Nominees Limited under the terms of a share declaration of trust. The entire issued share capital of Holdco is held by Intertrust Corporate Services Limited (the "**Share Trustee**") under the terms of a declaration of trust made by the Share Trustee on 1 October 2008 ("**Holdings Share Declaration of Trust**"). Any income or capital held by the Share Trustee under the Holdings Share Declaration of Trust is to be applied to or for the benefit of certain discretionary trusts.

There are no other outstanding securities, loans or subscriptions, allotments or options in respect of the Issuer other than set out below in "*Financial position of the Issuer*".

As at the date of this Base Prospectus, there is no loan capital outstanding, loan capital created but unissued, term loan, other borrowing or Indebtedness in the nature of borrowing, contingent liability or guarantee in respect of the Issuer.

Neither Bank of Scotland nor Lloyds Bank (as a Material Originator) own, directly or indirectly, any of the share capital of the Issuer.

Financial position of the Issuer

The Issuer has not traded since its incorporation on 10 June 2008 other than the issuance of the Series 2008-1A Notes, Series 2008-2A Notes, Series 2010-A1 Notes, Series 2010-A2 Notes, Series 2010-A3 Notes, Series 2010-B1 Notes, Series 2010-C1 Notes, Series 2010-D1 Notes, Series 2010-2 A1 Notes, Series 2010-2 A2 Notes, Series 2010-2 A3 Notes, Series 2010-2 B1 Notes, Series 2010-2 C1 Notes, Series 2010-2 D1 Notes, Series 2011-1 A1 Notes, Series 2011-1 A2 Notes, Series 2011-2 A1 Notes, Series 2012-1 A1 Notes, Series 2013-1 A1 Notes, Series 2013-1 A2 Notes, Series 2014-1 A1 Notes, Series 2014-1 A2 Notes, Series 2014-2 A1 Notes, Series 2014-2 B1 Notes, Series 2014-2 C1 Notes, Series 2014-2 D1 Notes, Series 2015-1 A1 Notes, Series 2015-1 A2 Notes, Series 2015-2 A1 Notes, Series 2015-2 A2 Notes, Series 2016-1 A1 Notes, Series 2018-1 A1 Loan Notes, Series 2018-1 A2 Loan Notes, Series 2018-2 A1 Loan Notes and Series 2018-2 A2 Loan Notes. There has been no material adverse change in the financial position or prospects of the Issuer since the date of the Issuer's financial statements for the period ended 31 December 2017. There has been no significant change in the financial or trading position of the Issuer since the date of the Issuer's financial statements for the period ended 31 December 2017.

Legal proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Securitised Assets

The Issuer confirms that the securitised assets backing the issue of each Note Series, namely the distributions from Loan Note Issuer No. 1 to the Issuer in respect of a corresponding Loan Note issued by Loan Note Issuer No. 1 and ultimately the interest and principal collections in respect of the Receivables, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on each Note Series. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of the Base Prospectus and the relevant Final Terms or Drawdown Prospectus, as applicable and may be affected by future performance of such securitised assets. Consequently, investors are advised to review carefully the disclosure in the Base Prospectus together with any amendments or supplements thereto and other documents incorporated by reference in the Base Prospectus and, in relation to any Note Series, the relevant Final Terms or Drawdown Prospectus, as applicable.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

Deutsche Bank Trust Company Americas acts as Security Trustee and Note Trustee in this Programme. As the Security Trustee, it will act as trustee for the benefit of the secured creditors of Loan Note Issuer No. 1 which will include the Issuer (in the Issuer's capacity as beneficial holder of the Loan Notes) and also, in particular, will hold the Security created by Loan Note Issuer No. 1 in respect of the Loan Notes under the terms of the STDCMA (see "*Global Loan Note No. 1 — Overview*"). See also "*The Security Trust Deed and Cash Management Agreement*" and "*The Loan Notes*". The Note Trustee will act as trustee for the Noteholders and also will hold the Security in respect of the notes under the terms of the Note Trust Deed and any Note Trust Deed Supplement (see "*The Notes — Overview*", "*Terms and Conditions of the Notes*" and "*The Note Trust Deed*").

Deutsche Bank Trust Company Americas is a New York banking corporation and its corporate trust office is located at 60 Wall Street 16th Floor, MailStop NYC60-1625, New York, New York 10005 United States of America. Deutsche Bank Trust Company Americas has acted as indenture trustee on various asset-backed securities transactions. The Note Trustee and Security Trustee's liability in connection with the issuance and sale of the notes is limited solely to the express obligations of the Note Trustee and Security Trustee described in the trust documents.

FORMS OF THE NOTES

The issue of all Note Series under the Programme will be authorised by a resolution of the board of directors of the Issuer passed on or prior to the date of the first issue of notes. Each Note Series will be constituted by a Note Trust Deed Supplement to be dated on or about the relevant Issue Date, between the Issuer and the Note Trustee, as trustee for, among others, the holders for the time being of the notes. The Note Trust Deed includes provisions which enable it to be modified or supplemented and any reference to the Note Trust Deed is a reference also to the document as modified or supplemented in accordance with its terms.

The statements set out below include summaries of, and are subject to, the detailed provisions of the Note Trust Deed and the relevant Note Trust Deed Supplement for a Note Series, which will contain the forms of the Global Note Certificates and the Individual Note Certificates. The Issuer has entered into, for the benefit of the Programme the Paying Agency Agreement (see "*Terms and Conditions of the Notes*" below) which will regulate how payments will be made on all Note Series and how determinations and notifications will be made. It will be dated on or prior to the date of the first issuance of notes.

Investors in the notes will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the Note Trust Deed, the relevant Note Trust Deed Supplement and the Paying Agency Agreement. Investors can see copies of these agreements at the principal office for the time being of the Note Trustee, which is, as at the date of this Base Prospectus, 60 Wall Street, 16th Floor, Mail Stop NYC60-1625, New York, United States of America, and at the office for the time being of the Principal Paying Agent.

Form of notes

Unless otherwise specified in the relevant Note Trust Deed Supplement, each class of notes will be represented initially by either a Registered Uncleared Note Certificate or a Global Note Certificate in registered form, in the principal amount specified in the relevant Final Terms or Drawdown Prospectus, as applicable.

If specified in the relevant Final Terms or Drawdown Prospectus, as applicable, notes may be sold outside the United States to non-US Persons (as defined in Regulation S) in compliance with Regulation S and each class of notes so sold will be represented by a corresponding Regulation S Global Note Certificate either registered (i) in the case of notes which are not to be held under the New Safekeeping Structure, in the name of a Common Depositary (or its nominee), and deposited with such Common Depositary for, Clearstream and/or Euroclear and/or any other relevant clearing system; or (ii) in the case of notes to be held under the New Safekeeping Structure, in the name of a Common Safekeeper (or its nominee), and deposited with such Common Safekeeper for, Clearstream and/or Euroclear.

If specified in the relevant Final Terms or Drawdown Prospectus, as applicable, notes may be sold to a US Person (as defined in Regulation S) that is a QIB and each class of notes so sold will be represented on issue by a Rule 144A Global Note Certificate either (i) registered in the name of Cede and deposited with Deutsche Bank Trust Company Americas as the DTC Custodian; or (ii) in the case of notes which are not to be held under the New Safekeeping Structure, registered in the name of a Common Depositary (or its nominee), and deposited with such Common Depositary for, Clearstream and/or Euroclear and/or any other relevant clearing system; or (iii) in the case of notes to be held under the New Safekeeping Structure, registered in the name of a Common Safekeeper (or its nominee), and deposited with such Common Safekeeper for, Clearstream and/or Euroclear. Beneficial interests in a Rule 144A Global Note Certificate may only be held through, and transfers thereof will only be effected through, records maintained by DTC, Euroclear and/or Clearstream (as applicable) or their participants at any time.

If specified in the relevant Final Terms or Drawdown Prospectus, as applicable, Registered Uncleared Notes may be initially sold within the United States in compliance with Rule 506 of Regulation D and subsequently sold under Rule 144A or Regulation S (subject to any applicable transfer restrictions set out in the applicable Final Terms or Drawdown Prospectus) and each class of Registered Uncleared Notes will be represented by a corresponding Registered Uncleared Note Certificate registered in the name of the holder.

Registered Uncleared Note Certificates may be subject to certain restrictions on transfer set forth therein, in the Note Trust Deed, in any Note Trust Deed Supplement and in Rule 144 under the Securities Act, and the Registered Uncleared Note Certificates will bear the applicable legends regarding the restrictions as set forth in the applicable Final Terms or Drawdown Prospectus.

Beneficial interests in Global Note Certificates may be subject to certain restrictions on transfer set forth therein, in the Note Trust Deed, in any Note Trust Deed Supplement and in Rule 144A, and the notes will bear the applicable legends regarding the restrictions as set forth in the applicable Final Terms or Drawdown Prospectus.

The amount of notes represented by each Global Note Certificate and Registered Uncleared Note Certificate is evidenced by the Register maintained for that purpose (the "**Register**") by the relevant Registrar. Together, the notes represented by the Registered Uncleared Note Certificates, the Global Note Certificates and any outstanding Individual Note Certificates will equal the aggregate principal amount of the notes outstanding at any time. However, in respect of Regulation S Notes and Rule 144A Notes except in exceptional circumstances (as described below), Individual Note Certificates will not be issued.

Exchange for Individual Certificates

(a) ***Rule 144A Global Certificates***

Each Rule 144A Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for certificates in individual certificate form ("**Rule 144A Individual Certificate**") upon the occurrence of one of the following:

(i) if DTC notifies the Note Trustee or the Principal Paying Agent that it is unwilling or unable to continue as depositary for the Rule 144A Global Note Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act, and a successor depositary or clearing system is not appointed by the Note Trustee or the Principal Paying Agent within 90 days of receiving such notice; or

(ii) if the Issuer or any Paying Agent or any other person is or will be required to make any withholding or deduction from any payment in respect of the notes for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the notes were in individual certificate form.

(b) ***Regulation S Global Certificates***

Each Regulation S Global Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for certificates in individual certificate form ("**Regulation S Individual Certificates**") upon the occurrence of one of the following:

(i) if a Regulation S Global Certificate is held (directly or indirectly) on behalf of Euroclear and/or Clearstream and Euroclear and/or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if as a result of changes to any taxation provisions in the UK, 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 relevant notes in individual form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Note Trustee.

The relevant Registrar will not register the transfer of, or exchange interests in, a Global Certificate for Rule 144A Individual Certificates or Regulation S Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the notes.

"**Individual Exchange Date**" means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the Specified Office of the Registrar and any transfer agent is located.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms or Drawdown Prospectus, as applicable which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Summary of Provisions Relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Notes Series represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which, for so long as the Global Note Certificate is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under such Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note Certificate.

Conditions applicable to Global Notes

Each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note Certificate. The following is a summary of certain of those provisions:

Payment Business Day: In the case of a Global Note Certificate means a Business Day and, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, a Business Day and any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Record Date: Each payment in respect of a Global Note Certificate will be made to the Person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Recording of Partial Payments whilst Notes are held through the NSS

Whilst the Notes are held through the NSS and are represented by Global Note Certificates, the Registrar or the Principal Paying Agent (as the case maybe) shall instruct the ICSDs to make appropriate entries in their records to reflect the amount of such payment made on the notes in accordance with the Paying Agency Agreement.

The Clearing Systems

The information set out below has been obtained from the Clearing Systems and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from publicly available information and as far as the Issuer is aware and is able to ascertain from such information published by the Clearing Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Arranger, Issuer, Loan Note Issuer No. 1, Security Trustee, the Lead Manager, the Dealer, the Note Trustee, any Paying Agent, the Agent Bank, the Registrar or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by the Clearing Systems or their respective direct and indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.

The Global Note Certificates may be deposited with the Common Depositary (or the Common Safekeeper in the case of Regulation S Notes to be held under the New Safekeeping Structure) and registered in the name of a nominee of Euroclear and Clearstream. On confirmation from the Common Depositary (or the Common Safekeeper in the case of Regulation S Notes to be held under the New Safekeeping Structure) that it holds the Global Note Certificates, Clearstream and/or Euroclear, as applicable, will record Book-Entry Interests in Noteholder's account or the participant account through which Noteholders hold their interests in the notes. These Book-Entry Interests will represent the beneficial owner's or participant's beneficial interest in the relevant notes represented by such Global Note Certificate.

The Global Note Certificates may also be deposited with the DTC Custodian and registered in the name of Cede. On confirmation from the DTC Custodian that it holds the Global Note Certificates, DTC will record Book-Entry Interests to Noteholder's account or the participant account through which Noteholders hold their interests in the notes. These Book-Entry Interests will represent the beneficial owner's or participant's beneficial interest in the relevant notes represented by such Global Note Certificate.

Beneficial owners may hold their interest in the notes represented by each Global Note Certificate in Clearstream, Euroclear or DTC, as applicable, or indirectly through organisations that are participants in any of those systems. Ownership of these beneficial interests in notes represented by each Global Note Certificate will be shown on, and the transfer of that ownership will be effected only through, records maintained by Clearstream, Euroclear or DTC (with respect to interests of their participants) and the records of their participants (with respect to interests of other persons). By contrast, ownership of direct interests in a Global Note Certificate will be shown on, and the transfer of that ownership will be effected through, the Register maintained by the relevant Registrar. Because of this holding structure of the notes, beneficial owners of notes may look only to Clearstream, Euroclear or DTC, as applicable, or their respective participants for their beneficial entitlement to those notes. The Issuer expects that Clearstream, Euroclear and DTC, as applicable, will take any action permitted to be taken by a beneficial owner of notes only in accordance with its rules and at the direction of one or more participants to whose account the interests in a Global Note Certificate is credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or those participants has or have given that direction.

Payment

Principal and interest payments on the notes (other than Registered Uncleared Notes) will be made via the Paying Agents to Euroclear, Clearstream or DTC, as applicable, or their nominee, as the registered holder of the relevant Global Note Certificate. DTC's practice is to credit its participants' accounts on the applicable Distribution Date according to their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that Distribution Date.

Payments by Clearstream, Euroclear and DTC participants (as applicable) to the beneficial owners of notes (other than Registered Uncleared Notes) will be governed by standing instructions, customary practice, and any statutory or regulatory requirements as may be in effect from time to time. These payments will be the responsibility of Clearstream, Euroclear and DTC participants (as applicable) and not of Clearstream, Euroclear, DTC, any Paying Agent, the Note Trustee or the Issuer. None of the Issuer, the Note Trustee, any Dealer nor any Paying Agent will have the responsibility or liability for any aspect of the records of Clearstream, Euroclear or DTC on account of beneficial interests in the Global Note Certificates or for maintaining, supervising or reviewing any records of Clearstream, Euroclear or DTC relating to those beneficial interests.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently the ability to transfer interests in a Global Note Certificate to such persons may be limited. Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entitles which do not participate, directly or indirectly, in the relevant Clearing System, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Transfers between participants on the Clearstream system, participants on the Euroclear system and participants on the DTC system will occur under each of their rules and operating procedures.

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional registrar. Clearstream holds securities for its participating organisations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of notes. Transactions may be settled in Clearstream in any of 38 currencies, including US Dollars, Euro and Sterling.

Clearstream participants are financial institutions around the world, including dealers, securities brokers and dealers, banks, trust companies, and clearing corporations. Indirect access to Clearstream is also available to others, including banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear

The Euroclear system was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment. This eliminates the need for physical movement of certificates. Transactions may be settled in any of 32 currencies, including US Dollars, Euro and Sterling.

The Euroclear system is operated by Morgan Guaranty Trust Company of New York, Brussels office, the Euroclear operator, under contract with Euroclear Clearance System, Société Cooperative, a Belgian co operative corporation, the Euroclear co operative. All operations are conducted by the Euroclear operator. All Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the Euroclear co operative. The board of the Euroclear co operative establishes policy for the Euroclear system.

Euroclear participants include banks — including central banks — securities brokers and dealers and other professional financial intermediaries. Indirect access to the Euroclear system is also available to other firms that maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear system. These terms and conditions govern transfers of securities and cash within the Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments for securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under these terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the US 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 Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations (including Euroclear and Clearstream) and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, whether directly or indirectly.

The rules applicable to DTC and its participants are on file with the United States Securities and Exchange Commission.

Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during the subsequent securities settlement processing, dated the Business Day following the DTC settlement date. The credits for any transactions in these securities settled during this processing will be reported to the relevant Clearstream participant or Euroclear participant on that Business Day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received and available on the DTC settlement date. However, it will not be available in the relevant Clearstream or Euroclear cash account until the Business Day following settlement in DTC.

Purchases of notes under the DTC system must be made by or through DTC participants (which includes Euroclear and Clearstream), which will receive a credit for the notes on DTC's records. The ownership interest of each actual investor is in turn to be recorded on the DTC participants' and indirect participants' records. Investors will not receive written confirmation from DTC of their purchase. However, investors are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC participant or indirect participant through which the investor entered into the transaction. Transfers of ownership interests in the notes (other than Registered Uncleared Notes) are to be accomplished by entries made on the books of DTC participants acting on behalf of investors. Investors will not receive certificates representing their ownership interest in the notes (other than Registered Uncleared Notes) unless use of the book-entry system for the notes is discontinued.

Conveyance of notices and other communications by DTC to DTC participants, by DTC participants to indirect participants and by DTC participants and indirect participants to Noteholders, will be governed by arrangements among them and by any statutory or regulatory requirements in effect from time to time.

Investors may hold their interests in a Global Note Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Distributions on the notes (other than Registered Uncleared Notes) held indirectly through Clearstream, Euroclear or DTC, as applicable, will be credited to the cash accounts of Clearstream participants, Euroclear participants or DTC participants, as applicable, according to the relevant system's rules and procedures, to the extent received by its registrar. These distributions may need to be reported for tax purposes under US tax laws and regulations. Each of Clearstream, Euroclear or DTC, as the case may be, will take any other action permitted to be taken by a Noteholder on behalf of its participants only as permitted by its rules and procedures and only if its registrar is able to take these actions on its behalf.

Although Clearstream, Euroclear and DTC have agreed to these procedures to facilitate transfers of notes among participants of Clearstream, Euroclear and DTC, they are not obligated to perform these procedures. Additionally, these procedures may be discontinued at any time.

So long as the registrar or its nominee is the holder of the Global Note Certificates underlying the Book-Entry Interests, it or its nominees will be the Noteholder under the Note Trust Deed. Because of this, each person holding a Book-Entry Interest must rely on the procedures of the registrar, Euroclear, Clearstream and/or DTC or other intermediary through which the interests are held, to exercise any rights and obligations of Noteholders under the Note Trust Deed and the relevant Note Trust Deed Supplement.

As the holder of Book-Entry Interests the Noteholders will not have the right under the Note Trust Deed to act on solicitations by the Issuer for action by Noteholders. Noteholders will only be able to act to the extent they receive the appropriate proxies to do so from Euroclear, Clearstream or DTC. No assurances are made about these procedures or their adequacy for ensuring timely exercise of remedies under the Note Trust Deed.

Noteholders and other holders of Book-Entry Interests will be entitled to receive Individual Note Certificates, in the form and under the circumstances, set out in the Note Trust Deed and the terms and conditions of the notes (other than Registered Uncleared Notes). In the event that a Global Note Certificate is exchanged for Individual Note Certificates, such Individual Note Certificates shall be issued in denominations of €100,000 (or the equivalent in another currency) or integral multiples of €100,000 (or the equivalent in another currency). Noteholders who hold notes (other than Registered Uncleared Notes) in the relevant Clearing System in amounts that are not integral multiples of €100,000 may need to purchase or sell, on or before the relevant exchange date, a principal amount of notes such that their holding is an integral multiple of €100,000.

Tradable amount: So long as the notes (other than Registered Uncleared Notes) are represented by beneficial interests in a permanent Global Note Certificate and Euroclear, Clearstream, DTC and/or any other relevant Clearing System so permits, the notes (other than Registered Uncleared Notes) shall be tradable only in the minimum authorised denomination of €100,000 or its equivalent or as otherwise specified in the related Final Terms or Drawdown Prospectus, as applicable (as applicable to the currency of each particular Note Series) and higher integral multiples of €1,000 or its equivalent or as otherwise specified in the related Final Terms or Drawdown Prospectus, as applicable.

Mandatory Transfer Arrangements

If specified in the relevant Final Terms or Drawdown Prospectus, the Mandatory Purchaser will be obliged to purchase such notes on the Mandatory Transfer Date if the relevant notes have not been redeemed in full prior to the applicable Mandatory Transfer Date. Limitations on the relevant Mandatory Purchaser's ability to purchase the relevant notes are set out in "*Specific risks relating to notes where mandatory transfer arrangements apply*" in the section entitled Risk Factors above.

Where the relevant notes are intended to constitute "Eligible Securities" for purchase by money market funds under Rule 2a-7 of the US Investment Company Act of 1940 (as amended), any determination as to whether such note series qualifies as "Eligible Securities" under Rule 2a-7 involves investment determinations and interpretive questions that, as with qualification and compliance with other aspects of Rule 2a-7, is solely the responsibility of each money market fund and its investment adviser. None of the Issuer, the Note Trustee, the Arranger, Lead Manager, Dealers, the Mandatory Purchaser or any other party to a transaction document makes or will make any representation as to the suitability of the relevant notes as "money market notes" or "Eligible Securities" for investment by money market funds subject to Rule 2a-7 under the Investment Company Act.

If specified in the relevant Final Terms or Drawdown Prospectus, notes will be issued subject to the mandatory transfer arrangements referred to in Condition 8(e) (*Mandatory Transfer Arrangements*), the related Mandatory Purchase Agreement, the Note Trust Deed and the series supplement, pursuant to which the Mandatory Purchaser agrees, subject to and in accordance with the terms of the relevant Mandatory Purchase Agreement, to purchase some or all of such notes on the related Mandatory Transfer Date, **provided that** certain events have not then occurred. Under the terms of the relevant Mandatory Purchase Agreement in relation to such notes, the Issuer will hold the Mandatory Purchaser and its directors and officers fully and effectually indemnified from and against any and all liabilities which they (or any of them) may incur or which may be made against them (or any of them) as a result of or arising out of, or in relation to, any misrepresentation or alleged misrepresentation or any breach or alleged breach of any of the representations, covenants or agreements made by the Issuer in the Mandatory Purchase Agreement, unless such liabilities arise out of or are the result of the negligence or wilful default of the Mandatory Purchaser.

Prospective investors in such notes should note, in particular, that the Mandatory Transfer would be likely to be deemed to be a "conditional demand feature" (as such term is defined in Rule 2a-7). The relevant notes will be sold subject to Condition 8(e) (*Mandatory Transfer Arrangements*), which provides for mandatory transfer on each Mandatory Transfer Date. However, failure by the Issuer to make or procure any payment required under Condition 8(e) (*Mandatory Transfer Arrangements*) by reason of any failure on the part of the Mandatory Purchaser to perform its obligations under the relevant transaction documents shall not constitute an Event of Default (as defined in Condition 10 (*Events of Default*)) under the Conditions.

Mandatory Purchase Agreement

Under the terms of a Mandatory Purchase Agreement, the Mandatory Purchaser shall, subject to the non-occurrence of an Event of Default, be obliged, on any Mandatory Transfer Date, to purchase the outstanding notes of the relevant class.

Under Rule 2a-7 a money market fund may be required to dispose of the money market notes upon the occurrence of any of the following events:

- a rating currently assigned to the money market notes is lowered or withdrawn;
- a material default occurs in relation to the money market notes;
- the money market fund determines that the money market notes no longer present minimal credit risk;
- upon certain events of insolvency with respect to the Issuer; and
- the money market notes otherwise cease to meet the eligibility criteria under Rule 2a-7.

In circumstances where the Issuer will enter into a currency swap transaction and a Mandatory Purchase Agreement in respect of the relevant notes, the eligibility of such notes for investment by money market funds will be dependent on timely receipt of proceeds from the relevant swap counterparty and Mandatory Purchaser. Under the terms of the currency swap transaction in relation to the relevant notes the swap counterparty will be required to make a principal payment under the relevant currency swap agreement to the Issuer to enable the Issuer to redeem the relevant notes in full on their scheduled redemption date **provided that** the swap counterparty has received the corresponding principal payment required to be made by the Issuer under the relevant currency swap transaction. In such circumstances Noteholders in respect of the relevant notes will be dependent on the performance of the Issuer and no assurance can be given that the Issuer will have sufficient funds to make payments on the relevant notes. Further details on the currency swap transaction in relation to the class A notes can be found in the section entitled "*Swap Agreements*" below.

Investors should consider carefully the risk posed if notes specified to be subject to a mandatory purchase arrangement cannot be transferred on a Mandatory Transfer Date (for example if the Mandatory Purchaser defaults in its obligation to purchase the relevant notes on such Mandatory Transfer Date under the Mandatory Purchase Agreement) as no assurance can be given that the Mandatory Purchaser will comply with and perform its obligations under a Mandatory Purchase Agreement and in those circumstances investors may be unable to sell their notes on the relevant Mandatory Transfer Date or at any other time. In addition, purchasers of such notes will have no recourse against the Issuer or the relevant Mandatory Purchaser for any default or failure to purchase by the Mandatory Purchaser under the related Mandatory Purchase Agreement. Although the parties to these agreements may be able to enforce their rights against each other, they have no obligation to do so.

Eurosystem Eligibility

Where the global notes issued in respect of any class are intended to be held under the NSS, the Issuer will also indicate whether such global notes are intended to be held in a manner which would allow Eurosystem eligibility and shall notify the ICSDs of each global note issued. Any indication that the global notes are to be so held does not necessarily mean that the notes of any class will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and as supplemented, amended and/or replaced in accordance with the provisions of the relevant Final Terms or Drawdown Prospectus, as applicable, will be endorsed on each note in definitive form issued under the Programme. References in these terms and conditions to "notes" are to the notes of a particular Series only and not to all notes that may be issued under the Programme.

1. **Introduction**

(a) ***Programme***: Penarth Master Issuer plc (the "**Issuer**") has established a medium term note programme (the "**Programme**"). The notes of a particular Note Series (the "**notes**") are constituted and secured by a Note Trust Deed dated 16 October 2008 (as amended and restated from time to time) (the "**Note Trust Deed**") between the Issuer and Deutsche Bank Trust Company Americas (the "**Note Trustee**"), (which expression includes the trustee or trustees for the time being of the Note Trust Deed) and a supplement to the Note Trust Deed (the "**Note Trust Deed Supplement**") in respect of notes issued in each Note Series. References to the Note Trust Deed include reference to the relevant Note Trust Deed Supplement where the context admits.

(b) ***Final Terms or Drawdown Prospectus***: Notes issued under the Programme are issued in series (each a "**Note Series**") and each Note Series comprises only one class of notes. A Note Series may be constituted of a single class of either class A notes, class B notes, class C notes or class D notes, as designated in the relevant Final Terms or Drawdown Prospectus, as applicable. Each Note Series is the subject of a Final Terms or Drawdown Prospectus (the "**Final Terms or Drawdown Prospectus**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Note Series are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms or Drawdown Prospectus, as applicable. In the event of any inconsistency between these Conditions and the relevant Final Terms or Drawdown Prospectus, as applicable, the relevant Final Terms or Drawdown Prospectus, as applicable shall prevail.

(c) ***Paying Agency Agreement***: The notes are the subject of a Paying Agency Agreement dated 16 October 2008 (as amended and restated from time to time) (the "**Paying Agency Agreement**") between (*inter alios*) the Issuer, Deutsche Bank AG, London Branch as Principal Paying Agent (the "**Principal Paying Agent**"), the Paying Agents named in the Paying Agency Agreement (the "**Paying Agents**"), the Agent Bank named in the Paying Agency Agreement (the "**Agent Bank**"), the Registrar named in the Paying Agency Agreement (the "**Registrar**"), the Exchange Agent named in the Paying Agent Agreement (the "**Exchange Agent**") and in each case, the expression "**Principal Paying Agent**", the "**Paying Agents**", the "**Agent Bank**" and the "**Registrar**" includes any successor to such Person in such capacity.

(d) ***The Notes***: All subsequent references in these Conditions to "notes" are to the notes which are the subject of the relevant Final Terms or Drawdown Prospectus, as applicable. Copies of the relevant Final Terms or Drawdown Prospectus, as applicable are available for inspection by the Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

(e) ***Summaries***: Certain provisions of these Conditions are summaries of the Note Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the Note Trust Deed Supplement, the Final Terms or Drawdown Prospectus, as applicable and the Paying Agency Agreement applicable to them. Copies of the Note Trust Deed, the Note Trust Deed Supplement, the Final Terms or Drawdown Prospectus, as applicable and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**Accelerated Amortisation Period**" means, for any Note Series, for the purposes of these Conditions, the period beginning at the close of business on the last day of the Monthly Period in which the Beneficiaries deliver a notice to the Receivables Trustee, in accordance with the applicable Loan Note Supplement, to the effect that they intend to commence an accelerated amortisation period. The amount of any such amortisation for any Monthly Period during the Accelerated Amortisation Period shall be an amount equal to the Nominal Liquidation Amount of the relevant Loan Note as at the close of business on the last day of the Monthly Period (determined after giving effect to any allocation of shortfalls and any reallocations, payments or deposits of LNI Available Principal Amounts on the related Transfer Date). The Accelerated Amortisation Period shall end on the earlier of the commencement of the Rapid Amortisation Period, the Scheduled Redemption Date or the date on which the relevant Loan Note is redeemed in full.

"**Account Bank Agreements**" means the Issuer Distribution Account Bank Agreement and the Call Protection Accumulation Deposit Account Bank Agreement and "**Account Bank Agreement**" means either one of them;

"**Accumulation Period**" means for any Note Series, for the purposes of these Note Conditions, unless an Amortisation Period has earlier commenced, the period commencing on the close of business on the Accumulation Period Commencement Date for that Note Series or such later date as is determined in accordance with the provisions of the Loan Note Supplement for the Related Loan Note and ending (for the purposes of these Note Conditions) on the first to occur of (a) the commencement of an Amortisation Period for that Note Series (b) the day the Outstanding Principal Amount of the Related Loan Note is reduced to zero and (c) the date specified in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Accumulation Period Commencement Date**" has the meaning given to such term in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Additional Interest Margin**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable (if applicable);

"**Amortisation Period**" means the Rapid Amortisation Period or if specified as an Amortisation Period in the relevant Final Terms or Drawdown Prospectus, as applicable an Accelerated Amortisation Period, an Optional Amortisation Period or a Partial Amortisation Period, as the case may be;

"**Base Rate Modification Reference Date**" means 12 March 2018;

"**Basic Terms Modification**" means any change to any date fixed for payment of principal or interest in respect of the notes, to reduce the amount of principal or interest payable on any date in respect of the notes, to alter the method of calculating the amount of any payment in respect of the notes or the date for any such payment, to change the currency of any payment under the notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Business Day**" means, unless otherwise specified in the relevant Final Terms or Drawdown Prospectus, as applicable, in relation to any sum payable in any currency, a day on which commercial banks and foreign exchange markets settle payments generally in London, England; New York, the United States; the Principal Financial Centre of the relevant currency and in each (if any) Additional Financial Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable and, if so specified in the relevant Final Terms or Drawdown Prospectus, as applicable, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the Relevant Date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the Relevant Date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the Relevant Date shall be brought forward to the first preceding day that is a Business Day; and

(iv) "**No Adjustment**" means that the Relevant Date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Agent Bank or such other Person specified in the relevant Final Terms or Drawdown Prospectus, as applicable as the party responsible for calculating the rate(s) of interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Call Protection Accumulation Deposit Account**" means the account or ledger of an account opened pursuant to any call protection accumulation deposit account bank agreement in relation to all notes of a Note Series with a Swap Agreement, with call protection for that Note Series;

"**class A notes**" means any Note Series designated as such in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Class A Swap Termination Amount**" has the meaning given to it in Condition 4(c)(iii)(A);

"**class B notes**" means any Note Series designated as such in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Class B Swap Termination Amount**" has the meaning given to it in Condition 4(c)(v)(A);

"**class C notes**" means any Note Series designated as such in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Class C Swap Termination Amount**" has the meaning given to it in Condition 4(c)(vii)(A);

"**class D notes**" means any Note Series designated as such in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Class D Swap Termination Amount**" has the meaning given to it in Condition 4(c)(ix)(A);

"**Closing Date**" has the meaning given in the relevant Final Terms or Drawdown Prospectus;

"**Counterparty Swap Event of Default**" means either (i) an Event of Default (as defined in the relevant Swap Agreement) in respect of which the Swap Counterparty is the Defaulting Party (as defined in the relevant Swap Agreement) has occurred and is continuing, or (ii) a termination by the Issuer of the Swap Agreement as a result of a failure to comply with the requirements set out in the Swap Agreement following a downgrade occurring with respect to the rating of the Swap Counterparty which failure is not cured by the Swap Counterparty during the requisite cure period pursuant to the terms of the Swap Agreement;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such Day Count Fraction as may be specified in these Conditions or the relevant Final Terms or Drawdown Prospectus, as applicable and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month),

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

"**Dealer Agreement**" means the agreement between the Issuer and certain Dealer (as named therein) concerning the subscription and purchase of notes to be issued pursuant to the Programme as amended from time to time or any restatement thereof for the time being in force;

"**Distribution Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms or Drawdown Prospectus, as applicable, and where the relevant Distribution Date is not a Business Day, as the same may be adjusted in accordance with the relevant Business Day Convention;

"**Distribution Ledger**" means a ledger within the Issuer Distribution Account in relation to a specific Note Series;

"**Extraordinary Resolution**" has the meaning given in the Issuer Master Framework Agreement;

"**Final Redemption Date**" means the date specified as such in, or determined in accordance with the provisions of, the relevant Final Terms or Drawdown Prospectus, as applicable, and where the Final Redemption Date is not a Business Day, as the same may be adjusted in accordance with the relevant Business Day Convention;

"**First Interest Payment Date**" means the date specified as such in, or determined in accordance with the provisions of, the relevant Final Terms or Drawdown Prospectus, as applicable, and where the First Interest Payment Date is not a Business Day, as the same may be adjusted in accordance with the relevant Business Day Convention;

"**Floating Rate Commencement Date**" is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as either the Interest Payment Date of the first month falling in the Rapid Amortisation Period (or if such date has passed, the immediately following Interest Payment Date) or the Scheduled Redemption Date;

"**Global Note Certificate**" means a Note Certificate in global form;

"**Indebtedness**" means any Indebtedness of any Person for money borrowed or raised including (without limitation) any Indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Individual Note Certificate**" means an Individual Note Certificate issued in the circumstances set out in the Note Trust Deed;

"**Initial Rate**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

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

"**Interest Commencement Date**" means the Issue Date of the notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first notes of the relevant Note Series (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms or Drawdown Prospectus, as applicable, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first notes of the relevant Note Series (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable for a Note Series;

"**Issuer Bank Accounts**" means the Issuer Distribution Account and the Call Protection Accumulation Deposit Account;

"**Issuer Distribution Account**" means the Accounts opened pursuant to the Issuer Distribution Account Bank Agreement in relation to all notes issued by the Issuer;

"**Issuer Master Framework Agreement**" means the Issuer master framework agreement 16 October 2008 between, amongst others, the Issuer and the Note Trustee, as amended and restated from time to time;

"**Loan Note**" means each notional tranche of Global Loan Note No. 1 created pursuant to a Loan Note Supplement;

"**Loan Note Holder's Profit Amount**" means in respect of each Loan Note Holder with respect to:

(a) any Transfer Date falling on or up to 16 October 2009, an amount of £1,750; and

(b) any Transfer Date falling after 16 October 2009, an amount rounded up to the nearest penny, equal to the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Note Series outstanding during the course of the previous 11 Monthly Periods;

"**Loan Note Supplement**" means the relevant supplement to Global Loan Note No.1 creating a Loan Note certain details of which are set out in the relevant Final Terms or Drawdown Prospectus, as applicable to these terms and conditions;

"**London Business Day**" means a day on which commercial banks and foreign exchange markets settle payments generally in London, England;

"**Mandatory Purchase Agreement**" means an agreement between a Mandatory Purchaser and the Issuer under which a Mandatory Purchaser agrees to purchase the relevant notes on a Mandatory Transfer Date in certain circumstances;

"**Mandatory Purchaser**" means the entity specified in the relevant Final Terms or Drawdown Prospectus;

"**Mandatory Transfer**" means the obligation on the Issuer to procure the purchase of (and the then Noteholders' obligation to transfer) the relevant notes on a Mandatory Transfer Date;

"**Mandatory Transfer Date**" means the Interest Payment Date specified in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Mandatory Transfer Price**" means the amount of the payment to the relevant Noteholders on the relevant Mandatory Transfer Date constituting the Principal Amount Outstanding on the notes on that date (following application of monies pursuant to clause 13.1 (*Application of Monies*) of the Note Trust Deed on that date and without prejudice to the issuing entity's obligations to make payments on the relevant note on that date);

"**Margin**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Most Senior Class of Notes**" means the Class A Notes for so long as there are any Class A Notes outstanding, thereafter the Class B Notes for so long as there are any Class B Notes outstanding, thereafter the Class C Notes for so long as there are any Class C Notes outstanding, thereafter the Class D Notes for so long as there are any Class D Notes outstanding;

"**Note Certificate**" means a Global Note Certificate, an Individual Note Certificate or a Registered Uncleared Note Certificate;

"**Note Series**" means those notes of the same class and with the same terms and conditions issued in accordance with a particular Final Terms or Drawdown Prospectus, as applicable;

"**Noteholders**" means the persons in whose name such note is for the time being registered in the Register maintained by the relevant Registrar (or, in the case of a joint holding, the first named thereof);

"**Optional Amortisation Period**" means, for any Note Series, for the purposes of these Conditions, the period beginning at the close of business on the date on which notification is given by the Beneficiaries to the Receivables Trustee, in accordance with the applicable Loan Note Supplement, of an optional amortisation in whole or in part of the relevant Loan Note. Such optional amortisation shall be in a minimum amount of £10,000,000 and an integral multiple of £1,000,000 and shall utilise Undivided Bare Trust Property standing to the credit of the Trustee Investment Account (having taken into account any other transfers to be made from the Trustee Investment Account on such date) on the date that such optional amortisation is to be made. The Optional Amortisation Period will end on the date specified in such notification for the completion of such amortisation;

"**Partial Amortisation Period**" means, for any Note Series, for the purposes of these Conditions, a period beginning at the close of business on the Distribution Date as notified by the Beneficiaries to the Receivables Trustee specifying the commencement of a partial amortisation from time to time, in accordance with the applicable Loan Note Supplement. Such partial amortisation shall be in a minimum amount of £10,000,000 and an integral multiple of £1,000,000 and shall utilise LNI Available Principal Amounts to make distributions on each Distribution Date during the Partial Amortisation Period subject to the provisions of the Security Trust Deed and Cash Management Agreement. The Partial Amortisation Period shall end on the earlier of (i) the Distribution Date on which the applicable amount to be amortised shall have been paid in full and (ii) the commencement of the Rapid Amortisation Period;

"**Participating Member State**" means a member state of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

"**Pay Out Event**" means a "**Trust Pay Out Event**" or "**Trust Series Pay Out Event**" as defined in "*The Penarth Receivables Trust - Trust Pay Out Events*";

"**Payment Business Day**" means, unless otherwise specified in the Final Terms or Drawdown Prospectus, as applicable, a Business Day;

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

"**Principal Amount Outstanding**" means, in relation to a note on any date, the principal amount of that Note on the Issue Date (and, in respect of any variable funding notes, any other advances made in respect of such note) less the aggregate amount of all Principal Payments in respect of that Note that have become due and payable by the Issuer to the Noteholder concerned by virtue of the Issuer having received funds in respect thereof from Loan Note Issuer No. 1 as described in Condition 7 (*Redemption and Purchase*) (whether or not such Principal Payments have been paid to such Noteholder) prior to such date in accordance with the conditions of the Related Loan Notes; **provided**, **however**, **that** solely for the purpose of calculating the Principal Amount Outstanding under Condition 6 (*Interest*), 7 (*Redemption and Purchase*) and 10 (*Events of Default*) all such Principal Payments due and unpaid on or prior to such date shall also be taken into account as forming part of such Principal Amount Outstanding;

"**Principal Financial Centre**" means, in relation to Sterling, London, in relation to US Dollars, New York and in relation to Euro, it means the Principal Financial Centre of such member state of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Rapid Amortisation Period**" means, for any Note Series, for the purposes of these Conditions, the period commencing on the day on which a Rapid Amortisation Trigger Event is deemed to occur for the Related Loan Note pursuant to the provisions of the relevant Loan Note Supplement, and ending on the earlier of (i) the day on which the Outstanding Principal Amount of the Related Loan Note is reduced to zero; (ii) the Final Redemption Date of the notes; and (iii) the date of dissolution of the Penarth Receivables Trust;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per year) of interest payable in respect of the notes specified in the relevant Final Terms or Drawdown Prospectus, as applicable or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Rating Agencies**" means Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Ltd. and Moody's Investors Service Limited;

"**Redemption Period Interest Payment Dates**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms or Drawdown Prospectus, as applicable, and where the relevant Redemption Period Interest Payment Date is not a Business Day, as the same may be adjusted in accordance with the relevant Business Day Convention;

"**Reference Banks**" means the principal London office of each of Barclays Bank plc, Citibank, N.A., HSBC Bank plc and The Royal Bank of Scotland plc, or any duly appointed substitute reference bank(s) as may be appointed by the Issuer to provide the Agent Bank with its offered quotation to leading banks in the London interbank market;

"**Regular Interest Payment Dates**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms or Drawdown Prospectus, as applicable, and where the relevant regular Interest Payment Date is not a Business Day, as the same may be adjusted in accordance with the relevant Business Day Convention;

"**Regular Period**" means unless specified otherwise in a Condition containing a specific provision or the relevant Final Terms or Drawdown Prospectus, as applicable:

(i) in the case of notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

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

"**Related Loan Note**" means, for any Note Series, the Loan Note specified in the relevant Final Terms or Drawdown Prospectus, as applicable as the Loan Note the subject of first fixed Loan Note Security to collateralise that Series;

"**Relevant Date**" means in relation to any payment whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in London by the Principal Paying Agent or the Note Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*);

"**Relevant Documents**" means the Receivables Trust Deed and Servicing Agreement, the RSD, the Master Framework Agreement, each Series Supplement (as such term is defined in the Master Framework Agreement) and each other document executed in connection with a Contribution (including any documents executed in connection with Related Debt), any mandate and other agreement relating to a Trust Account or a bank account in respect of which the Receivables Trustee has a beneficial interest, the Trust Section 75 Indemnity, the Beneficiaries Deed, and any other document, other than a Credit Card Agreement, contemplated by and executed in connection with any of the preceding documents (including, without limitation, each Offer and each Scottish Assignation and Trust Deed);

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page of the Reuters screen (presently CAR2) or such other medium for the electronic display of data as may be approved by the Note Trustee and notified to the Noteholders of a relevant Note Series;

"**Revolving Period**" means for any Note Series, for the purposes of these Conditions, any period which is not an Accumulation Period or Amortisation Period for that Note Series;

"**Scheduled Redemption Date**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable;

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

"**Specified Currency**" has the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable;

"**Specified Office**" has the meaning given in the Paying Agency Agreement;

"**Subsidiary**" means, in relation to any Person (the "**First Person**") at any particular time, any other Person (the "**Second Person**"):

(i) whose affairs and policies the First Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the Second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the First Person;

"**Swap Agreement**" means the relevant currency swap agreement and/or the interest swap agreement in respect of a Note Series, in each case, in the form of an ISDA Master Agreement, including a schedule, one or more confirmations and a credit support annex;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in Euro; and

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended.

(b) ***Interpretation***: In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any premium (excluding interest) payable to the holder in respect of a note and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any other amount in the nature of interest payable pursuant to these Conditions;

(iii) references to Notes being "**outstanding**" shall be construed in accordance with the Paying Agency Agreement and the Note Trust Deed;

(iv) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms or Drawdown Prospectus, as applicable, but the relevant Final Terms or Drawdown Prospectus, as applicable gives no such meaning or specifies that such expression is "not applicable" then such expression is Not Applicable to the notes; and

(v) any reference to the Paying Agency Agreement and the Note Trust Deed shall be construed with respect to any Note Series as a reference to the Paying Agency Agreement or the Note Trust Deed, as the case may be, as amended and/or supplemented up to and including the Issue Date of the notes of that Note Series.

3. **Form, Denomination and Title**

Unless otherwise specified in the relevant Note Trust Deed Supplement, the notes will be issued in registered form ("**Registered Notes**"), in the minimum authorised denomination of €100,000 or its equivalent or as otherwise specified in the related Final Terms or Drawdown Prospectus, as applicable and higher integral multiples of €1,000 **provided that** in the case of any notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or such amount as shall be at least equal to its equivalent in any other currency as at the date of issue of those notes as specified in the relevant Final Terms or Drawdown Prospectus, as applicable). References in these Conditions to "Notes" include Registered Notes and all applicable classes (if any) in the Note Series.

(a) ***Register***: The relevant Registrar will maintain a register of holders (a "**Register**") in respect of the notes in accordance with the provisions of the Paying Agency Agreement. The 'holder' of a note means the Person in whose name such note is for the time being registered in the Register maintained by the relevant Registrar (or, in the case of a joint holding, the first named thereof).

(b) ***Title***: The holder of each note shall (except as otherwise required by law) be treated as the absolute owner of such note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no Person shall be liable for so treating such holder. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register maintained by the relevant Registrar.

(c) ***Transfers***: Subject to paragraphs (g) (*Closed periods*) and (h) (*Regulations concerning transfers and registration*) below, a note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar together with such evidence as such Registrar may reasonably require to prove the title of the Transferor and the authority of the individuals who have executed the form of transfer; **provided**, **however**, **that** a note may not be transferred unless the principal amount of notes transferred and (where not all of the notes held by a holder are being transferred) the principal amount of the balance of notes not transferred are an authorised denomination or multiple thereof. Where not all the notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the notes will be issued to the Transferor.

(d) ***Denomination***: So long as the notes are represented by a Global Note Certificate and the relevant clearing system(s) so permit, the notes shall be tradeable only in the minimum authorised denomination of €100,000 (or such amount as shall be at least equal to its equivalent in any other currency as at the date of issue of those notes as specified in the relevant Final Terms or Drawdown Prospectus, as applicable) and higher integral multiples of €1,000 as specified in the relevant Final Terms or Drawdown Prospectus, as applicable (or such amount as shall be at least equal to its equivalent in any other currency as at the date of issue of those notes as specified in the relevant Final Terms or Drawdown Prospectus, as applicable).

(e) ***Registration and delivery of Note Certificates***: Within five Business Days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the notes transferred to each relevant holder at its Specified Office or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder.

(f) ***No charge***: The transfer of a note will be effected without charge by or on behalf of the Issuer or the relevant Registrar, but against such indemnity as such Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(g) ***Closed periods***: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the notes.

(h) ***Regulations***: concerning transfers and registration: All transfers of notes and entries on the relevant Register are subject to the detailed regulations concerning the transfer of notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Note Trustee and the relevant Registrar. A copy of the current regulations will be mailed (free of charge) by the relevant Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status, Security and Priority of Payment**

(a) ***Status***

The Notes of each Note Series are direct, secured and unconditional obligations of the Issuer which will at all times rank *pari passu* and *pro rata* without preference or priority amongst themselves.

Each Note Series will rank *pari passu* with each other Note Series of the same class with respect to the cashflows available to that Note Series secured by first fixed Security both prior to and following enforcement but otherwise a Note Series of class A notes will rank in priority to a Note Series of class B notes, a Note Series of class C notes and a Note Series of class D notes, if any, and a Note Series of class B notes will rank in priority to a Note Series of class C notes and a Note Series of class D notes, if any, and a Note Series of class C notes will rank in priority to a Note Series of class D notes, if any, and each Note Series of a class will rank *pari passu* without preference or priority amongst other Note Series of the same class.

(b) ***Security***

As Security for the payment of all monies payable in respect of a Note Series under the Note Trust Deed (including the remuneration, expenses and any other claims of the Note Trustee and any receiver appointed under the Note Trust Deed), the Issuer will pursuant to the Note Trust Deed and the Note Trust Deed Supplement create the following security (the "**Security**") in favour of the Note Trustee for itself and on trust for, *inter alios*, the Noteholders of such Note Series:

(i) Security under English law in respect of the Issuer collateral (as described in the relevant Note Trust Deed Supplement);

(ii) an assignment by way of first fixed Security under English law of the Issuer's right, title, interest and benefit in and to the Related Loan Note for that Note Series under Global Loan Note No. 1 and the Loan Note Supplement for the Related Loan Note for that Note Series;

(iii) an assignment by way of first fixed Security under English law of the Issuer's right, title and interest in the Security Interest created in favour of the Security Trustee by Loan Note Issuer No. 1 in respect of Global Loan Note No. 1 (to the extent it relates to such Note Series);

(iv) an assignment by way of first fixed Security under English law of the Issuer's right, title, interest and benefit in and to any agreements or documents to which the Issuer is a party (and sums received or recoverable thereunder);

(v) an assignment by way of first fixed Security under English law of the Issuer's right, title, interest and benefit in and to all monies credited in respect of the relevant Distribution Ledger(s) of the Issuer Distribution Account or to any bank or other account in which the Issuer may at any time have any right, title, interest or benefit; and

(vi) a first floating charge under English law over the Issuer's undertaking and assets not charged under (i) to (v) above including all assets governed by or otherwise subject to Scots law),

all as more particularly described in the Note Trust Deed and the Note Trust Deed Supplement. In addition, pursuant to the Note Trust Deed, the Issuer has, by way of first fixed Security for payment of all monies payable in respect of the notes of such Series under the Note Trust Deed, assigned to the Note Trustee those assets that are situated in the United Kingdom.

(c) ***Application of Proceeds Upon Enforcement***

The Note Trust Deed and each Note Trust Deed Supplement will contain provisions regulating the priority of application of amounts prior to the enforcement of any Security. Following the enforcement of any Security, payments shall be applied in the following order of priority:

(i) *first*, in no order of priority among the respective amounts then due but proportionally to such amounts, to pay remuneration then due to any receiver or the Note Trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, expenses, losses, damages, proceedings, claims and demands then incurred by the Note Trustee under and in respect of the Related Documents (as defined in Condition 5(ii)(a), but excluding the Dealer Agreement) and in enforcing the Security created by or pursuant to the Note Trust Deed and each Note Trust Deed Supplement thereto or in perfecting title to the Security, together with interest thereon as provided in any such document;

(ii) *secondly*, in priority (A) (to the extent not met by (i) above) in payment or satisfaction of all amounts then due and unpaid to the Note Trustee and/or any appointee and/or any agent of the Note Trustee under the Related Documents (other than the Dealer Agreement), Note Trust Deed and each Note Trust Deed Supplement thereto, and then (B) in payment or satisfaction of all amounts then due and unpaid under the Issuer Corporate Services Agreement;

(iii) *thirdly*, for each Note Series of class A notes *pari passu* and in no order of priority among themselves but proportionally to the respective amounts then due (such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less its *pro rata* share of items (i) and (ii)):

(A) if the Issuer has entered into a Swap Agreement for the particular Note Series of class A notes (and subject to (iv) below) in meeting the claims of the Swap Counterparty in respect of any termination payment under the Swap Agreement to be paid to the Swap Counterparty by the Issuer in accordance with the early termination provisions of the relevant Swap Agreement (the "**Class A Swap Termination Amount**"); and

(B) if the Issuer has entered into a Swap Agreement for the particular Note Series of class A notes, then prior to the Final Redemption Date, in or towards payment of all principal, premium (if any) and interest then due and unpaid in respect of the Note Series of class A notes and (on and following the Final Redemption Date) in and towards payments of amounts due and unpaid in respect of the Note Series in priority, first to interest, secondly to premium (if any) and thirdly to principal, **provided that** in the event that enforcement of the Security created by the Note Trust Deed and the relevant Supplement thereto is as a result of the termination of the applicable Swap Agreement for a reason other than a Counterparty Swap

Event of Default (and without prejudice to the continuing liability of the Issuer to make payments to the Noteholders of the relevant Note Series of class A notes in accordance with the terms and conditions of the Note Series apart from these paragraphs (A) and (B)), amounts available to be paid under these paragraphs (A) and (B) will be limited to amounts which are paid to the Issuer and referable to (1) the Note Series only, or (2) the Swap Agreement; and

(C) if the Issuer has not entered into a Swap Agreement for the particular Note Series of class A notes, (prior to the Final Redemption Date) in or towards payment of all principal, premium (if any) and interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest) then due and unpaid in respect of any notes of the relevant Note Series of class A notes and (on and following the Final Redemption Date) in or towards payment of amounts due and unpaid in respect of any notes in priority first to interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest on class A notes), secondly to premium (if any) and thirdly to principal;

(iv) *fourthly*, if the Issuer has entered into a Swap Agreement for the particular Note Series of class A notes, then in the event the Swap Agreement is terminated as a result of a Counterparty Swap Event of Default, in meeting the claims of the Swap Counterparty in respect of any swap termination amount (such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less its *pro rata* share of items (i) and (ii) and item (iii));

(v) *fifthly*, for each Note Series of class B notes *pari passu* and in no order of priority among themselves but proportionally to the respective amounts then due such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less its *pro rata* share of items (i) and (ii):

(A) if the Issuer has entered into a Swap Agreement for the particular Note Series of class B notes (and subject to (vi) below) in meeting the claims of the Swap Counterparty in respect of any termination payment under the Swap Agreement to be paid to the Swap Counterparty by the Issuer in accordance with the early termination provisions of the relevant Swap Agreement (the "**Class B Swap Termination Amount**"); and

(B) if the Issuer has entered into a Swap Agreement for the particular Note Series of class B notes, then prior to the Final Redemption Date, in or towards payment of all principal, premium (if any) and interest then due and unpaid in respect of the Note Series of class B notes and (on and following the Final Redemption Date) in and towards payments of amounts due and unpaid in respect of the Note Series in priority, first to interest, secondly to premium (if any) and thirdly to principal, **provided that** in the event that enforcement of the Security created by the Note Trust Deed and the relevant Supplement thereto is as a result of the termination of the applicable Swap Agreement for a reason other than a Counterparty Swap Event of Default (and without prejudice to the continuing liability of the Issuer to make payments to the Noteholders of the relevant Note Series of class B notes in accordance with the terms and conditions of the Note Series apart from these paragraphs (A) and (B)), amounts available to be paid under these paragraphs (A) and (B) will be limited to amounts which are paid to the Issuer and referable to (1) the Note Series only, or (2) the Swap Agreement; and

(C) if the Issuer has not entered into a Swap Agreement for the particular Note Series of class B notes, (prior to the Final Redemption Date) in or towards payment of all principal, premium (if any) and interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest) then due and unpaid in respect of any notes of the relevant Note Series of class B notes and (on and following the Final Redemption Date) in or towards payment of amounts due and unpaid in respect of any notes in priority first to interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest on class B notes), secondly to premium (if any) and thirdly to principal;

(vi) *sixthly*, if the Issuer has entered into a Swap Agreement for the particular Note Series of class B notes, then in the event the Swap Agreement is terminated as a result of a Counterparty Swap Event of Default, in meeting the claims of the Swap Counterparty in respect of any swap termination amount such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less its *pro rata* share of items (i) and (ii) and item (v);

(vii) *seventhly*, for each Note Series of class C notes *pari passu* and in no order of priority among themselves but proportionally to the respective amounts then due such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less its *pro rata* share of items (i) and (ii):

(A) if the Issuer has entered into a Swap Agreement for the particular Note Series of class C notes (and subject to (viii) below) in meeting the claims of the Swap Counterparty in respect of any termination payment under the Swap Agreement to be paid to the Swap Counterparty by the Issuer in accordance with the early termination provisions of the relevant Swap Agreement (the "**Class C Swap Termination Amount**"); and

(B) if the Issuer has entered into a Swap Agreement for the particular Note Series of class C notes, then prior to the Final Redemption Date, in or towards payment of all principal, premium (if any) and interest then due and unpaid in respect of the Note Series of class C notes and (on and following the Final Redemption Date) in and towards payments of amounts due and unpaid in respect of the Note Series in priority, first to interest, secondly to premium (if any) and thirdly to principal, **provided that** in the event that enforcement of the Security created by the Note Trust Deed and the relevant Supplement thereto is as a result of the termination of the applicable Swap Agreement for a reason other than a Counterparty Swap Event of Default (and without prejudice to the continuing liability of the Issuer to make payments to the Noteholders of the relevant Note Series of class C notes in accordance with the terms and conditions of the Note Series apart from these paragraphs (A) and (B)), amounts available to be paid under these paragraphs (A) and (B) will be limited to amounts which are paid to the Issuer and referable to (1) the Note Series only, or (2) the Swap Agreement; and

(C) if the Issuer has not entered into a Swap Agreement for the particular Note Series of class C notes, (prior to the Final Redemption Date) in or towards payment of all principal, premium (if any) and interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest) then due and unpaid in respect of any notes of the relevant Note Series of class C notes and (on and following the Final Redemption Date) in or towards payment of amounts due and unpaid in respect of any notes in priority first to interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest on class C notes), secondly to premium (if any) and thirdly to principal;

(viii) *eighthly*, if the Issuer has entered into a Swap Agreement for the particular Note Series of class C notes, then in the event the Swap Agreement is terminated as a result of a Counterparty Swap Event of Default, in meeting the claims of the Swap Counterparty in respect of any swap termination amount such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less the *pro rata* share of items (i) and (ii) and item (vii);

(ix) *ninthly*, for each Note Series of class D notes *pari passu* and in no order of priority among themselves but proportionally to the respective amounts then due such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less its *pro rata* share of items (i) and (ii):

(A) if the Issuer has entered into a Swap Agreement for the particular Note Series of class D notes (and subject to (x) below) in meeting the claims of the Swap Counterparty in respect of any termination payment under the Swap Agreement to be paid to the Swap Counterparty by the Issuer in accordance with the early termination provisions of the relevant Swap Agreement (the "**Class D Swap Termination Amount**"); and

(B) if the Issuer has entered into a Swap Agreement for the particular Note Series of class D notes, then prior to the Final Redemption Date, in or towards payment of all principal, premium (if any) and interest then due and unpaid in respect of the Note Series of class D notes and (on and following the Final Redemption Date) in and towards payments of amounts due and unpaid in respect of the Note Series in priority, first to interest, secondly to premium (if any) and thirdly to principal, **provided that** in the event that enforcement of the Security created by the Note Trust Deed and the relevant Supplement thereto is as a result of the termination of the applicable Swap Agreement for a reason other than a Counterparty Swap Event of Default (and without prejudice to the continuing liability of the Issuer to make payments to the Noteholders of the relevant Note Series of class D notes in accordance with the terms and conditions of the Note Series apart from these paragraphs (A) and (B)), amounts available to be paid under these paragraphs (A) and (B) will be limited to amounts which are paid to the Issuer and referable to (1) the Note Series only, or (2) the Swap Agreement; and

(C) if the Issuer has not entered into a Swap Agreement for the particular Note Series of class D notes, (prior to the Final Redemption Date) in or towards payment of all principal, premium (if any) and interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest) then due and unpaid in respect of any notes of the relevant Note Series of class D notes and (on and following the Final Redemption Date) in or towards payment of amounts due and unpaid in respect of any notes in priority first to interest (such monies to be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter for the payment of any Additional Interest on class D notes), secondly to premium (if any) and thirdly to principal;

(x) *tenthly*, if the Issuer has entered into a Swap Agreement for the particular Note Series of class D notes, then in the event the Swap Agreement is terminated as a result of a Counterparty Swap Event of Default, in meeting the claims of the Swap Counterparty in respect of any swap termination amount such amount not to exceed an amount equal to the proceeds from the first fixed Security granted in favour of that Note Series less the *pro rata* share of items (i) and (ii) and item (ix);

(xi) *eleventhly*, in or towards payment of any sums due from (or required to be provided for by) the Issuer to meet its liabilities to any taxation authority (including in respect of corporation tax to HM Revenue & Customs but save insofar as such payment may be made out of sums retained as the Loan Note Holder's Profit Amount);

(xii) *twelfthly*, in or towards retention of any sums received as the Loan Note Holder's Profit Amount;

(xiii) *thirteenthly*, in payment of the balance (if any) of the aggregate amount remaining from the proceeds of the first fixed Security granted in favour of each relevant Note Series after the payment of the items set out above shall be paid to Loan Note Issuer No. 1 identified as deferred subscription price in respect of Global Loan Note No. 1; and

(xiv) *fourteenthly*, in or towards payment of any other sums due to Noteholders of a Note Series or sums due to third parties under obligations incurred in the course of the Issuer's business or, in the event that all such sums due have been paid, as deferred subscription price in respect of Global Loan Note No. 1, **provided that** amounts paid to Noteholders of a Note Series should be paid in priority to (A) *pari passu* and *pro rata* to the amounts due to Noteholders of each Note Series of class A notes, then (B) *pari passu* and *pro rata* to the amounts due to Noteholders of each Note Series of class B notes, then (C) *pari passu* and *pro rata* to the amounts due to Noteholders of each Note Series of class C notes and then (D) *pari passu* and *pro rata* to the amounts due to Noteholders of each Note Series of class D notes.

5. Negative Covenants of the Issuer

So long as any of the notes remains outstanding (as defined in the Note Trust Deed), the Issuer shall not, save to the extent permitted by the Related Documents or with the prior written consent of the Note Trustee:

(i) create or permit to subsist any mortgage, charge, pledge, lien or other Security Interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital);

(ii) carry on any business other than as described in this Base Prospectus relating to the issue of the notes and in respect of that business shall not engage in any activity or do anything whatsoever except:

(a) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the notes appertaining thereto, the Note Trust Deed and each Note Trust Deed Supplement thereto, the Paying Agency Agreement, the Dealer Agreement, each Swap Agreement, Global Loan Note No. 1, each Loan Note Supplement, each Final Terms or Drawdown Prospectus, as applicable and the Account Bank Agreement and any bank mandate regarding the Issuer Distribution Account (together the "**Related Documents**");

(b) use, invest or dispose of any of its property or assets in the manner provided in or contemplated by the Related Documents; and

(c) perform any act incidental to or necessary in connection with paragraphs (a) or (b) above;

(iii) have or form, or cause to be formed, any subsidiaries or subsidiary undertakings or undertakings of any other nature or have any employees or premises or have an interest in a bank account other than the Issuer Bank Accounts;

(iv) create, incur or suffer to exist any Indebtedness (other than Indebtedness permitted to be incurred under the terms of its articles of association and pursuant to or as contemplated in any of the Related Documents) or give any guarantee or indemnity in respect of any obligation of any Person;

(v) repurchase any shares of its capital stock or declare or pay any dividend or other distribution to its shareholders other than a lawful dividend under English Law of amounts not exceeding the Loan Note Holder's Profit Amount from time to time received by it (after payment of any applicable taxes thereon);

(vi) waive, modify or amend, or consent to any waiver, modification or amendment of, any of the provisions of the Related Documents without the prior written consent of the Note Trustee or, as the case may be, the Noteholders (and, in the case of the notes, of (i) the Rate of Interest), or (ii) any Interest Period, without the prior written consent of the Transferor Beneficiary;

(vii) offer to surrender to any company any amounts which are available for surrender by way of group relief; or

(viii) consolidate or merge with any other Persons or convey or transfer its properties or assets substantially as an entirety to any other Person.

6. **Interest**

(a) ***Specific Provision****: Floating Rate Sterling Notes (LIBOR)*

This Condition 6(a) is applicable to the notes if the Specified Currency is Sterling and the notes are designated as floating rate notes and "LIBOR" is specified in the applicable Final Terms or Drawdown Prospectus.

Each note bears interest at a floating rate on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Sterling on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided**, **however**, **that** with respect to an Interest Period that commences during any period that is not an Amortisation Period and ends during the Rapid Amortisation Period, such Interest Period will end on the originally scheduled Interest Payment Date (and for the avoidance of doubt, in the case of an Interest Period which commences on the Interest Payment Date which falls at the end of the Interest Period during which the Rapid Amortisation Period begins, the Interest Period shall end on the next Distribution Date). The first interest payment will be made on the First Interest Payment Date in respect of the Interest Period from (and including) the Interest Commencement Date to the First Interest Payment Date.

The Rate of Interest applicable to the notes (the "**Rate of Interest**") for each Interest Period will be determined by the Agent Bank as the sum of the Margin and LIBOR for the relevant Interest Period (or in the case of the first Interest Period, a linear interpolation of the LIBOR rates for such periods as specified in the relevant Final Terms or Drawdown Prospectus, as applicable), **provided that** the Rate of Interest shall at any time be at least zero per cent..

LIBOR shall be determined on the following basis:

(i) on the Interest Commencement Date in respect of the first Interest Period and thereafter on each "**Determination Date**", namely the first day of the Interest Period for which the rate will apply, the Agent Bank will determine the offered quotation to leading banks in the London interbank market, in respect of the first Interest Period from (and including) the Interest Commencement Date to (but excluding) the First Interest Payment Date, a linear interpolation of the rates for Sterling deposits for such period as specified in the relevant Final Terms or Drawdown Prospectus, as applicable and for each Interest Period thereafter, for Sterling deposits for the relevant Interest Period, by reference to the display designated as the ICE LIBOR Rates as quoted on the Reuters Screen LIBOR01 or (aa) such other pages may replace Reuters Screen LIBOR01 on that service for the purposes of displaying such information or (bb) 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 Note Trustee) as may replace the Reuters Monitor as at or about 11.00 a.m. (London time) on that date, (the "**Screen Rate**");

(ii) if, on any Determination Date, the Screen Rate is unavailable, the Agent Bank will:

(1) request each Reference Bank to provide the Agent Bank with its offered quotation to leading banks in the London interbank market, in respect of the first Interest Period from (and including) the Interest Commencement Date to (but excluding) the First Interest Payment Date, a linear interpolation of the rates for such periods as specified in the relevant Final Terms or Drawdown Prospectus, as applicable and for each Interest Period thereafter, for Sterling deposits for the relevant Interest Period, as at approximately 11.00 a.m. (London time) on the Determination Date in question and in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean (rounded upwards to four decimal places) of such quotations;

(iii) if on any Determination Date the Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, LIBOR for the relevant Interest Period shall be determined in accordance with the provisions of paragraph (ii) on the basis of the arithmetic mean (rounded upwards to four decimal places) of the offered quotations of those Reference Banks providing the offered quotations; and

(iv) if fewer than two such quotations are provided by the Reference Banks as requested, the Agent Bank will determine the arithmetic mean (rounded upwards to four decimal places) of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the first day of the relevant Interest Period for loans in Sterling to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

provided that if the Agent Bank is unable to determine LIBOR in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the notes during such Interest Period will be the sum of the Margin in respect of the notes and LIBOR last determined in relation to the notes in respect of the preceding Interest Period; and

provided further that, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Floating Rate Sterling Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(a). It is further **provided that** the Rate of Interest shall at any time be at least zero per cent.

The Agent Bank will, as soon as practicable after the Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period.

The Interest Amount in respect of the notes will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of the notes during such

Interest Period, multiplying by the relevant Day Count Fraction and rounding the resulting figure to the nearest pence (half a pence rounded upwards).

(b) ***Specific Provisions****: Floating Rate Sterling Notes (SONIA)*

This Condition 6(b) is applicable to the notes if the Specified Currency is Sterling, the notes are designated as floating rate notes and "SONIA – Overnight Rate" is specified in the applicable Final Terms or Drawdown Prospectus:

Compounded Daily SONIA

(i) where the calculation method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms or Drawdown Prospectus as being "Compounded Daily", the Rate of Interest for each Interest Period will be the Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the Margin, where:

"**Compounded Daily SONIA**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate (as indicated in the applicable Final Terms or Drawdown Prospectus and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Agent Bank on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_{\mathrm{i-pBD}} \times \mathrm{n_i}}{D}\right)-1\right]\times\frac{D}{d}$$

where:

"**D**" is the number specified in the applicable Final Terms or Drawdown Prospectus.

"**d**" is the number of calendar days in the relevant Interest Period.

"$\mathbf{d_o}$" is the number of Business Days in the relevant Interest Period.

"**i**" is a series of whole numbers from one to d_o, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period.

"**Business Day**" or "**BD**", in this Condition 6(b)(i) has the meaning set out in Condition 205.

"$\mathbf{n_i}$", for any Business Day "i", means the number of calendar days from and including such Day "i" up to but excluding the following Business Day.

"**p**" means, for any Interest Period:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, the number of Business Days included in the Observation Look-Back Period specified in the applicable Final Terms or Drawdown Prospectus (or, if no such number is specified, five Business Days);

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, zero;

"**r**" means:

(A) where in the applicable Final Terms or Drawdown Prospectus "SONIA" is specified as the Reference Rate and "Lag" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;

(B) where in the applicable Final Terms or Drawdown Prospectus "SONIA" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

(1) in respect of any Business Day "i" that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and

(2) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date); and

"$\mathbf{r_{i\text{-}pBD}}$" means the applicable SONIA as set out in the definition of "r" above for, where "Lag" is specified as the Observation Method in the applicable Final Terms, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant Business Day "i".

Weighted Average SONIA

(ii) Where the calculation method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms or Drawdown Prospectus as being "Weighted Average", the Rate of Interest for each Interest Period will be the Weighted Average SONIA (as defined below) plus or minus (as indicated in the applicable Final Terms or Drawdown Prospectus) the Margin and will be calculated by the Agent Bank on the Interest Determination Date and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**Weighted Average SONIA**" means:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, the arithmetic mean of the SONIA in effect for each calendar day during the relevant Observation Period, calculated by multiplying the SONIA by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of days in the relevant Observation Period; and

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, the arithmetic mean of the SONIA in effect for each calendar day during the relevant Interest Period, calculated by multiplying the SONIA by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of days in the relevant Interest Period, provided however that for any Business Day (as defined in (i) above) of such Interest Period falling in the "Lock-out Period", the relevant SONIA for each day during that Lock-out Period will be the value for the Reference Day immediately prior to the first day of such Lock-out Period.

(iii) Where "SONIA" is specified as the Reference Rate in the applicable Final Terms or Drawdown Prospectus, if, in respect of any Business Day, SONIA is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such Reference Rate shall be (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of SONIA to the Bank Rate over the previous five days on which SONIA has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, and "r" shall be interpreted accordingly.

(iv) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Accrual Period).

(v) For the purposes of this Condition 6(b), the following definitions will apply:

"**Lock-out Period**" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date.

"**Observation Period**" means, in respect of an Interest Period, the period from and including the date falling "p" Business Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date which is "p" Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" Business Days prior to such earlier date, if any, on which the Notes become due and payable).

"**Reference Day**" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period.

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

(vi) If there has been a public announcement of the permanent or indefinite discontinuation, **provided that**, if the Screen Rate or the relevant base rate that applies to the Floating Rate Sterling Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(b). It is further **provided that** the Rate of Interest shall at any time be at least zero per cent.

(c) ***Specific Provisions**: Floating Rate US Dollar Notes (USD LIBOR)*

This Condition 6(c) is applicable to the notes if the Specified Currency is US Dollars and the notes are designated as floating rate notes and "USD LIBOR" is specified in the applicable Final Terms of Drawdown Prospectus.

Each note bears interest at a floating rate on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in US Dollars on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date** " means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided, however, that** with respect to an Interest Period that commences during any period that is not an Amortisation Period and ends during the Rapid Amortisation Period, such Interest Period will end on the originally scheduled Interest Payment Date (and for the avoidance of doubt, in the case of an Interest Period which commences on the Interest Payment Date which falls at the end of the Interest Period during which the Rapid Amortisation Period begins, the Interest Period shall end on the next Distribution Date). The first interest payment will be made on the First Interest Payment Date in respect of the Interest Period from (and including) the Interest Commencement Date to the First Interest Payment Date.

The Rate of Interest applicable to the notes for each Interest Period will be determined by the Agent Bank as the sum of the Margin and USD LIBOR for the relevant interest period (or, in the case of the first Interest Period, a linear interpretation of the USD LIBOR rates for such periods as specified in the relevant Final Terms or Drawdown Prospectus, as applicable), **provided that** the Rate of Interest shall at any time be at least zero per cent..

USD LIBOR shall be determined on the following basis:

(i) on each Quotation Date (as defined below) until the first Quotation Date during the Rapid Amortisation Period, the Agent Bank will determine the offered quotation to leading banks in the London interbank market — called LIBOR — for one-month US Dollar deposits or three-month US Dollar deposits — called USD LIBOR — (in accordance with the relevant Interest Period specified in the relevant Final Terms or Drawdown Prospectus, as applicable). In the case of the first Interest Period the Agent Bank will determine USD LIBOR based upon the linear interpolation of LIBOR for US Dollar deposits as specified in the relevant Final Terms or Drawdown Prospectus, as applicable. On each Quotation Date during the Rapid Amortisation Period, the Agent Bank will determine the offered quotation to leading banks in the London interbank market for one-month US Dollar deposits.

    This will be determined by reference to the ICE LIBOR Rates display as quoted on the Reuters Screen LIBOR01. If Reuters Screen LIBOR01 stops providing these quotations, the replacement service for the purposes of displaying this information will be used. If the replacement service stops displaying the information, any page showing this information will be used. If there is more than one service displaying the information, the one approved in writing by the Note Trustee in its sole discretion will be used.

    In each case above, the determination will be made as at or about 11.00 a.m. London time, on that date. These are called the "**Screen Rates**".

    A "**Quotation Date**" means the second London Business Day before the first day of an Interest Period;

(ii) if, on any Quotation Date, a Screen Rate is unavailable, the Agent Bank will:

    (1) request each Reference Bank to provide the Agent Bank with its offered quotation to leading banks in the London interbank market of the equivalent of that Screen

Rate on that Quotation Date in an amount that represents a single transaction in that market at that time; and

(2) determine the arithmetic mean rounded upwards to four decimal places, of those quotations;

(iii) if, on any quotation date, the Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, the Rate of Interest for that Interest Period will be the arithmetic mean of the quotations provided by those Reference Banks calculated in the manner described in (ii) above; and

(iv) if fewer than two Reference Banks provide quotations, the Agent Bank will determine (in its absolute discretion) the arithmetic mean (rounded upwards to four decimal places) of the leading rates quoted by major banks in London — selected by the Agent Bank at approximately 11.00 a.m. London time on the relevant Quotation Date — to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, for loans in US Dollars,

provided that if the Agent Bank is unable to determine LIBOR in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the notes during such Interest Period will be the sum of the Margin in respect of the notes and LIBOR last determined in relation to the notes in respect of the preceding Interest Period; and

provided further that, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Floating Rate U.S. Dollar Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(c). It is further **provided that** the Rate of Interest shall at any time be at least zero per cent.

The Agent Bank will, as soon as practicable after the Quotation Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period. The Interest Amount in respect of the notes will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of the notes during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest US Dollar 0.01 (half of a cent being rounded upwards).

(d) ***Specific Provisions**: Floating Rate US Dollar Notes (SOFR)*

This Condition 6(d) is applicable to the notes if the Specified Currency is Sterling, the notes are designated as floating rate notes and "SOFR – Overnight Rate" is specified in the applicable Final Terms or Drawdown Prospectus:

Compounded Daily SOFR

(i) where the calculation method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms or Drawdown Prospectus as being "Compounded Daily", the Rate of Interest for each Interest Period will be the Compounded Daily SOFR plus or minus (as indicated in the applicable Final Terms or Drawdown Prospectus) the Margin, where:

"**Compounded Daily SOFR**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily US Dollars overnight reference rate (as indicated in the applicable Final Terms or Drawdown Prospectus and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Agent Bank on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_{\mathrm{i-pBD}}\times \mathrm{n_i}}{D}\right)-1\right]\times\frac{D}{d}$$

where:

"**D**" is the number specified in the applicable Final Terms or Drawdown Prospectus.

"**d**" is the number of calendar days in the relevant Interest Period.

"$\mathbf{d_o}$" is the number of Business Days in the relevant Interest Period.

"**i**" is a series of whole numbers from one to d_o, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period.

"**Business Day**" or "**BD**", in this Condition 6(d)(i), means a U.S. Government Securities Business Day.

"$\mathbf{n_i}$", for any Business Day "i", means the number of calendar days from and including such Day "i" up to but excluding the following Business Day.

"**p**" means, for any Interest Period:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, the number of Business Days included in the Observation Look-Back Period specified in the applicable Final Terms or Drawdown Prospectus (or, if no such number is specified, five Business Days);

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, zero;

"**r**" means:

(A) where in the applicable Final Terms or Drawdown Prospectus "SOFR" is specified as the Reference Rate and "Lag" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;

(B) where in the applicable Final Terms or Drawdown Prospectus "SOFR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

(1) in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day, and

(2) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date).

"$\mathbf{r_{i\text{-}pBD}}$" means the applicable SOFR as set out in the definition of "r" above for, where "Lag" is specified as the Observation Method in the applicable Final Terms, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant Business Day "i".

Weighted Average SOFR

(ii) where the calculation method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms or Drawdown Prospectus as being "Weighted Average", the Rate of Interest for each Interest Period will be the Weighted Average SOFR (as defined below) plus or minus (as indicated in the applicable Final Terms or Drawdown Prospectus) the Margin and will be calculated by the Agent Bank on the Interest Determination Date and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**Weighted Average SOFR**" means:

(A) where "Lag" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Observation Period, calculated by multiplying the relevant SOFR by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of days in the relevant Observation Period; and

(B) where "Lock-out" is specified as the Observation Method in the applicable Final Terms or Drawdown Prospectus, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Interest Period, calculated by multiplying the relevant SOFR by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of days in the relevant Interest Period, provided however that for any Business Day (as defined in (i) above) of such Interest Period falling in the "Lock-out Period", the relevant SOFR for each day during that Lock-out Period will be the value for the Reference Day immediately prior to the first day of such Lock-out Period.

(iii) Where "SOFR" is specified as the Reference Rate in the applicable Final Terms or Drawdown Prospectus, if, in respect of any Business Day, the Reference Rate is not available, such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the New York Fed's Website, and "r" shall be interpreted accordingly.

(iv) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Accrual Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Accrual Period).

(v) For the purposes of this Condition 6(d), the following definitions will apply:

"**Lock-out Period**" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date.

"**New York Fed's Website**" means the website of the Federal Reserve Bank of New York currently at http://www.newyorkfed.org, or any successor website of the Federal Reserve Bank of New York.

"**Observation Period**" means, in respect of an Interest Period, the period from and including the date falling "p" Business Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date which is "p" Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" Business Days prior to such earlier date, if any, on which the Notes become due and payable).

"**Reference Day**" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period.

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

(vi) **Provided that**, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Floating Rate U.S. Dollar Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(d). It is further **provided that** the Rate of Interest shall at any time be at least zero per cent.

(e) ***Specific Provision**: Floating Rate Euro Notes*

This Condition 6(e) is applicable to the notes if the Specified Currency is Euro and the notes are designated to be floating rate notes.

Each note bears interest at a floating rate on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Euros on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided, however, that** with respect to an Interest Period that commences during any period that is not an Amortisation Period and ends during the Rapid Amortisation Period, such Interest Period will end on the originally scheduled Interest Payment Date (and for the avoidance of doubt, in the case of an Interest Period which commences on the Interest Payment Date which falls at the end of the Interest Period during which the Rapid Amortisation Period begins, the Interest Period shall end on the next Distribution Date). The first interest payment will be made on the First Interest Payment Date in respect of the Interest Period from (and including) the Interest Commencement Date to the First Interest Payment Date.

The Rate of Interest applicable to the notes (the "**Rate of Interest**") for each Interest Period will be determined by the Agent Bank as the sum of the Margin and EURIBOR for the relevant Interest Period (or in the case of the first Interest Period, a linear interpolation of the EURIBOR rates for such periods as specified in the relevant Final Terms or Drawdown Prospectus, as applicable), **provided that** the Rate of Interest shall at any time be at least zero per cent..

"**EURIBOR**" shall be determined on the following basis:

(i) on the second TARGET Settlement Day before the Interest Commencement Date in respect of the first Interest Period and thereafter on each "Determination Date", namely 11.00 a.m. (Brussels time) on the second TARGET Settlement Day before the first day of the Interest Period for which the rate will apply, the Agent Bank will determine the offered quotation to prime banks in the Euro-Zone interbank market, in respect of the first Interest Period from (and including) the Interest Commencement Date to (but excluding) the First Interest Payment Date, a linear interpolation of the rates for Euro deposits for such period as specified in the relevant Final Terms or Drawdown Prospectus, as applicable and for each Interest Period thereafter, for Euro deposits for the relevant Interest Period, by reference to (aa) on the display page designated EURIBOR01 on the Reuters Service (or such other page as may replace that page on that service, or such other service as may be nominated by the Agent Bank as the information vendor, for the purpose of displaying comparable rates) on the Determination Date or (bb) 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 Note Trustee) as may replace the Dow Jones Monitor as at or about 11.00 a.m. (Brussels time) on that date (the "**Screen Rate** ");

(ii) if, on any Determination Date, the Screen Rate is unavailable, the Agent Bank will:

   (1) request the principal euro-zone office of each of four major banks in the Euro-Zone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Determination Date to prime banks in the Euro-Zone interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and

   (2) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and

(iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-Zone interbank market, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the Determination Date for loans in Euro to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

provided that if the Agent Bank is unable to determine EURIBOR in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the notes during such Interest Period will be the sum of the Margin and the EURIBOR last determined in relation to such notes in respect of a preceding Interest Period; and

provided further that, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Floating Rate Euro Notes at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(e). It is further **provided that** the Rate of Interest shall at any time be at least zero per cent..

The Agent Bank will, as soon as practicable after the Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period. The Interest Amount in respect of the notes will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of the notes during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest Euro 0.01 (half of a cent being rounded upwards).

(f) ***Specific Provision****: Fixed Rate Sterling Notes (Option 1)*

This Condition 6(f) is applicable to the notes if the Specified Currency is Sterling and the notes are designated to be fixed rate notes (Option 1).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Sterling on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**", **provided, however, that** with respect to an Interest Period that commences during any period that is not an Amortisation Period and ends during the Rapid Amortisation Period, such Interest Period will end on the originally scheduled Interest Payment Date (and for the avoidance of doubt, in the case of an Interest Period which commences on the Interest Payment Date which falls at the end of the Interest Period during which the Rapid Amortisation Period begins, the Interest Period shall end on the next Distribution Date). The first interest payment will be made on the first Interest Payment Date in respect of the Interest Period from (and including) the Interest Commencement Date to the First Interest Payment Date.

Subject to the following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date to, but excluding, the Floating Rate Commencement Date (the "**Initial Period**"). Interest in respect of the notes during the Initial Period is payable in arrear in Sterling on each Regular Interest Payment Date and the final Interest Payment Date during the Initial Period shall be the Scheduled Redemption Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period during the Initial Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count

Fraction, and rounding the resultant figure to the nearest Sterling 0.01 (half of a pence being rounded upwards).

However, in the event that the Rapid Amortisation Period has commenced, then from and including the Floating Rate Commencement Date to, but excluding, the Final Redemption Date (the "**Redemption Period**"), each note bears interest at a floating rate on its Principal Amount Outstanding to be determined in accordance with the provisions below, payable in arrear on each Distribution Date. During the Redemption Period, each period beginning on, and including, a Distribution Date to but excluding the next Distribution Date is called an "**Interest Period**".

The Rate of Interest applicable to the notes which are the subject of this Condition 6(f) (the "**Redemption Rate**") for each Interest Period during the Redemption Period will be determined by the Agent Bank as the sum of the Margin and LIBOR for the relevant Interest Period.

LIBOR shall be determined on the following basis:

(i) on the Floating Rate Commencement Date in respect of the first Interest Period during the Redemption Period and thereafter on each "**Determination Date**", namely the first day of the Interest Period for which the Redemption Rate will apply, the Agent Bank will determine the offered quotation to leading banks in the London interbank market, for Sterling deposits for the relevant Interest Period, by reference to the display designated as the ICE LIBOR Rates as quoted on Reuters Screen LIBOR01 or (aa) such other page as may replace Reuters Screen LIBOR01 on that service for the purposes of displaying such information or (bb) 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 Note Trustee) as may replace the Reuters Screen as at or about 11.00 a.m. (London time) on that date, (the "**Screen Rate**");

(ii) if, on any Determination Date, the Screen Rate is unavailable, the Agent Bank will:

    (1) request each Reference Bank to provide the Agent Bank with its offered quotation to leading banks in the London interbank market, for Sterling deposits for the relevant Interest Period, as at approximately 11.00 a.m. (London time) on the Determination Date in question and in an amount that is representative for a single transaction in that market at that time; and

    (2) determine the arithmetic mean (rounded upwards to four decimal places) of such quotations;

(iii) if on any Determination Date the Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, LIBOR for the relevant Interest Period shall be determined in accordance with the provisions of paragraph (ii) on the basis of the arithmetic mean (rounded upwards to four decimal places) of the offered quotations of those Reference Banks providing the offered quotations; and

(iv) if fewer than two such quotations are provided by the Reference Banks as requested, the Agent Bank will determine the arithmetic mean (rounded upwards to four decimal places) of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the first day of the relevant Interest Period for loans in Sterling to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

provided that if the Agent Bank is unable to determine LIBOR in accordance with the above provisions in relation to any Interest Period, the Redemption Rate applicable to the notes in respect of such Interest Period during the Redemption Period will be the sum of the Margin in respect of the notes and LIBOR last determined in relation to the notes in respect of the preceding Interest Period; and

provided further that, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Fixed Rate Sterling Notes (Option 1) at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(f).

During the Redemption Period, the Agent Bank will, as soon as practicable after the Determination Date in relation to each Interest Period during the Redemption Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period. The Interest Amount will be calculated by applying the Redemption Rate for such Interest Period to the Principal Amount Outstanding of the notes during such Interest Period and multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest Sterling 0.01 (half of a penny being rounded upwards).

(g) ***Specific Provision**: Fixed Rate Dollar Notes (Option 1)*

This Condition 6(g) is applicable to the notes if the Specified Currency is US Dollars and the notes are designated to be fixed rate notes (Option 1).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in US Dollars on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided however, that**, where the Floating Rate Commencement Date is a date falling prior to the Scheduled Redemption Date, with respect to an Interest Period that commences during the Revolving Period or the Accumulation Period and ends during the Rapid Amortisation Period, such Interest Period will end on, and exclude, the Floating Rate Commencement Date.

Subject to the following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date to, but excluding, the Floating Rate Commencement Date (the "**Initial Period**"). Interest in respect of such note during the Initial Period is payable in arrear in US Dollars on each Regular Interest Payment Date and the final Interest Payment Date during the Initial Period shall be the Scheduled Redemption Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period during the Initial Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count Fraction, and rounding the resultant figure to the nearest US Dollar 0.01 (half of a cent being rounded upwards).

However, in the event that the Rapid Amortisation Period has commenced, then from and including the Floating Rate Commencement Date to, but excluding, the Final Redemption Date (the "**Redemption Period**"), each note bears interest at a floating rate on its Principal Amount Outstanding to be determined in accordance with the provisions below, payable in arrear on each Distribution Date. During the Redemption Period, each period beginning on, and including, a Distribution Date to but excluding the next Distribution Date is called an "**Interest Period**".

The Rate of Interest applicable to the notes which are the subject of this Condition 6(g) (the "**Redemption Rate**") for each Interest Period during the Redemption Period will be determined by the Agent Bank as the sum of the Margin and USD LIBOR for the relevant Interest Period.

USD LIBOR shall be determined on the following basis:

(i) on each Quotation Date during the Redemption Period, the Agent Bank will determine the offered quotation to leading banks in the London interbank market - called LIBOR - for one-month US Dollar deposits.

This will be determined by reference to the ICE LIBOR Rates display as quoted on the Reuters Screen LIBOR01. If the Reuters Screen LIBOR01 stops providing these quotations, the replacement service for the purposes of displaying this information will be used. If the replacement service stops displaying the information, any page showing this information will be used. If there is more than one service displaying the information, the one approved in writing by the Note Trustee in its sole discretion will be used.

In each case above, the determination will be made as at or about 11.00 a.m. London time, on that date. These are called the "**Screen Rates**".

A "**Quotation Date**" means the second London Business Day before the Floating Rate Commencement Date in respect of the first Interest Period during the Redemption Period and thereafter the second London Business Day before the first day of an Interest Period;

(ii) if, on any Quotation Date, a Screen Rate is unavailable, the Agent Bank will:

(1) request each Reference Bank to provide the Agent Bank with its offered quotation to leading banks of the equivalent of that Screen Rate on that Quotation Date in an amount that represents a single transaction in that market at that time; and

(2) determine the arithmetic mean rounded upwards to four decimal places, of those quotations;

(iii) if, on any Quotation Date, the Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, LIBOR for that Interest Period will be the arithmetic mean of the quotations provided by those Reference Banks calculated in the manner described in (ii) above; and

(iv) if fewer than two Reference Banks provide quotations, the Agent Bank will determine (in its absolute discretion) the arithmetic mean (rounded upwards to four decimal places) of the leading rates quoted by major banks in London — selected by the Agent Bank at approximately 11.00 a.m. London time on the relevant Quotation Date — to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, for loans in US Dollars,

provided that if the Agent Bank is unable to determine LIBOR in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the notes during such Interest Period will be the sum of the Margin in respect of the notes and LIBOR last determined in relation to the notes in respect of the preceding Interest Period; and

provided further that, in respect of the Fixed Rate Dollar Notes (Option 1) issued on or after the Base Rate Modification Reference Date, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Fixed Rate Dollar Notes (Option 1) at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(g).

During the Redemption Period, the Agent Bank will, as soon as practicable after the Quotation Date in relation to each Interest Period during the Redemption Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period. The Interest Amount will be calculated by applying the Redemption Rate for such Interest Period to the Principal Amount Outstanding of the notes during such Interest Period and multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest US Dollar 0.01 (half of a cent being rounded upwards).

(h) ***Specific Provision**: Fixed Rate Euro Notes (Option 1)*

This Condition 6(h) is applicable to the notes if the Specified Currency is Euro and the notes are designated to be fixed rate notes (Option 1).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Euro on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided, however, that**, where the Floating Rate Commencement Date is a date falling prior to the Scheduled Redemption Date, with respect to an Interest Period that commences during the Revolving Period or the Accumulation Period and ends during the Rapid Amortisation Period, such Interest Period will end on, and exclude, the Floating Rate Commencement Date.

Subject to the following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date to, but excluding, the Floating Rate Commencement Date (the "**Initial Period**"). Interest in respect of such note during the Initial Period is payable in arrear in Euro on each Regular Interest Payment Date and the final Interest Payment Date during the Initial Period shall be the Scheduled Redemption Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period during the Initial Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count Fraction, and rounding the resultant figure to the nearest Euro 0.01 (half of a cent being rounded upwards).

However, in the event that the Rapid Amortisation Period has commenced, then from and including the Floating Rate Commencement Date to, but excluding, the Final Redemption Date (the "**Redemption Period**"), each note bears interest at a floating rate on its Principal Amount Outstanding to be determined in accordance with the provisions below, payable in arrear on each Distribution Date. During the Redemption Period, each period beginning on, and including, a Distribution Date to but excluding the next Distribution Date is called an "**Interest Period**".

The Rate of Interest applicable to the notes which are the subject of this Condition 6(f) (the "**Redemption Rate**") for each Interest Period during the Redemption Period will be determined by the Agent Bank as the sum of the Margin and EURIBOR for the relevant Interest Period.

EURIBOR shall be determined on the following basis:

(i) on the second TARGET Settlement Day before the Floating Rate Commencement Date in respect of the first Interest Period during the Redemption Period and thereafter on each "**Determination Date**", namely 11.00 a.m. (Brussels time) on the second TARGET Settlement Day before the first day of the Interest Period for which the rate will apply, the Agent Bank will determine the offered quotation to prime banks in the Euro-Zone interbank market for Euro deposits for the relevant Interest Period, by reference to (aa) on Reuters Screen (or such other page as may replace that page on that service, or such other service as may be nominated by the Agent Bank as the information vendor, for the purpose of displaying comparable rates) on the Determination Date or (bb) 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 Note Trustee) as may replace the Reuters Screen as at or about 11.00 a.m. (Brussels time) on that date (the "**Screen Rate**");

(ii) if, on any Determination Date, the Screen Rate is unavailable, the Agent Bank will:

   (1) request the principal Euro-Zone office of each of four major banks in the Euro-Zone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Determination Date to prime banks in the euro-zone interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and

   (2) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and

(iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-Zone interbank market, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the Determination Date for loans in Euro to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

provided that if the Agent Bank is unable to determine EURIBOR in accordance with the above provisions in relation to any Interest Period, the Redemption Rate applicable to the notes during such Interest Period will be the sum of the Margin and EURIBOR last determined in relation to such notes in respect of the preceding Interest Period; and

provided further that, in respect of the Fixed Rate Euro Notes (Option 1) issued on or after the Base Rate Modification Reference Date, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate or the relevant base rate that applies to the Fixed Rate Euro Notes (Option 1) at that time (the date of such public announcement being the "**Relevant Time**"), the Issuer (acting on the advice of the Cash Manager) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Base Rate in accordance with Condition 14(c) (*Additional right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Base Rate proposed by or on behalf of the Issuer (including any Alternative Base Rate which was proposed prior to the Relevant Time in accordance with the Relevant Condition) has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to the modification, the Issuer shall not be obliged to propose an Alternative Base Rate under this Condition 6(h).

During the Redemption Period, the Agent Bank will, as soon as practicable after the Determination Date in relation to each Interest Period during the Redemption Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period. The Interest Amount will be calculated by applying the Redemption Rate for such Interest Period to the Principal Amount Outstanding of the notes during such Interest Period and multiplying the product by the relevant Day Count Fraction, and rounding the resulting figure to the nearest Euro 0.01 (half of a cent being rounded upwards).

(i) ***Specific Provision**: Fixed Rate Sterling Notes (Option 2)*

This Condition 6(i) is applicable to the notes if the Specified Currency is Sterling and the notes are designated to be fixed rate notes (Option 2).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Sterling on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable).

Each period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**". Subject to the following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date. Interest in respect of the such note is payable in arrear in Sterling on each Regular Interest Payment Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count Fraction, and rounding the resultant figure to the nearest Sterling 0.01 (half of a pence being rounded upwards).

(j) ***Specific Provision**: Fixed Rate Dollar Notes (Option 2)*

This Condition 6(j) is applicable to the notes if the Specified Currency is US Dollars and the notes are designated to be fixed rate notes (Option 2).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in US Dollars on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable).

Each period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Subject to the following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date. Interest in respect of the such note is payable in arrear in US Dollars on each Regular Interest Payment Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count Fraction, and rounding the resultant figure to the nearest US Dollar 0.01 (half of a cent being rounded upwards).

(k) ***Specific Provision**: Fixed Rate Euro Notes (Option 2)*

This Condition 6(k) is applicable to the notes if the Specified Currency is Euro and the notes are designated to be fixed rate notes (Option 2).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Euro on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable).

Each period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Subject to the following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date. Interest in respect of the such note is payable in arrear in Euro on each Regular Interest Payment Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count Fraction, and rounding the resultant figure to the nearest Euro 0.01 (half of a cent being rounded upwards).

(l) ***Specific Provision****: Fixed Rate Dollar Notes (Option 3)*

This Condition 6(l) is applicable to the notes if the Specified Currency is US Dollars and the notes are designated to be fixed rate notes (Option 3).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in US Dollars on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided, however, that**, where the Floating Rate Commencement Date is a date falling prior to the Scheduled Redemption Date with respect to an Interest Period that commences during the Revolving Period or the Accumulation Period and ends during the Rapid Amortisation Period, such Interest Period will end on, and exclude the Floating Rate Commencement Date.

Subject to the second following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date to, but excluding, the Floating Rate Commencement Date (the "**Initial Period**"). Interest in respect of the such note during the Initial Period is payable in arrear in US Dollars on each Regular Interest Payment Date and the final Interest Payment Date during the Initial Period shall be the Scheduled Redemption Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period during the Initial Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count

Fraction, and rounding the resultant figure to the nearest US Dollar 0.01 (half of a cent being rounded upwards).

However, in the event that the Rapid Amortisation Period has commenced, then from and including the Floating Rate Commencement Date to, but excluding, the Final Redemption Date (the "**Redemption Period**"), each note bears interest on its Principal Amount Outstanding in accordance with this Condition 6(l), but subject as provided in the following paragraph, payable in arrear on each Distribution Date. During the Redemption Period, each period beginning on, and including, a Distribution Date to but excluding the next Distribution Date is called an "**Interest Period**".

Interest will be payable on the relevant notes by the relevant Paying Agent in accordance with the provisions of the Paying Agency Agreement.

(m) ***Specific Provision****: Fixed Rate Euro Notes (Option 3)*

This Condition 6(m) is applicable to the notes if the Specified Currency is Euro and the notes are designated to be fixed rate notes (Option 3).

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Euro on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**"; **provided, however, that**, where the Floating Rate Commencement Date is a date falling prior to the Scheduled Redemption Date, with respect to an Interest Period that commences during the Revolving Period or the Accumulation Period and ends during the Rapid Amortisation Period, such Interest Period will end on, and exclude, the Floating Rate Commencement Date.

Subject to the second following paragraph, each note bears interest at the Initial Rate on its Principal Amount Outstanding during the period from (and including) the Interest Commencement Date to, but excluding, the Floating Rate Commencement Date (the "**Initial Period**"). Interest in respect of the notes during the Initial Period is payable in arrear in Euro on each Regular Interest Payment Date and the final Interest Payment Date during the Initial Period shall be the Scheduled Redemption Date.

The amount of the interest payable (the "**Interest Amount**") in respect of the notes for any Interest Period during the Initial Period shall be calculated by applying the Initial Rate to the Principal Amount Outstanding of the notes, multiplying the resulting product by the relevant Day Count

Fraction, and rounding the resultant figure to the nearest Euro 0.01 (half of a cent being rounded upwards).

However, in the event that the Rapid Amortisation Period has commenced, then from and including the Floating Rate Commencement Date to, but excluding, the Final Redemption Date (the "**Redemption Period**"), each note bears interest on its Principal Amount Outstanding in accordance with this Condition 6(k), but subject as provided in the following paragraph, payable in arrear on each Distribution Date. During the Redemption Period, each period beginning on, and including, a Distribution Date to but excluding the next Distribution Date is called an "**Interest Period**".

Interest will be payable on the relevant notes by the relevant Paying Agent in accordance with the provisions of the Paying Agency Agreement.

(n) ***Specific Provisions****: Commercial Paper Cost of Funds Notes*

This Condition 6(n)is applicable to the notes if the notes are issued as notes with an interest rate calculated by reference to commercial paper costs of funds of the relevant note purchaser or its related commercial paper Issuer.

Each note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date. Interest in respect of the notes is payable in arrear in Sterling on each Interest Payment Date.

If there is a shortfall between the amounts received by the Issuer from the Swap Counterparty (if any) or otherwise and the amount of interest due on any class of notes on that Interest Payment Date, that shortfall will be borne by each note in that class in a proportion equal to the proportion that the interest outstanding on the relevant note bears to the total amount of interest outstanding on all the notes of that class. This will be determined on the Interest Payment Date on which the shortfall arises. Payment of the shortfall will be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer, or, if earlier, the Final Redemption Date, from payments made to it from the Swap Counterparty or otherwise on that Interest Payment Date, to make the payment. The shortfall will accrue interest at the rate described for each class of note below plus the Margin, and payment of that interest will also be deferred and will be due on the next Interest Payment Date on which funds are available to the Issuer to make the payment or, if earlier, on the Final Redemption Date.

"**Interest Payment Date**" means the following dates:

(i) during any period that is not an Amortisation Period, the First Interest Payment Date and each Regular Interest Payment Date (as specified in the relevant Final Terms or Drawdown Prospectus, as applicable); and

(ii) during an Amortisation Period, each Distribution Date.

Each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period"; **provided**, **however**, **that** with respect to an Interest Period that commences during any period that is not an Amortisation Period and ends during the Rapid Amortisation Period, such Interest Period will end on the originally scheduled Interest Payment Date (and for the avoidance of doubt, in the case of an Interest Period which commences on the Interest Payment Date which falls at the end of the Interest Period during which the Rapid Amortisation Period begins, the Interest Period shall end on the next Distribution Date). The first interest payment will be made on the First Interest Payment Date in respect of the Interest Period from (and including) the Interest Commencement Date to, but excluding, the First Interest Payment Date.

The Rate of Interest applicable to the notes for each Interest Period will be determined by the party specified in the relevant Final Terms or Drawdown Prospectus, as applicable as the party responsible for calculating such Rate of Interest (the "**CP Calculation Agent**") as the sum of the CP Funding Cost and Margin and (if specified in the relevant Final Terms or Drawdown Prospectus, as applicable) Liquidity Funding Margin for the relevant Interest Period specified in the relevant Final Terms or Drawdown Prospectus, as applicable, subject to the maximum interest rate specified in the relevant Final Terms or Drawdown Prospectus, as applicable.

For the purposes of this Condition 6(n):

"**CP Funding Cost**" means, on any date of determination, or with respect to any period, the per annum rate equivalent to the weighted average of the per annum rates paid or payable by the relevant note purchaser from time to time as accreted discount, interest or otherwise (including, without limitation, breakage costs, dealers' fees and placement agents' fees and costs of related swap or forward exchange rate contracts and related swap termination costs) in respect of the commercial paper notes issued or sponsored by the relevant note purchaser that are allocated, in whole or in part, by, or on behalf of, such relevant note purchaser to fund, purchase or maintain or increase (directly or indirectly) the notes or any portion thereof during the related period, as determined by, or on behalf of, such relevant note purchaser and notified by the relevant CP Calculation Agent to the Issuer and the Calculation Agent; **provided**, **however**, **that** if any component of such rate is a discount rate, in calculating the CP Funding Cost for such period, the relevant CP Calculation Agent (or its agent) shall, for such component, use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum. For the avoidance of doubt, CP Funding Cost shall not include any Liquidity Funding Margin and CP Funding Cost and Liquidity Funding Margin shall be mutually exclusive; and

"**Liquidity Funding Margin**" means, if specified in the relevant Final Terms or Drawdown Prospectus, as applicable, a percentage per annum payable to the relevant note purchaser solely in respect of (a) the period during which any Principal Amount Outstanding of any notes, held by such note purchaser, is not being funded through the issuance of such note purchaser's (or, if applicable, its related commercial paper Issuer's) respective commercial paper and (b) the Principal Amount Outstanding of the notes, held by such notes purchaser, which is not being funded through the issuance of such note purchaser's (or, if applicable, its related commercial paper Issuer's) respective commercial paper.

The Calculation Agent will, as soon as practicable after the Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the notes for such Interest Period following the notification to it by the CP Calculation Agent of the Rate of Interest no later than 3 Business Days before the relevant Interest Payment Date.

The Interest Amount in respect of the notes will be calculated by applying the relevant Rate of Interest for such Interest Period to the Principal Amount Outstanding of the notes during such Interest Period, multiplying by the relevant Day Count Fraction and rounding the resulting figure to the nearest pence (half a pence rounded upwards).

(o) ***General Provision**: Deferred Interest and Additional Interest*

To the extent that the monies which are deposited in the Distribution Ledger for a Note Series by Loan Note Issuer No. 1 on an Interest Payment Date in accordance with the provisions of the Loan Note Supplement for the Related Loan Note are insufficient to pay the full amount of interest on any notes on such Interest Payment Date, payment of the interest shortfall ("**Deferred Interest**"), which will be borne by each note of the relevant Note Series in a proportion equal to the proportion that the Principal Amount Outstanding of the Note of the relevant Note Series bears to the aggregate Principal Amount Outstanding of the relevant notes of the relevant Note Series (as determined on the Interest Payment Date on which such Deferred Interest arises), will be deferred and will be due on the Interest Payment Date occurring thereafter on which funds are available to the Issuer (by being deposited to the Issuer Distribution Account to the credit of the Distribution Ledger for that Note Series by Loan Note Issuer No. 1 on such Interest Payment Date in accordance with the provisions of the Loan Note Supplement for the Related Loan Note, or otherwise) to pay such Deferred Interest to the extent of such Available Funds. Such Deferred Interest will accrue interest ("**Additional Interest**") at the then current Rate of Interest (or in the case of a fixed rate Note, the Initial Rate (during the Initial Period) or the Redemption Rate (during the Redemption Period)), and payment of any Additional Interest will also be deferred until the Interest Payment Date thereafter on which funds are available to the Issuer (by being deposited to the Issuer Distribution Account to the credit of the Distribution Ledger for a Note Series by Loan Note Issuer No. 1 on such Interest Payment Date in accordance with the provisions of the Loan Note

Supplement, or otherwise) for the Related Loan Note to pay such Additional Interest to the extent of such Available Funds.

(p) ***General Provision****: Calculation of Interest Amount*

In relation to each Interest Payment Date, the Calculation Agent shall determine the actual amount of interest which will be paid on the notes on that Interest Payment Date and the amount of Deferred Interest (if any) on the notes in respect of the related Interest Period and the amount of Additional Interest (if any) which will be paid on such Interest Payment Date. The amount of Additional Interest shall be calculated by applying the then current relevant Rate of Interest for the notes to the Deferred Interest and any Additional Interest from prior Interest Periods which remains unpaid, multiplying such sum by the relevant Day Count Fraction.

In the event that, on any Interest Payment Date, the amount of monies which are deposited to the Distribution Ledger for a Note Series by Loan Note Issuer No. 1 on such day in accordance with the provisions of the Loan Note Supplement for the Related Loan Note is insufficient to pay in full the Interest Amount, any outstanding Deferred Interest and any Additional Interest due on such Interest Payment Date in respect of any class of notes, such monies will be applied first to the payment of any Interest Amount, secondly to the payment of any outstanding Deferred Interest and thereafter to the payment of any Additional Interest in respect of the relevant class.

(q) ***General Provision****: Interest cease to accrue*

Interest will cease to accrue on any part of the Principal Amount Outstanding of a note from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of the relevant notes up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Note Trustee has notified the relevant Noteholders either in accordance with Condition 16 or individually that it has received all sums due in respect of the relevant notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(r) ***General Provision****: Failure of Agent Bank*

If the Calculation Agent or, in respect of the Rate of Interest under Condition 6(n) only, the CP Calculation Agent, fails at any time to determine a Rate of Interest or to calculate an Interest Amount or amount of Deferred Interest (if any) or amount of Additional Interest (if any), the Note Trustee, or its appointed agent without any liability therefor, may determine such Rate of Interest as it considers fair and reasonable in the circumstances (having such regard as it thinks fit to the other provisions of these Conditions, including without limitation paragraph (o) or (p) above (as applicable), and with respect to the Rate of Interest under Condition 6(n) only, having regards to the most recent notification from the CP Calculation Agent to the Calculation Agent) or (as the case may be) calculate such Interest Amount or amount of Deferred Interest (if any) or amount of Additional Interest (if any), in accordance with paragraph (n) above, and each such determination or calculation shall be deemed to have been made by the Calculation Agent or, in respect of the Rate of Interest under Condition 6(n) only, the CP Calculation Agent.

(q) ***General Provision****: Publication*

The Calculation Agent will cause each Rate of Interest, Interest Amount, amount of Deferred Interest (if any) and amount of Additional Interest (if any) determined by it or notified to it, together with the relevant Interest Payment Date, to be notified to the Issuer, the Paying Agents, the Note Trustee and, for so long as the respective notes are admitted to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), the London Stock Exchange as soon as practicable after such determination but in any event not later than the seventh day thereafter or such earlier day as the Regulated Market of the London Stock Exchange may require and the Calculation Agent will cause the same to be published in accordance with Condition 16 as soon as possible thereafter. The Calculation Agent will be entitled to recalculate any Interest Amount and amount of Additional Interest (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(r) ***General Provision**: Notifications etc.*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6, whether by the Calculation Agent, the CP Calculation Agent (in respect of the Rate of Interest under Condition 6(n) only) or the Note Trustee will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Note Trustee, the Calculation Agent and the Noteholders and no liability to any such Person will attach to the Calculation Agent, the CP Calculation Agent or the Note Trustee in connection with the exercise or non-exercise by them or of them of their powers, duties and discretions for such purposes.

7. **Redemption and Purchase**

(a) ***Scheduled Redemption***

Unless previously redeemed and cancelled or unless an Amortisation Period has earlier commenced or, if the Issuer has entered into a Swap Agreement with or without call protection in respect of a Note Series, regardless of whether an Amortisation Period has commenced, the notes of a Note Series will be redeemed on the Interest Payment Date which falls on the Scheduled Redemption Date specified in the relevant Final Terms or Drawdown Prospectus, as applicable for such Note Series as follows and to the following extent:

(i) if, on the Scheduled Redemption Date, Loan Note Issuer No. 1 deposits into the relevant Distribution Ledger for the relevant Note Series in the Issuer Distribution Account in accordance with the provisions of the Loan Note Supplement for the Related Loan Note an amount equal to the Principal Amount Outstanding on the Scheduled Redemption Date, then the notes of such Note Series will be redeemed *pro rata* to the extent of that amount (after exchange of such amount to the relevant currency pursuant to the relevant Swap Agreement, if such a currency Swap Agreement has been entered into); and

(ii) if, on the Scheduled Redemption Date, Loan Note Issuer No. 1 deposits into the relevant Distribution Ledger for the relevant Note Series in the Issuer Distribution Account in accordance with the provisions of the Loan Note Supplement an amount which is less than the Principal Amount Outstanding, then the notes of such Note Series will be redeemed *pro rata* in part to the extent of the amount which is so deposited (after exchange of such amount to the relevant currency pursuant to the relevant Swap Agreement, if such a currency swap has been entered into), and the Rapid Amortisation Period will commence with effect from the Scheduled Redemption Date.

If the Rapid Amortisation Period for a Note Series commences in the circumstances referred to in (ii) above, then on each Interest Payment Date which thereafter occurs during the Amortisation Period, the notes will be redeemed in whole or, as the case may be, *pro rata* in part to the extent of the amount (after exchange of such amount to the relevant currency at the rate of exchange applicable to such Note Series under the Swap Agreement or if there is no longer a Swap Agreement then at a spot rate of exchange, if such Note Series is denominated in a currency other than Sterling) which is deposited to the relevant Distribution Ledger for the relevant Note Series in the Issuer Distribution Account on such day in accordance with the provisions of the Loan Note Supplement for the Related Loan Note until the earlier of (a) such time as the Note Series is redeemed in full or (b) the Final Redemption Date specified in the relevant Final Terms or Drawdown Prospectus, as applicable for such Note Series.

The Principal Paying Agent will cause each Principal Payment and Principal Amount Outstanding to be notified to the Issuer, the Paying Agents, the Note Trustee and, for so long as the notes are admitted to trading on the Regulated Market of the London Stock Exchange, the London Stock Exchange, as soon as practicable after such determination, but in any event not later than the seventh day thereafter or such earlier day as the Regulated Market of the London Stock Exchange may require and will cause the same to be published in accordance with Condition 16 as soon as possible thereafter. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Note Trustee and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

If the Principal Paying Agent fails at any time to determine a Principal Payment or Principal Amount Outstanding as aforesaid, the Note Trustee, or its appointed agent without accepting liability therefor, shall calculate such Principal Payment or Principal Amount Outstanding in accordance with the above provisions of this Condition, and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent. Any such determination or calculation will be binding on the Issuer, the Paying Agents, the Note Trustee and the Noteholders.

(b) ***Mandatory Early Redemption***

If an Amortisation Period commences prior to the Scheduled Redemption Date (or, if the Issuer has entered into a Swap Agreement in respect of the notes, an Amortisation Period commences (or is continuing) on or after the Scheduled Redemption Date) then on each Interest Payment Date (including the Scheduled Redemption Date) which thereafter occurs during an Amortisation Period, the notes will be redeemed *pro rata* in part to the extent of the amount (being the "**Available Redemption Funds**") which is deposited into the relevant Distribution Ledger (in respect of the relevant Note Series) by Loan Note Issuer No. 1 on each such date in accordance with the provisions of the relevant Loan Note Supplement until the earlier of (a) such time as the Note Series is redeemed in full, (b) such date prior to the Final Redemption Date (if any) specified in the relevant Final Terms or Drawdown Prospectus, as applicable and (c) the Final Redemption Date specified in the relevant Final Terms or Drawdown Prospectus, as applicable; **provided that** if the Issuer has entered into a Swap Agreement in respect of the notes, then on each Interest Payment Date which occurs on and after the Scheduled Redemption Date, the notes will be redeemed *pro rata* in part to the extent of the Available Redemption Funds (after exchange of such amount to the relevant currency at the rate of exchange applicable to such Note Series under the Swap Agreement or if there is no longer a Swap Agreement then at a spot rate of exchange, if such Note Series is denominated in a currency other than Sterling) until the earlier of (a) such time the Note Series is redeemed in full, and (b) the Final Redemption Date specified in the relevant Final Terms or Drawdown Prospectus, as applicable.

In relation to each Interest Payment Date, the Agent Bank shall determine (i) the amount of each "**Principal Payment**" payable on each note, which will be the *pro rata* share of that Note in the Available Redemption Funds (converted into the relevant currency if such Note Series is denominated in a currency other than Sterling) calculated by dividing such Available Redemption Funds by the number of notes in the relevant Note Series then outstanding, and (ii) the Principal Amount Outstanding of each note on the first day of the next following Interest Period (after deducting any Principal Payment due to be made in respect of each note on the Interest Payment Date).

(c) ***Optional Early Redemption in Full***

If a Note Series is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as being able to be redeemed on any call date then (subject to any additional Conditions (if any) specified in the relevant Final Terms or Drawdown Prospectus, as applicable) on any Interest Payment Date falling on or after the relevant date of exercise and upon giving not more than 60 nor less than 30 days' prior written notice to the Note Trustee, the Swap Counterparty and the Noteholders (in accordance with Condition 16) (a "**Call Date**"), the Issuer may redeem all (but not some only) of the notes of such Note Series then outstanding at their then Principal Amount Outstanding together with accrued interest **provided that**, prior to giving any such notice, (i) the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the relevant Note Series on such Interest Payment Date as aforesaid and to pay any amounts required to be paid in priority or *pari passu* with such Note Series outstanding in accordance with the conditions of the Note Trust Deed and relevant Note Trust Deed Supplement and (ii) the Note Trustee is satisfied in accordance with the terms of the Note Trust Deed, Note Trust Deed Supplement or any other Related Document that there are sufficient funds to allow the Issuer to redeem the relevant Note Series.

(d) ***Final Redemption***

If the notes have not previously been redeemed and cancelled or redeemed in full pursuant to Conditions 7(a), 7(b), 7(c) or 10 (including any case where any interest (including Deferred Interest and Additional Interest) thereon has not earlier been paid), the notes will be finally redeemed at their then Principal Amount Outstanding together with accrued interest (including Deferred Interest and Additional Interest) thereon on the Final Redemption Date specified in the relevant Final Terms or Drawdown Prospectus, as applicable.

(e) ***Mandatory Transfer Arrangements***

(i) If a note series is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as being able to be redeemed on a Mandatory Transfer Date, then such notes shall be transferred in accordance with paragraphs (ii) and (iii) below on that Mandatory Transfer Date in exchange for payment of the Mandatory Transfer Price by the Mandatory Purchaser to the Noteholders of the relevant series, **provided that** the Issuer shall not be liable for the failure to make payment of the Mandatory Transfer Price by the Mandatory Purchaser to the extent that such failure is a result of the failure of the Mandatory Purchaser to perform its obligations under the Mandatory Purchase Agreement.

(ii) There shall be no Mandatory Transfer on a Mandatory Transfer Date if the relevant notes are fully redeemed on or prior to such Mandatory Transfer Date. In such event, the Issuer will not be obliged to procure any subsequent purchase of the relevant notes and the Mandatory Purchaser will not be obliged to purchase any of the relevant notes.

(iii) Subject to (i) above, all of the Noteholders' interests in the relevant notes shall be transferred on the relevant Mandatory Transfer Date to the Mandatory Purchaser, or, if Individual Note Certificates in respect of the relevant notes are then issued, the relevant notes will be registered by the Registrar as notified by the Issuer in the name of the Mandatory Purchaser and the Register will be amended accordingly with effect from the relevant Mandatory Transfer Date.

(f) ***Other Redemption***

The Issuer shall not be entitled to redeem the notes otherwise than as provided in paragraphs (a), (b), (c), (d) or (e) above.

(g) ***Purchase***

The Issuer may not, at any time, purchase the notes in the open market or otherwise.

(h) ***Cancellation***

All notes redeemed pursuant to the foregoing provisions shall be cancelled forthwith and may not be reissued or resold.

8. **Payments**

(a) ***Interest and Principal***

(i) *Principal in Euro*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a holder of a note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to TARGET2 and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(ii) *Interest in Euro*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a holder of a note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to TARGET2 and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(iii) *Principal in US dollars*: Payments of principal shall be made by US dollar cheque drawn on, or, upon application by a holder of a note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a US dollar account (or other account to which US dollars may be credited or transferred) maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(iv) *Interest in US dollars*: Payments of interest shall be made by US dollar cheque drawn on, or, upon application by a holder of a note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a US Dollar account (or other account to which US dollars may be credited or transferred) maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(v) *Principal in Sterling*: Payments of principal shall be made by sterling cheque drawn on, or, upon application by a holder of a note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account (or other account to which sterling may be credited or transferred) maintained by the payee with a bank in the City of London and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(vi) *Interest in Sterling*: Payments of interest shall be made by sterling cheque drawn on, or, upon application by a holder of a note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account (or other account to which sterling may be credited or transferred) maintained by the payee with a bank in the City of London and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) ***Payments subject to fiscal laws***

All payments in respect of the notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Payments on Business Days***

If the due date for payment of any amount in respect of any note is not a Payment Business Day in the place of payment, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(i) *Partial payments*: If a 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 relevant Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(ii) *Record date*: Each payment in respect of a note will be made to the Person shown as the holder in the Register maintained by the relevant Registrar at the close of business in the place of such 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 holder in such Register at the opening of business on the relevant Record Date.

(d) ***Paying Agent***

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, and in accordance with the provisions of the Paying Agency Agreement at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Paying Agent with a Specified Office in London (so long as the Notes are admitted to the Official List of the UK Listing Authority (the "**UKLA**") and/or admitted to trading on the Regulated Market of the London Stock Exchange).

9. Taxation

All payments of principal and interest in respect of the notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any other jurisdiction to whose tax laws such payments may be subject or any political subdivision therein or any authority in or of any of the foregoing having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or the Paying Agents on behalf of the Issuer shall make such payment after such withholding or deduction of such amounts has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Paying Agents will be required to make any additional payments to any Noteholder in respect of any amounts deducted or withheld as mentioned in this Condition 9.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. Neither the Issuer nor any Paying Agent will have any obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by any party on account of FATCA as a result of any person not receiving payments free of FATCA withholding.

"**FATCA**" means the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any inter-governmental agreement or implementing legislation, rules, practices or guidance notes adopted by another jurisdiction or any agreement with the US Internal Revenue Service in each case in connection with these provisions.

10. Events of Default

If any of the following events (each an "**Event of Default**") occurs in respect of a Note Series:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the relevant Note Series within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the relevant Note Series within 15 days of the due date for payment thereof **provided that**, for the avoidance of doubt, a failure to make or procure any payment required under Condition 8(e) (*Mandatory Transfer Arrangements*) by reason of any failure on the part of a Mandatory Purchaser to perform its obligations under a Mandatory Purchase Agreement or the relevant transaction documents, shall not constitute an Event of Default in respect of the related repricing or mandatory transfer notes (as applicable) for the purposes of this Condition 10; 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 relevant Note Series, the Note Trust Deed (other than in such case, any obligation for the payment of any principal or interest on the notes) or the Paying Agency Agreement (except where such default is incapable of remedy) and such default remains unremedied for 30 days after written notice thereof by the Note Trustee, addressed to the Issuer, certifying that such default is, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of such Note Series; or

(c) ***Unsatisfied judgment***: one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(d) ***Security enforced***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer or an enforcement action is begun or a distress or execution is levied; or

(e) ***Insolvency etc***: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or any part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee of Indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or

(f) ***Winding up etc***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or

(g) ***Analogous event***: any event occurs which under the laws of England and Wales has an analogous effect to any of the events referred to in paragraphs (c) to (f) above; or

(h) ***Failure to take action etc***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its respective rights and perform and comply with its respective obligations under and in respect of the notes and the Related Documents, (ii) to ensure that those obligations are legal, valid, binding and enforceable (except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally and as such enforceability may be limited by the effect of general principles of equity) and (iii) to make the notes and the Related Documents admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or

(i) ***Unlawfulness***: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the relevant Note Series; or

(j) ***Government intervention***: (A) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (B) the Issuer is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues,

then the Note Trustee may at its discretion and, if so required by holders of at least one-quarter of the aggregate Principal Amount Outstanding of the relevant Note Series outstanding or if so directed by an Extraordinary Resolution (as defined in the Note Trust Deed) of the Noteholders of the relevant Note Series (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), shall be bound to, give written notice (an "**Enforcement Notice**") to the Issuer declaring all of the notes of the relevant Note Series to be immediately due and payable, whereupon they shall become immediately due and payable at their Principal Amount Outstanding together with accrued interest (including Deferred Interest and Additional Interest) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders of the relevant Note Series by the Issuer.

11. Prescription

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

12. Replacement of Notes

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the relevant Registrar, subject to all applicable laws and listing authority, stock exchange and/or quotation system 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 Note Certificates must be surrendered before replacements will be issued.

13. **Note Trustee and Agents**

The Note Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders.

In the exercise of its powers and discretions under these Note Conditions and the Note Trust Deed, the Note Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence (including any tax consequence) for individual Noteholders as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Paying 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 Note Trustee does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

If in the opinion of the Note Trustee there is a conflict between the interests of the holders of one class of notes and the holders of another class of notes, the Note Trustee shall in the exercise of its duties, powers and discretions, have regard solely to the interests of the class which ranks most senior and which is still outstanding.

The Note Trustee is relieved of liability for making searches or other enquiries in relation to the assets comprising the Security. The Note Trustee has no responsibility in relation to the legality and the enforceability of the trust arrangements and the connected Security. The Note Trustee will not be obliged to take any action which might result in its incurring personal liabilities. The Note Trustee is not obliged to monitor or investigate the performance of any other Person under the documents relating to Loan Note Issuer No. 1 or the documents relating to the Penarth Receivables Trust and shall be entitled to assume, until it has actual notice to the contrary, that all such Persons are properly performing their duties and that no Pay Out Event has occurred, unless it receives express notice to the contrary.

The Note Trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of Security.

The Note Trustee is not responsible for checking the calculations contained in or otherwise verifying any information coming into its possession in relation to the Penarth Receivables Trust. The Note Trustee shall not be responsible for monitoring or determining whether or not any or all of the Issuance Tests in respect of the Related Loan Note for a Note Series are satisfied prior to or at the time of any issue of a Note Series and its Related Loan Note or any increase of the Outstanding Principal Amount of an existing Note Series and its Related Loan Note by Loan Note Issuer No. 1.

The Note Trustee and its related companies are entitled to enter into business transactions with the Issuer, Bank of Scotland and/or related companies of any of them without accounting for any profit resulting therefrom.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Agent Bank is specified in the relevant Final Terms or Drawdown Prospectus, as applicable. Subject to the provisions of the Paying Agency Agreement and Condition 8(d), the Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint successor or additional Paying Agents or a successor Agent Bank, **provided**, **however**, **that:**

(a) the Issuer shall at all times maintain a Principal Paying Agent;

(b) if a Calculation Agent is specified in the relevant Final Terms or Drawdown Prospectus, as applicable, the Issuer shall at all times maintain a Calculation Agent; and

(c) if and for so long as the notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a

Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

14. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***

The Note Trust Deed contains provisions for convening meetings of Noteholders of any Note Series or class, as applicable, to consider matters relating to the notes of a Note Series or class, as applicable, including the modification of any provision of these Conditions or the Note Trust Deed or any Note Trust Deed Supplement or the Related Documents. Any such modification may be made if sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Note Series or class, as applicable.

The Note Trust Deed provides that business which in the opinion of the Note Trustee affects:

(i) the notes of only one Note Series shall be transacted at a separate meeting of the Noteholders of that Note Series;

(ii) the Noteholders of more than one Note Series but does not give rise to an actual or potential conflict of interest between the Noteholders of one Note Series and the holders of another Note Series shall be transacted either at separate meetings of the Noteholders of each such Note Series or at a single meeting of the Noteholders of all such Note Series as the Note Trustee shall determine in its absolute discretion;

(iii) the Noteholders of more than one Note Series and gives rise to any actual or potential conflict of interest between the Noteholders of one Note Series and the Noteholders of any other Note Series shall be transacted at separate meetings of the Noteholders of each such Note Series; the notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;

(iv) 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 Note Trustee shall determine in its absolute discretion; and

(v) the Noteholders of more than one class 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.

The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more Persons holding or representing a clear majority of the aggregate Principal Amount Outstanding of the relevant Note Series or at any adjourned meeting two or more Persons holding or representing notes of the relevant Note Series whatever the Principal Amount Outstanding of notes so held or represented for the time being outstanding, **provided**, **however**, **that** no modification of certain terms including, any modification constituting a Basic Terms Modification shall be effective unless such Basic Terms Modification has been sanctioned by an Extraordinary Resolution of all Note Series belonging to the relevant class of notes of which the modification is proposed of Noteholders (which shall include each Note Series which, in the opinion of the Note Trustee is or may be prejudiced by such Basic Terms Modification) and consented to in writing by the Note Trustee. The necessary quorum for passing an Extraordinary Resolution in respect of a Basic Terms Modification shall be two or more Persons holding or representing in the aggregate not less than 75 per cent. of the aggregate Principal Amount Outstanding of each Note Series, for the time being outstanding or at any adjourned meeting two or more Persons holding or representing in the aggregate not less than 25 per cent. of the aggregate Principal Amount Outstanding of each Note Series.

Any Extraordinary Resolution duly passed shall be binding on all Noteholders of such Note Series (whether or not they are present at the meeting at which such resolution was passed). The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on that Extraordinary Resolution. The Note Trust Deed contains provisions regulating the effect of Extraordinary Resolutions of the Noteholders.

(b) ***Modification and Waiver***

The Note Trustee may agree, without the consent of the Noteholders or the other secured creditors of the Issuer, (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the notes or any Note Series thereof (including these Conditions) or the Note Trust Deed or any Note Trust Deed Supplement or any other Related Document, the Loan Notes in respect of a Note Series, the Note Trust Deed and the Note Trust Deed Supplement and which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Most Senior Class of the relevant Noteholders or (ii) to any modification of any of the provisions of these Conditions, the Note Trust Deed or any Note Trust Deed Supplement or any of the Related Documents which, in the opinion of the Note Trustee, is of a formal, minor or technical nature or made to correct an error which in the sole opinion of the Note Trustee is considered to be such. The Note Trustee shall not waive or authorise (i) in contravention of any express direction by an Extraordinary Resolution (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made); or (ii) any such proposed breach or breach relating to a Basic Terms Modification. Any such modification, authorisation or waiver shall be binding on the relevant Noteholders and, unless the Note Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 16 as soon as practicable thereafter. Where each of Standard & Poor's, Fitch Ratings and Moody's which is then rating the relevant Note Series has given written confirmation that the then current rating of the relevant class of notes would not be adversely affected by such exercise, the Note Trustee in considering whether such exercise is materially prejudicial to the interests of the Noteholders (or any class thereof) or, as the case may be, the holders of the Most Senior Class of outstanding notes, shall be entitled to take into account such written confirmation from each Rating Agency, **provided that** the Note Trustee shall continue to be responsible for taking into account all other matters which would be relevant to such consideration. Notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Noteholders. The above does not impose or extend any actual or contingent liability for the Rating Agencies to the Noteholders or any other party or create any legal relations between the Rating Agencies and the Noteholders or any other party.

(c) ***Additional right of Modification***

In addition to the provisions of Condition 14(b) but subject to Condition 14(d), the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, or any of the other Secured Creditors, to concur with the Issuer in making any modification (other than a Basic Terms Modification, but subject to Condition 14(f) below) to any Transaction Document to which it is a party or in relation to which it holds security that the Issuer (or the Cash Manager on its behalf) considers necessary:

(i) for the purpose of changing the Screen Rate or the base rate that then applies in respect of the applicable Notes issued on or after the Base Rate Modification Reference Date and/or any consequential amendments to any related Swap Agreement to an alternative base rate (any such rate, whether new or amended, which may include an alternative Screen Rate, an "**Alternative Base Rate**") and make such other related or consequential amendments as are necessary or advisable in the reasonable judgment of the Issuer (the Cash Manager on its behalf) to facilitate such change (including, subject to Condition 14(c)(ii) but not limited to any consequential amendments under any related Swap Agreement) (a "**Base Rate Modification**"), **provided that** the Issuer (or the Cash Manager on its behalf), certifies to the Note Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

(A) such Base Rate Modification is being undertaken due to:

(1) a material disruption to SONIA, LIBOR, EURIBOR, USD LIBOR, SOFR or any other relevant interest rate benchmark, an adverse change in the methodology of calculating such interest rate benchmark or such interest rate benchmark ceasing to exist or be published;

(2) the insolvency or cessation of business of the administrator of SONIA, LIBOR, EURIBOR, USD LIBOR, SOFR or any other relevant interest rate benchmark (in circumstances where no successor administrator has been appointed);

(3) a public statement by the administrator of SONIA, LIBOR, EURIBOR, USD LIBOR, SOFR or any other relevant interest rate benchmark that it will cease publishing the relevant interest rate benchmark permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such interest rate benchmark) or has changed or will change such interest rate benchmark in an adverse manner;

(4) a public statement by the supervisor of the administrator of SONIA, LIBOR, EURIBOR, USD LIBOR, SOFR or any other relevant interest rate benchmark that the relevant interest rate benchmark has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;

(5) a public statement by the supervisor of the administrator of SONIA, LIBOR, EURIBOR, USD LIBOR, SOFR or any other relevant interest rate benchmark that means the relevant interest rate benchmark might no longer be used or that its use is subject to restrictions or adverse consequences;

(6) a public announcement of the permanent or indefinite discontinuation of the relevant Screen Rate or base rate that applies to the Notes at such time;

(7) the Alternative Base Rate being adopted in a material number of publicly-listed issues of asset-backed floating rate notes denominated in the same currency as any of the Notes; or

(8) the reasonable expectation of the Issuer (or the Cash Manager on its behalf) that any of the events specified in sub-paragraphs (1) to (7) will occur or exist within six months of the proposed effective date of such Base Rate Modification; and

(B) such Alternative Base Rate is:

(1) a base rate published, endorsed, approved or recognised by the Federal Reserve, the Bank or England or the European Central Bank, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);

(2) a base rate utilised in a material number of publicly-listed new issues of Sterling-denominated, Dollar-denominated and/or Euro-denominated asset backed notes prior to the effective date of such Base Rate Modification (for these purposes, unless agreed otherwise by the Note Trustee, five (5) such issues shall be considered material); or

(3) such other base rate as the Cash Manager (on behalf of the Issuer) reasonably determines,

and, for the avoidance of doubt, the Issuer (or the Cash Manager on its behalf) may propose an Alternative Base Rate on more than one occasion **provided that** the conditions set out in this Condition 14(c)(i) are satisfied;

(ii) for the purpose of changing the base rate that then applies in respect of the Swap Agreement to an Alternative Base Rate as is necessary or advisable in the commercially reasonable judgment of the Issuer (or the Cash Manager on its behalf) and the Swap Counterparty solely as a consequence of a Base Rate Modification and solely for the purpose of aligning the base rate of the swap to the base rate of the Notes following such Base Rate Modification (a "**Swap Rate Modification**"), **provided that** the Cash Manager, on behalf of the Issuer, certifies to the Note Trustee in writing (upon which certificate the Note Trustee may rely absolutely and without enquiry or liability) that such modification is required solely for such purpose and it has been drafted solely to such effect (such certificate being a "**Swap Rate Modification Certificate**"); or

(iii) for the purpose of complying with any obligations under the Securitisation Regulation, including as a result of the adoption of any secondary legislation or official guidance in relation to the Securitisation Regulation or any other risk retention legislation or regulations or official guidance in relation thereto (including without limitation, in order to maintain STS compliance).

(d) ***Conditions to additional right of Modification***

(i) The Note Trustee is only obliged to concur with the Issuer in making any modification (other than a Basic Terms Modification, but subject to Condition 14(f) below) to any Transaction Document pursuant to Condition 14(c) if:

(A) the Base Rate Modification Certificate and/or the Swap Rate Modification Certificate (as applicable) in relation to such modification shall be provided to the Note Trustee both at the time the Note Trustee is notified of the proposed modification and on the date that such modification takes effect;

(B) the consent of each Secured Creditor (other than the Note Trustee) which is party to the Transaction Documents proposed to be modified has been obtained (evidence of which shall be provided to the Note Trustee at the same time as the provision of the Base Rate Modification Certificate and/or Swap Rate Modification Certificate, as applicable); and

(C) the person who proposes such modification pays all fees, costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee and each other applicable party including, without limitation, any of the Agents or the Account Banks in connection with such modifications,

and **provided further that**:

(1) either: (I) the Issuer (or the Cash Manager) obtains from each of the Rating Agencies written confirmation that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the notes by such Rating Agency or (y) such Rating Agency placing any notes on rating watch negative (or equivalent) (such written confirmation to be provided with the Base Rate Modification Certification and/or the Swap Rate Modification Certificate, as applicable); or (II) the Issuer (or the Cash Manager) certifies in the Base Rate Modification Certificate and/or the Swap Rate Modification Certificate, as applicable, that it has notified in writing each of the Rating Agencies of the proposed modification and in its opinion, formed on the basis of due consideration, such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the notes by any Rating Agency or (y) any Rating Agency placing any notes on rating watch negative (or equivalent); and

(2) the Issuer certifies in writing to the Note Trustee (which certification may be in the Base Rate Modification Certificate and/or the Swap Rate Modification Certificate (as applicable)) that in relation to such modification that (I) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Note Series which would be affected by the proposed Base Rate Modification (together the "**Affected Note Series**") of the proposed modification in accordance with Condition 16 (*Notices*) (and shall have provided a draft of such notice to the Note Trustee at least 5 Business Days before delivery to the Noteholders) and by publication on Bloomberg on the "Company News" screen relating to the notes in each case specifying the date and time by which Noteholders must respond (which must be no less than 30 calendar days after the date on which the notice above is published in accordance with Condition 16 (*Notices*)), the relevant circumstance giving rise to the Base Rate Modification under Condition 14(c)(i)(A), the Alternative Base Rate being proposed under Condition 14(c)(i)(B) and details of any consequential or related amendments (including any changes to the Swap Agreement under Condition 14(c)(ii)), and (II) Noteholders representing at least 10 per cent. of the aggregate Outstanding Principal Amount of the Most Senior Class of Notes then outstanding across the Affected Note Series have not contacted the Issuer via the Principal Paying Agent in accordance with the notice and the then current practice of any applicable clearing system through which such notes may be held by the time specified in such notice that such Noteholders do not consent to the modification.

(ii) If Noteholders representing at least 10 per cent. of the aggregate Outstanding Principal Amount of the Most Senior Class of Notes then outstanding across the Affected Note Series have notified the Issuer via the Principal Paying Agent in accordance with the notice and the then current practice of any applicable clearing system through which such notes may be held by the time specified in such notice that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding across the Affected Note Series is passed in favour of such modification in accordance with this Condition 14 (*Meetings of Noteholders; Modification and Waiver*).

(iii) When implementing any modification pursuant to Condition 14(c), the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer, the Cash Manager or the relevant Transaction Party, as the case may be, pursuant to Condition 14(c) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

(iv) The Note Trustee shall not be obliged to agree to any modification pursuant to Condition 14(c) which, in the sole opinion of the Note Trustee would have the effect of (i) exposing the Note Trustee to any liability against which is has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee in the Note Trust Deed, the Transaction Documents.

(v) Any modification implemented pursuant to Condition 14(c) shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

(A) so long as any of the notes rated by the Rating Agencies remains outstanding, each Rating Agency;

(B) the Secured Creditors; and

(C) the Noteholders in accordance with Condition 16 (*Notices*).

(e) ***Substitution***

As more fully set forth in the Note Trust Deed (and subject to the Conditions and more detailed provisions which are contained therein) subject to such amendment of the Note Trust Deed and such other conditions as the Note Trustee may require, but without the consent of the Noteholders, the Note Trustee may also agree to the substitution of any other body corporate in place of the Issuer (the "**Substituted Issuer**") as principal debtor under the Note Trust Deed and the notes and in the case of such a substitution the Note Trustee may agree, without the consent of the Noteholders, to a change of the law governing the notes and/or the STDCMA **provided that** such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Most Senior Class of Noteholders. Any such substitution or addition shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

(f) ***Basic Terms Modification***

Solely for the purposes of Condition 14(c) (*Additional right of Modification*) above, a Basic Terms Modification in respect of any Notes issued on or after the Base Rate Modification Reference Date shall exclude any change to any date fixed for payment of principal or interest in respect of the Notes, to reduce or cancel the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment.

15. **Enforcement**

At any time after the notes become due and repayable and, without prejudice to its rights of enforcement in relation to the Security, the Note Trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce payment of the relevant Note Series (including the right to repayment of the relevant Note Series together with accrued interest thereon) and shall be bound to do so if (and only if):

(i) it shall have been so directed by holders of at least one-quarter of the aggregate Principal Amount Outstanding of the relevant Note Series or by an Extraordinary Resolution of the relevant Note Series; and

(ii) it shall have been indemnified and/or pre-funded and/or provided with security to its satisfaction.

No Noteholder may institute any proceedings against the Issuer to enforce its rights under or in respect of the notes or the Note Trust Deed unless (i) the Note Trustee has become bound to institute proceedings and has failed to do so within a reasonable time and (ii) such failure is continuing.

16. **Notices**

Notices to the Noteholders shall be valid (i) if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) and any such notice shall be deemed to have been given on the date of first publication or (ii) in the case of Registered Uncleared Notes, if sent by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any Individual Note Certificates are issued, there may, so long as the Global Note Certificate(s) is or are held in its or their entirety on behalf of Euroclear and/or Clearstream and/or are deposited with the DTC Custodian, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear, Clearstream and DTC, for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the holders of the relevant notes on the day after the day on which such notice was given to Euroclear, Clearstream and DTC (as applicable).

Any notices specifying the Rate of Interest, the redemption rate, an interest amount, an amount of additional interest or of deferred interest, a principal payment or a principal amount outstanding shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be approved by the Note Trustee and notified to the relevant class of Noteholders (the "**Relevant Screen**"). Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen. If it is impossible or impracticable to give notice in accordance with this paragraph, then notice of the matters referred to in this Condition shall be given in accordance with the preceding paragraph.

Copies of all notices given in accordance with these provisions shall be sent to the London Stock Exchange or to the applicable stock exchange on which the notes are listed and to Euroclear, Clearstream and DTC (as applicable).

17. **Currency Indemnity**

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

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms or Drawdown Prospectus, as applicable), all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

19. **Redenomination, Renominalisation and Reconventioning**

(a) ***Application***: This Condition 19 is applicable to the notes only if it is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as being applicable.

(b) ***Notice of redenomination***: If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the notes falling on or after the date on which such country becomes a Participating Member State.

(c) ***Redenomination***: Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a Principal Amount Outstanding for each note equal to the Principal Amount Outstanding of that Note in the Specified Currency, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided**, **however**, **that**, if the Issuer determines, with the agreement of the Principal Paying Agent then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

(ii) if notes have been issued in definitive form:

(A) the payment obligations contained in all notes denominated in the Specified Currency will become void on the redenomination date but all other obligations of the Issuer thereunder (including the obligation to exchange such notes in accordance with this Condition 19) shall remain in full force and effect;

(B) and new notes denominated in Euro will be issued in exchange for notes denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders; and

(C) all payments in respect of the notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the Principal Financial Centre of any member state of the European Communities.

Any Individual Note Certificate issued pursuant to such redenomination shall have a minimum denomination of €100,000 (or its equivalent in another currency).

(d) ***Interest***: Following redenomination of the notes pursuant to this Condition 19, where notes have been issued in definitive form, the amount of interest due in respect of the notes will be calculated by reference to the aggregate Principal Amount Outstanding of the notes.

(e) ***Interest Determination Date***: If the floating rate note provisions are specified in the relevant Final Terms or Drawdown Prospectus, as applicable as being applicable and Screen Rate determination is specified in the relevant Final Terms or Drawdown Prospectus, as applicable as the manner in which the rate(s) of interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

20. **Governing Law and Jurisdiction**

(a) ***Governing law***: The notes and all non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) ***English courts***: The courts of England have exclusive jurisdiction to settle any Dispute (a "**Dispute**") arising from or connected with the notes.

(c) ***Appropriate forum***: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) ***Rights of the Noteholders to take Proceedings outside England***: Condition 20(b) is for the benefit of the Noteholders only. As a result, nothing in this Condition 20 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) ***The Note Trust Deed***: The Note Trust Deed provides for the court of England to have non-exclusive jurisdiction in connection with the notes.

(f) ***Consent to enforcement etc.***: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

21. **Third Party Rights**

No Person shall have any right to enforce any term or condition of the notes or the STDCMA under the Contracts (Rights of Third Parties) Act 1999.

22. **Limited Recourse**

If at any time following (i) the Final Redemption Date or any earlier date upon which a Note Series is due and payable, (ii) the date on which the Issuer has received all sums due to it in respect of that Note Series and (iii) the application in full of any amounts available to pay amounts due and payable under that Note Series in accordance with the relevant priority of payments, there remains any amount then due and payable under that Note Series then such amount shall, on the day following the application in full of the amounts referred to in (iii) above, cease to be due and payable by the Issuer.

UNITED KINGDOM TAXATION TREATMENT OF THE NOTES

The comments below are of a general nature based on current United Kingdom law and practice. They relate only to the position of Persons who are the absolute beneficial owners of the notes and may not apply to certain classes of Persons such as Dealers. They do not necessarily apply where the income is deemed for tax purposes to be income of any other Person. Prospective Noteholders should be aware that the particular terms of issue of any Note Series of notes as specified in the relevant Final Terms or Drawdown Prospectus, as applicable may affect the tax treatment of that and other Series.

The following is a general guide and should be treated with appropriate caution. Any Noteholders who are in doubt as to their tax position should consult their professional advisers. The following comments relate only to withholding tax and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to Noteholders (including for example, income tax, capital gains tax and corporation tax).

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, Noteholders 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.

(A) **UK withholding tax on UK source interest**

The notes will constitute "**Quoted Eurobonds**" in those cases where they carry a right to interest if they are listed on a recognised stock exchange and so long as they continue to be so listed. Securities will be treated as listed on a recognised stock exchange if they are admitted to trading on that exchange and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) in accordance with the provisions of that part or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange has been designated as a recognised stock exchange for these purposes. Whilst the notes are and continue to be Quoted Eurobonds, payments of interest on the notes may be made without deduction or withholding for or on account of United Kingdom income tax irrespective of whether the notes are in global or definitive form.

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.

(B) **Other rules relating to United Kingdom withholding tax**

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

Where notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

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.

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 or which may be created by the terms and conditions of the notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**Foreign Passthru Payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer as well as a financial intermediary through which an investor may hold Notes may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining Foreign Passthru Payments in the U.S. Federal Register and Notes issued on or prior to the date that is six months after the date on which final regulations defining Foreign Passthru Payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

General

The following summary describes the material US federal income tax considerations of acquiring, holding and disposing of the notes that are offered for sale in the United States (the "**US Offered Notes**"). This summary has been prepared and reviewed by Clifford Chance US LLP – called "**Special US Tax Counsel**".

This summary does not discuss all aspects of US federal tax law. In particular, except as specifically indicated in this summary, it addresses only purchasers in the original offering that purchase US Offered Notes at their original issue price and hold the US Offered Notes as "capital assets" within the meaning of Section 1221 of the US Internal Revenue Code of 1986, as amended, called the "**Code**". It does not address special US federal income tax considerations that may be important to particular investors in light of their individual investment circumstances or to certain types of investors subject to special tax rules – e.g. financial institutions, insurance companies, regulated investment companies, tax-exempt institutions, underwriters in securities or currencies, securities traders that elect mark-to-market tax accounting, certain US expatriates or investors holding the US Offered Notes as part of a conversion transaction, hedge, integrated transaction, constructive sale transaction or as a position in a straddle for tax purposes, accrual method tax payers required to recognise income no later than when such income is taken into account for financial accounting purposes, or persons whose functional currency, as defined in Code Section 985, is not the US dollar. Further, this discussion does not address alternative minimum tax consequences, the 3.8% Medicare tax on net investment income or any tax considerations to holders of interests in a Noteholder. In addition, this summary does not discuss any foreign, state, local or other tax considerations. This summary is based on the Code, the regulations promulgated thereunder and administrative and judicial authorities, all as in effect on the date of this Base Prospectus and all of which are subject to change, possibly on a retroactive basis. Each Noteholder should seek advice based on such person's particular circumstances from an independent tax advisor.

For the purposes of this summary, a "**US Holder**" means a beneficial owner of US Offered Notes that is a "United States person" as described in Section 7701(a)(30) of the Code, generally including:

(i) an individual who is a citizen or resident of the United States for US federal income tax purposes;

(ii) a corporation or other entity treated as a corporation for US federal income tax purposes created in or under the laws of the United States, any state or any political subdivision of any state – including the District of Columbia;

(iii) an estate whose income is includible in gross income for US federal income tax purposes without regard to source; and

(iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust.

A "**Non-US Holder**" means a beneficial owner of US Offered Notes (other than a partnership or an entity treated as a partnership for US tax purposes) that is not a US Holder.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds the US Offered Notes, the US federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A partner in such a partnership should consult their tax advisor.

Overview of Special US Tax Counsel's Opinions

Special US Tax Counsel has prepared and reviewed this summary of material US federal income tax considerations and will render an opinion to the effect that it is correct in all material respects with respect to the legal matters and conclusions set forth herein, subject to the assumptions and qualifications contained herein. Special US Tax Counsel also will render an opinion, as described below to the effect that, based on certain assumptions, each of the Receivables Trustee, the Penarth Receivables Trust, Loan Note Issuer No. 1 and the Issuer will not be treated as engaged in a trade or business within the United States for US federal income tax purposes and will not be subject to US federal income tax on its net income. In addition, except as otherwise provided in the applicable Final Terms or Drawdown Prospectus, if the applicable Final Terms or Drawdown Prospectus indicates that the US Offered Notes will be treated as debt for US federal income tax purposes, then, although there is no authority addressing the characterisation of securities with terms similar to the US Offered Notes under current law, and while not free from doubt, Special US Tax Counsel will render an opinion that such notes will be treated as debt for US federal income tax purposes. Except as set forth in the preceding sentences, Special US Tax Counsel will render no other opinions about the acquisition, holding and disposition of the US Offered Notes. Further, an opinion of Special US Tax Counsel is not binding on the IRS or the courts, and no ruling on any of the consequences or issues discussed below will be sought from the IRS. Moreover, there are no authorities on similar transactions involving securities issued by an entity with terms similar to those of the US Offered Notes. Accordingly, the Issuer suggests that persons considering the purchase of US Offered Notes consult their own tax advisors about the US federal income tax consequences of an investment in the US Offered Notes and the application of US federal tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.

Tax Status of the Receivables Trustee, the Penarth Receivables Trust, Loan Note Issuer No. 1 and the Issuer

It is presently contemplated that each of the Receivables Trustee, the Penarth Receivables Trust, Loan Note Issuer No. 1 and the Issuer will conduct their respective activities, including activities undertaken on their behalf, such as servicing activities, entirely outside of the United States. In that regard, assuming that the activities of each of Receivables Trustee, the Penarth Receivables Trust, Loan Note Issuer No. 1 and the Issuer are, as contemplated, conducted entirely outside of the United States, and assuming each of these entities makes no investments that are subject to withholding of US federal income tax, Special US Tax Counsel will render an opinion that each of the Receivables Trustee, the Penarth Receivables Trust, Loan Note Issuer No. 1 and the Issuer will not be treated as engaged in a trade or business within the United States for US federal income tax purposes and that each of these entities will not be subject to US federal income tax on its net income.

US Holders

Tax Treatment of the US Offered Notes

Except as otherwise provided in the applicable Final Terms or Drawdown Prospectus, the Issuer will treat the US Offered Notes as debt of the Issuer for US federal income tax purposes. Each holder of a note, by acceptance of such note, will agree to treat such note as debt for US federal income tax purposes. Except as otherwise provided in the applicable Final Terms or Drawdown Prospectus, if the applicable Final Terms or Drawdown Prospectus indicates that the US Offered Notes will be treated as debt for US federal income tax purposes, then, although there is no authority addressing the characterisation of securities with terms similar to the US Offered Notes under current law, and while not free from doubt, Special US Tax Counsel will render an opinion that such notes will be treated as debt for US federal income tax purposes. If the applicable Final Terms or Drawdown Prospectus indicates that the Issuer will treat one or more classes of US Offered Notes as equity for US federal income tax purposes, then US Holders of such notes will be taxed in the manner below under the heading "*Tax Treatment of US Offered Notes treated as Equity*".

The opinion of Special US Tax Counsel is not binding on the IRS, and no assurance can be given that the characterisation of the US Offered Notes as debt would prevail if the issue were challenged by the IRS. Prospective US Holders should consult with their tax advisers as to the effect of a recharacterisation of the US Offered Notes as equity interests in the Issuer.

As discussed below, treatment of the US Offered Notes as equity interests could have adverse tax consequences for US Holders.

Except as indicated, the discussion below assumes the US Offered Notes are treated as debt for US federal income tax purposes.

Interest Payments and Distributions

The US Offered Notes may be treated as having been issued with original issue discount – "**OID**" – for US federal income tax purposes, in which case the OID will be taxed as described below. However, in the absence of any OID on the US Offered Notes, interest on the US Offered Notes will be taxable to a US

Holder as ordinary income at the time it is received or accrued, in accordance with the holder's regular method of accounting for US federal income tax purposes.

The total amount of OID on a note is the excess of its stated redemption price at maturity over its issue price. The issue price for the US Offered Notes is the price – including any accrued interest (although an election may be made to decrease the issue price by the amount of the pre-issuance accrued interest subject to certain conditions) – at which a substantial portion of the relevant US Offered Notes are first sold to the public. In general, the stated redemption price at maturity of a note is the sum of all payments made on the note other than payments of "qualified stated interest" which is interest that is (1) unconditionally payable at least annually over the entire life of the note and (2) based on a single fixed rate or variable rate – or certain combinations of fixed and variable rates.

If any of the US Offered Notes are issued at a discount of an amount equal to or greater than 0.25 per cent. of that note's stated redemption price at maturity multiplied by the note's weighted average maturity, called its "**WAM**", then that note will be deemed to bear OID. The WAM of a note is computed based on the number of full years each distribution of principal – or other amount included in the stated redemption price at maturity – is scheduled to be outstanding. Further, if interest payable on a note is subject to deferral and the possibility of deferral is not remote, the IRS could take the position based on US Treasury regulations that none of the interest payable on a note is unconditionally payable and so that all of that interest should be included in the note's stated redemption price at maturity.

A US Holder – including a cash basis holder – of a note deemed to bear OID generally would be required to accrue OID on the relevant note for US federal income tax purposes on a constant yield basis. This would require the inclusion of OID in income in advance of the receipt of cash attributable to that income. Under Section 1272(a)(6) of the Code, special provisions apply to debt instruments on which payments may be accelerated due to prepayments of other obligations securing those debt instruments. However, no regulations have been issued interpreting those provisions, and the manner in which those provisions would apply to the US Offered Notes is unclear.

Sourcing: Interest payments or distributions on a note generally will constitute foreign source income for US federal income tax purposes. Subject to certain complex limitations, UK withholding tax, if any, imposed on these payments will generally be treated as foreign tax eligible for credit against a US Holder's US federal income tax. Prospective purchasers should consult their own tax advisors concerning the foreign tax credit implications of the payment of any United Kingdom taxes.

Disposition or Retirement

Subject to the discussion of the Foreign Currency considerations below, upon the sale, exchange or retirement of a US Offered Note – including pursuant to a redemption by the Issuer prior to its maturity date – a US Holder will recognise gain or loss equal to the difference between the amount realised and the US Holder's "**Adjusted Tax Basis**" in the relevant note. In general, a US Holder's Adjusted Tax Basis in a US Offered Note is equal to the US Holder's cost for such US Offered Note, plus any OID accrued and less the amount of any payments received by the holder that are not "qualified stated interest" payments under applicable US Treasury regulations.

In general, any gain or loss realised by the holder will be capital gain or loss. Under certain circumstances, capital gains derived by individuals are taxed at preferential rates. The deductibility of capital losses is subject to limitations. If a US Holder's basis in a US Offered Note includes accrued but unpaid OID, the holder may be required specifically to disclose any loss above certain thresholds under regulations on tax shelter transactions.

Sourcing. Gain or loss realised by a US Holder on the sale, exchange or retirement of a note generally will be treated as United States source. Exceptions to the application of the sourcing provisions include exceptions for certain losses attributable to foreign exchange fluctuations, accrued but unpaid interest, and foreign offices of US residents, among others. The Issuer suggests that US Holders consult their own tax advisors about the availability of and limitations on any foreign tax credit.

Foreign Currency Considerations

A US Holder of a US Offered Note that is denominated in a currency other than US dollars (a "**Foreign Currency**") that uses the cash method of accounting must include in income the US dollar value of Foreign

Currency interest paid when received. Foreign Currency interest received is translated at the US dollar spot rate of the Foreign Currency on the date of receipt, regardless of whether the payment is converted into US dollars on the date of receipt. A cash method US Holder of a US Offered Note will therefore generally not have exchange gain or loss on receipt of a Foreign Currency interest payment but may have exchange gain or loss upon disposing of the Foreign Currency received.

A US Holder of a US Offered Note that uses the accrual method of accounting and a US Holder of a US Offered Note that bears OID, regardless of the method of accounting used, will be required to include in income the US dollar value of Foreign Currency interest or OID, as the case may be, accrued during the accrual period. A US Holder may determine the amount of income recognised with respect to such interest or OID using either of two methods. Under the first method, the US dollar value of accrued interest or OID is translated at the average Foreign Currency rate for the interest accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). A US Holder of a US Offered Note that uses this first method will therefore recognise exchange gain or loss, as the case may be, on interest or OID paid to the extent that the US dollar/Foreign Currency exchange rate on the date the payment is received differs from the rate at which the income was accrued. Under the second method, the US Holder can elect to accrue interest at the Foreign Currency spot rate on the last day of an accrual period or, if the last day of an accrual period is within five business days of the receipt, the spot rate on the date of receipt. An election to accrue interest or OID at the spot rate will generally apply to all Foreign Currency denominated debt instruments held by the US Holder, and is irrevocable without the consent of the IRS. Regardless of the method used to accrue interest, a US Holder may have additional exchange gain or loss upon a subsequent disposition of the Foreign Currency received.

The amount realised on the sale, exchange, redemption or retirement of a US Offered Note is determined by translating the Foreign Currency proceeds into US dollars at the spot rate on the date the US Offered Note is disposed of (or on the settlement date, if the US Offered Note is traded on an established securities exchange and the US Holder is either a cash basis holder or an electing accrual basis holder), while a US Holder's tax basis in a US Offered Note will generally be the cost of the note to the US Holder, determined by translating the Foreign Currency purchase price into US dollars at the spot rate on the date the US Offered Note was purchased. A US Holder will have a tax basis in Foreign Currency received on the sale, exchange, redemption or retirement of a US Offered Note equal to the US dollar value of the Foreign Currency on the date of receipt. Exchange gain or loss on a sale, exchange, redemption or retirement of a US Offered Note is recognised only to the extent of total gain or loss on the transaction.

Foreign exchange gain or loss recognised by a US Holder on the sale, exchange or other disposition of a US Offered Note (including repayment at maturity) will generally be treated as US source ordinary income or loss. Gain or loss in excess of exchange gain or loss on a US Offered Note will generally be treated as US source capital gain or loss. Non-corporate taxpayers may be subject to favourable tax rates with respect to their net long-term capital gains.

US Holders should consult their own tax advisors about how to account for payments that are not made in US dollars.

Tax Treatment of US Offered Notes treated as Equity

If the applicable Final Terms or Drawdown Prospectus indicates the US Offered Notes are treated as equity for US federal income tax purposes US Holders will be taxed in the following manner.

Investment in a Passive Foreign Investment Company. Because of the nature of the income of the Issuer, the Issuer would constitute a passive foreign investment company– or "**PFIC**". Accordingly, US Holders of any class of US Offered Notes treated as equity would be shareholders in a PFIC. Any gain on sale or other disposition of such notes would be subject to tax at ordinary income rates, both gain and payments received on such notes might be subject to additional tax and an interest charge and a US Holder would be subject to additional form filing requirements. A US Holder may also be subject to tax earlier than would otherwise be the case.

This treatment may be mitigated by an investor treated as owning equity in a PFIC if that investor makes an effective qualified electing fund, or "**QEF**", election. A US Holder making a QEF election would generally be required to include its *pro rata* share of the Issuer's ordinary income and net capital gain in income for each taxable year using the relevant US Federal income tax accounting principles. In general, a QEF election would be required to be made on or before the due date for filing a US Holder's federal income tax return for the first taxable year for which it holds a note. The QEF election is effective only if certain required information is made available by the Issuer to an investor. The Issuer will, upon request, provide the requesting investor with all information and documentation that an investor making a QEF election is required to obtain for US federal income tax purposes. Requesting investors should address their request for information in writing to the registered office of the Issuer set forth in this Base Prospectus. While the Issuer does not expect to charge for this information, by making a request the investor agrees (and must confirm in any request) that it will secure, indemnify and reimburse the Issuer for all costs, expenses and fees incurred in or associated with the preparation, verification and provision of this information, which may be substantial. Requesting investors should ensure that any request is submitted with sufficient time for the Issuer and its advisors to prepare, verify and provide the information. The Issuer expects to provide a Holder with the necessary information within 60 days of the end of the Issuer's taxable year, which is 31 December. The Issuer expects to process requests for QEF election forms received after the 60th day after the end of its taxable year within 15 Business Days of receiving the request. Alternatively, this treatment may be avoided by an investor treated as owning equity in a PFIC if that investor makes an election to account for its investment using a mark-to-market method of tax accounting. However, the US Offered Notes do not appear to be marketable within the meaning of the mark-to-market provisions, and therefore, the mark-to-market election will not be available to US Holders. Should the QEF election not be made, such investors would be subject to the tax rules applicable to investors in PFICs described above.

Foreign Currency Considerations. For purposes of calculating any deemed distribution of earnings of the Issuer under the controlled foreign corporation rules discussed below or PFIC rules, the amount of such earnings is determined in the functional currency of the Issuer, and translated into US dollars at the average exchange rate for the taxable year of the Issuer. Amounts which are included in the income of the US Holder upon receipt are translated into US dollars at the spot rate on the date of receipt. US Holders of US Offered Notes treated as equity for US federal income tax purposes may recognise foreign currency gain or loss attributable to movements in exchange rates between the times of deemed and actual distributions by the Issuer. Any such currency gain or loss will be treated as ordinary income from the same source as the associated income inclusion.

This discussion does not address all of the relevant considerations for an investment in US Offered Notes that are treated as equity for US federal income tax purposes. US Holders should consult their own tax advisors regarding the US federal income tax consequences of owning equity in a PFIC.

Controlled Foreign Corporation Status

Should the US Offered Notes be treated as equity, it is possible that the Issuer might be treated as a controlled foreign corporation for US federal income tax purposes. In this event, US Holders of equity interests that were treated as owning 10 per cent. or more of the combined voting power of the Issuer or 10 per cent. or more of the total value of all shares of the Issuer would be required to include in income their *pro rata* share of the earnings and profits of the Issuer, and generally would not be subject to the rules described above about PFICs. Additionally, an IRS Form 5471 may be required to be filed.

Disclosure of Reportable Transactions and Maintenance of Participants List

Under Treasury regulations, any person that files a US federal income tax return or US federal information return and participates in a "reportable transaction" in a taxable year is required to disclose certain information on IRS Form 8886 (or its successor form) attached to such person's US federal tax return for such taxable year (and also file a copy of such form with the IRS's Office of Tax Shelter Analysis) and to retain certain documents related to the transaction. In addition, under these regulations, under certain circumstances, certain organisers and sellers of a "reportable transaction" will be required to maintain lists of participants in the transaction containing identifying information, retain certain documents related to the transaction, and furnish those lists and documents to the IRS upon request. The definition of "reportable transaction" is highly technical. However, in very general terms, a transaction may be a "reportable transaction" if, among other things, it is offered under conditions of confidentiality or it results in the claiming of a loss or losses for US federal income tax purposes in excess of certain threshold amounts.

In addition, under these Treasury regulations, if the Issuer participates in a "reportable transaction", a US Holder of US Offered Notes that are treated as equity for US federal income tax purposes that is a "reporting shareholder" of the Issuer will be treated as participating in the transaction and will be subject to the rules described above. Although most of the Issuer's activities generally are not expected to give rise to "reportable transactions", the Issuer nevertheless may participate in certain types of transactions that could be treated as "reportable transactions". A US Holder of US Offered Notes treated as equity in the Issuer for US federal income tax purposes will be treated as a "reporting shareholder" of the Issuer if (i) such US Holder owns 10 per cent. or more of the notes treated as equity in the Issuer and makes a QEF election with respect to the Issuer or (ii) the Issuer is treated as a controlled foreign corporation and such US Holder is a "United States Shareholder" (as defined in the Code) of the Issuer. The Issuer intends to provide to US Holders that are "reporting shareholders", at such holders' expense, any information necessary to complete IRS Form 8886 (or its successor form).

Prospective investors in the notes should consult their own tax advisors concerning any possible disclosure obligations under these Treasury regulations with respect to their ownership or disposition of the US Offered Notes in light of their particular circumstances.

Reporting Requirements

If any US Holder were treated as owning an equity interest in the Issuer for US federal income tax purposes, it would be required file IRS Form 8621 for each tax year in which it held such an interest. In addition, if a US Holder were treated as owning 5 per cent. or more of the equity in the Issuer, certain additional reporting requirements would be required.

Under Section 6038B of the Code – relating to reporting requirements incidental to the transfer of property, including cash, to a foreign corporation by US persons or entities – in general, a US Holder, including a tax exempt entity, that purchased any US Offered Notes treated as equity for US federal income tax purposes would be required to file an IRS Form 926 or similar form with the IRS if such US Holder were treated as owning, directly or by attribution, immediately after the transfer at least 10 per cent. by vote or value of the Issuer, or the purchase, when aggregated with all purchases made by such US Holder – or any related person thereto – within the preceding 12-month period, exceeded $100,000. If a US Holder fails to file any such required form, the US Holder could be required to pay a penalty equal to 10 per cent. of the gross amount paid for the US Offered Notes, subject to a maximum penalty of $100,000, or more in cases involving intentional disregard.

US Holders may have additional 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 on the last day of the taxable year (or $75,000 on any day during the taxable year). The US Offered Notes are expected to constitute foreign financial assets subject to these requirements unless the 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). Significant penalties can apply if a US Holder is required to disclose its US Offered Notes and fails to do so.

US Holders should consult their tax advisors regarding the application of this legislation and any other reporting requirements they may have as a result of acquiring, holding or disposing of the notes.

Non-US Holders

Subject to the discussion of backup withholding and FATCA, an investment in the US Offered Notes by non-US Holders generally will not give rise to any US federal income tax to these Holders, unless the income received on, or any gain recognised on the sale or other disposition of their US Offered Notes is:

(i) treated as effectively connected with the non-US Holder's conduct of a trade or business in the United States; or

(ii) in the case of gain recognised by an individual, the individual is present in the United States for 183 days or more and certain conditions are met.

Non-US Holders should consult their own tax advisors about the US federal income tax consequences of an investment in the US Offered Notes.

Backup Withholding and Information Reporting

Payments of principal and interest, as well as payments of proceeds from the sale, retirement or disposition of a note, may be subject to "backup withholding" tax under Section 3406 of the Code if a recipient of such payments fails to furnish to the payor certain identifying information. Any amounts deducted and withheld would be allowed as a credit against such recipient's US federal income tax, provided appropriate proof is provided under rules established by the IRS. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments that is required to supply information but that does not do so in the proper manner. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and financial institutions. Information may also be required to be provided to the IRS concerning payments, unless an exemption applies. Holders of the US Offered Notes should consult their tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedure for obtaining such an exemption.

CERTAIN ERISA AND RELATED CONSIDERATIONS

The US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") imposes fiduciary standards and other requirements on "employee benefit plans" within the meaning of Section 3(3) of ERISA that are subject to Title I of ERISA, such as certain pension plans, profit-sharing plans, collective investment funds, separate accounts and entities in which such employee benefit plans invest (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to the fiduciary requirements and the "prohibited transaction" restrictions under ERISA. ERISA also imposes limits on transactions between ERISA Plans and their service providers or other "parties in interest".

Each ERISA Plan fiduciary should consider ERISA and the regulations and guidances thereunder when considering an investment in the notes. Fiduciaries of ERISA Plans, as well as other "plans" and arrangements within the meaning of and subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**"), should also consider, among other items, the issues described below when deciding whether to invest in the notes.

THIS BASE PROSPECTUS IS NOT WRITTEN FOR ANY PARTICULAR PROSPECTIVE INVESTOR, AND IT DOES NOT ADDRESS THE NEEDS OF ANY PARTICULAR PROSPECTIVE INVESTOR. NONE OF THE ISSUER, THE ARRANGER, THE LEAD MANAGER, THE DEALERS, THE SECURITY TRUSTEE, THE NOTE TRUSTEE, THEIR RESPECTIVE AFFILIATES HAVE UNDERTAKEN TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, AND NONE OF THESE PARTIES HAVE OR SHALL PROVIDE ANY ADVICE OR RECOMMENDATION WITH RESPECT TO THE MANAGEMENT OF ANY INVESTMENT OR THE ADVISABILITY OF ACQUIRING, HOLDING, DISPOSING OR EXCHANGING OF ANY SUCH INVESTMENT. THE FOLLOWING DISCUSSION IS GENERAL IN NATURE, IS NOT INTENDED TO BE ALL INCLUSIVE AND SHOULD NOT BE CONSTRUED AS LEGAL ADVICE. EACH PLAN FIDUCIARY SHOULD TALK TO ITS LEGAL ADVISER ABOUT THE CONSIDERATIONS DISCUSSED IN THIS SECTION BEFORE INVESTING IN THE NOTES. APPLICABLE LAWS GOVERNING THE INVESTMENT AND MANAGEMENT OF THE ASSETS OF GOVERNMENTAL, CHURCH, NON-US AND OTHER BENEFIT PLANS MAY ALSO CONTAIN FIDUCIARY RESPONSIBILITY AND "PROHIBITED TRANSACTION" REQUIREMENTS. ACCORDINGLY, FIDUCIARIES OF SUCH PLANS, IN CONSULTATION WITH THEIR ADVISERS, SHOULD CONSIDER THE IMPACT OF SUCH LAWS ON AN INVESTMENT IN THE NOTES.

Fiduciary Duty of Investing ERISA Plans

Under ERISA, a person who exercises discretionary authority or control regarding the management or disposition of an ERISA Plan's assets is generally considered a fiduciary of such an ERISA Plan. Investments by ERISA Plans are subject to ERISA's fiduciary and "prohibited transaction" requirements, which should be taken into account in the context of each ERISA Plan's particular facts and circumstances. In considering an investment in the notes, an ERISA Plan fiduciary should consider, among other factors, (i) whether the investment would satisfy the diversification requirements of Section 404 of ERISA, (ii) whether the investment is prudent with respect to the note's structure and the investment's potential risks and lack of liquidity, (iii) whether the investment would be consistent with the documents and instruments governing the ERISA Plan and (iv) whether the investment would involve a "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code (as discussed below).

When evaluating the prudence of investing in the notes, an ERISA Plan fiduciary should consider the US Department of Labor (the "**DOL**") regulation on investment duties, which can be found at 29 C.F.R. § 2550.404a-1. ERISA also requires an ERISA Plan fiduciary to maintain for the ERISA Plan's assets an indicia of ownership within the jurisdiction of the US district courts.

Prohibited Transaction

Section 406 of ERISA and Section 4975 of the Code prohibit transactions involving the assets of Plans and persons (and their affiliates) who have certain relationships to such Plans, such as a Plan's fiduciaries and other service providers (referred to as "parties in interest" under ERISA and "disqualified persons") under Section 4975 of the Code, and collectively, "Parties in Interest").

Whether or not the underlying assets of the Issuer are deemed to include assets of a Plan, an investment in the notes by a Plan with respect to which any of the Issuer, the Arrangers, the Agent and their respective affiliates (each, a "**Transaction Party**") is considered a Party in Interest may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (collectively, "**prohibited transactions**"), unless a statutory or administrative exemption is applicable to the transaction.

The Transaction Parties may be Parties in Interest with respect to many Plans. The applicability of any exemption to the prohibited transaction rules will depend, in part, on the type of the Plan fiduciary making the decision to invest in the notes and the circumstances under which any such decision is made. Included among the exemptions are the administrative exemptions of Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (for certain transactions determined or effected by qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts) and PTCE 96-23 (for plan asset transactions managed by in-house asset managers) and the statutory exemptions of Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays not more than adequate consideration in connection with the transaction).

The fiduciary of a Plan that proposes to acquire any of the notes should consider, among other things, whether any such acquisition may involve (i) a direct or indirect extension of credit to a Party in Interest, (ii) a sale or exchange of any property between a Plan and a Party in Interest or (iii) a transfer to, or use by or for the benefit of, a Party in Interest of a Plan's assets. In this regard, there can be no assurance that any of these administrative or statutory exemptions will be available with respect to any transaction involving the notes. Most of these exemptions do not provide relief from some or all of the self-dealing prohibitions under Section 406 of ERISA or Section 4975 of the Code. Each Plan fiduciary is responsible to ensure that any purchase and holding of a note does not and will not constitute or result in a non-exempt prohibited transaction.

The Plan Assets Regulation

The DOL has promulgated a regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Assets Regulation**"), that describes what constitutes the assets of a Plan that is subject to the fiduciary responsibility and prohibited transaction requirements of Title I of ERISA or Section 4975 of the Code. Under the Plan Assets Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the "equity interest" and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by "**Benefit Plan Investors**" in each class of "equity interest" in the entity is not "significant" (terms as determined under the Plan Assets Regulation). Moreover, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993)*, the general account of an insurance company may be deemed to include assets of Plans investing in its general account (e.g., through the purchase of an annuity contract), and the insurance company might be treated as a party in interest or disqualified person with respect to a Plan by virtue of such an investment.

For purposes of the Plan Assets Regulation, an "**equity interest**" includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. The treatment of a class of notes as debt for US federal income tax purposes in this Base Prospectus or a Drawdown Prospectus, as applicable, is not determinative of the treatment of such class as debt for purposes of ERISA. Also, under the Plan Assets Regulation an instrument whose value relates solely to identified property of an issuer can also be treated as an equity interest in an entity that holds only that property. The treatment of a class of debt notes as debt for ERISA purposes depends on the facts and circumstances, and no assurances can be provided regarding the treatment of a class of debt notes as debt for ERISA purposes at all times.

If a class of debt notes were treated as equity interests for purposes of the Plan Assets Regulation, and if, by virtue of the acquisition or holding of such notes by Plans, the underlying assets of the entity were deemed to be Plan assets under the Plan Assets Regulation, then the obligations and other responsibilities of Plan sponsors, Plan fiduciaries, Plan administrators, and Parties in Interest under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, could be expanded, and there could 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 Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise Parties in Interest by virtue of their provision of such services.

Similar Plans

"Governmental plans" within the meaning of Section 3(32) of ERISA, "church plans" within the meaning of Section 3(33) of ERISA that have made no election under Section 410(d) of the Code, non-US plans described in Section 4(b)(4) of ERISA and other benefit plans that are not "Benefit Plan Investors" (as defined below) (any such plan, a "**Similar Plan**"), while not subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to any US federal, state, local, non-US or other law or regulation that contains one or more provisions that are substantially similar to the foregoing provisions of ERISA and the Code (any such law or regulation, a "**Similar Law**"). Fiduciaries of any such Similar Plans should consult with their counsel before purchasing any of the notes.

Debt Notes

Except as otherwise provided in the applicable Drawdown Prospectus, as set forth under the section entitled "*Material United States Federal Income Tax Consequences*", the Issuer will treat the US Offered Notes as debt of the Issuer for US federal income tax purposes. However, no assurances can be **provided that** the Issuer's treatment of a class of US Offered Notes as debt for income tax purposes is determinative or controlling for purposes of Title I of ERISA or Section 4975 of the Code, and each fiduciary of a Plan should consult with counsel before purchasing any of the notes.

Debt notes generally are not expected to be treated as equity interests for purposes of the Plan Assets Regulation. By its purchase and holding of a Class of debt notes, the purchaser and transferee thereof will be deemed to have represented, warranted and agreed either that (i) it is not and will not be a Plan or a person or entity whose underlying assets include, or are deemed for purposes of Title I of ERISA or Section 4975 of the Code to include, "plan assets" of any such Plan by reason of the Plan Assets Regulation or otherwise (each, a "**Benefit Plan Investor**"), or a Similar Plan that is subject to any Similar Law or (ii) its purchase and holding of such Class of debt notes do not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a Similar Plan, result in a violation of any Similar Law).

By its purchase and holding of a Class of debt notes, each purchaser and transferee thereof that is a Benefit Plan Investor also will be deemed to have represented, warranted and agreed that (i) none of the Transaction Parties (A) have provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor (a "**Plan Fiduciary**") on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire any interest in the Class of debt notes and (B) are acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of any interest in the Class of debt notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

Equity Notes

If a class of notes is classified as equity for US federal income tax purposes in an applicable Drawdown Prospectus, then the following shall apply.

Equity notes are expected to constitute equity interests for purposes of the Plan Assets Regulation. If the applicable Drawdown Prospectus indicates that the US Offered Notes are treated as equity for US federal income tax purposes, in order to attempt to prevent the assets of the relevant Issuer from being considered "plan assets" for purposes of Title I of ERISA and Section 4975 of the Code, no Class of equity notes is intended for purchase or holding by Benefit Plan Investors or certain Similar Plans. Under such Drawdown Prospectus, each purchaser of a Class of equity notes will be deemed to have represented, warranted and agreed either that (i) it is not (and is not deemed for purposes of Title I of ERISA or Section 4975 of the Code to be) and for so long as it holds an equity note, as applicable, will not be (or be deemed for such purposes to be) a Benefit Plan Investor or (ii)(X) it is a Similar Plan that is subject to any Similar Law and (Y) the purchase and holding and subsequent disposition of such equity notes, as applicable, do not and will not violate any such Similar Law.

The sale of any notes to a Benefit Plan Investor or a Similar Plan is in no respect a representation by the Transaction Parties that such an investment meets all relevant legal requirements with respect to investments by such Benefit Plan Investors or Similar Plan generally or any particular Benefit Plan Investor or Similar Plan, or that such an investment is appropriate for such Benefit Plan Investors or Similar Plans generally or any particular Benefit Plan Investor or Similar Plan.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY AND DOES NOT PURPORT TO BE COMPLETE. MOREOVER, THE MATTERS DISCUSSED ABOVE MAY BE AFFECTED BY FUTURE REGULATIONS, RULINGS AND COURT DECISIONS, SOME OF WHICH MAY HAVE RETROACTIVE APPLICATION AND EFFECT. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL AND OTHER ADVISORS PRIOR TO INVESTING TO DETERMINE THE IMPLICATIONS OF SUCH INVESTMENTS IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.

THE SALE OF NOTES TO A BENEFIT PLAN INVESTOR OR A SIMILAR PLAN IS IN NO RESPECT A REPRESENTATION BY THE DISTRIBUTOR, THE NOTE TRUSTEE, THE ISSUER OR THE SWAP COUNTERPARTY THAT THIS INVESTMENT MEETS ALL RELEVANT REQUIREMENTS WITH RESPECT TO INVESTMENTS BY BENEFIT PLAN INVESTORS OR SIMILAR PLANS GENERALLY OR ANY PARTICULAR BENEFIT PLAN INVESTOR OR SIMILAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR BENEFIT PLAN INVESTORS OR SIMILAR PLANS GENERALLY OR ANY PARTICULAR BENEFIT PLAN INVESTOR OR SIMILAR PLAN.

PLAN OF DISTRIBUTION

The Issuer entered into an agreement on 13 October 2008 (as amended and restated from time to time) (the "**Dealer Agreement**") with Bank of Scotland, Treasury Division, in its capacity as Lead Manager and dealer (and, together with any other Dealer that may in the future become a party to the Dealer Agreement as provided therein, the "**Dealers**") in connection with the distribution of notes to be issued under the Programme. The Dealer Agreement does not impose any obligation on the Dealers to purchase, or on the Issuer to issue, any notes, but provides the general terms and conditions under which the Issuer and one or more Dealers may agree to the issuance by the former and the purchase by the latter of one or more Note Series, in accordance with a subscription agreement based on a form set out in the Dealer Agreement or such other form as may be agreed between the Issuer and the relevant Dealer or Dealers. On 27 May 2010, the rights and obligations of Bank of Scotland, Treasury Division under the Dealer Agreement were novated to Lloyds Bank.

In addition, because the provisions of the Dealer Agreement are not exclusive, the Issuer may offer and sell the notes in any of three ways:

- directly to one or more purchasers;
- through agents; or
- through Dealers.

Any Dealer or agent that offers the notes may be an affiliate of the Issuer and/or Bank of Scotland and offers and sales of notes may include secondary market transactions by these affiliates. These affiliates may act as principal or agent in secondary market transactions. Secondary market transactions will be made at prices related to prevailing market prices at the time of sale.

A Final Terms or Drawdown Prospectus, as applicable in relation to this Base Prospectus will specify the terms of each offering, including:

- the public offering or purchase price;
- the net proceeds to the Issuer from the sale;
- any underwriting discounts and other items constituting Dealer compensation;
- any discounts and commissions allowed or paid to a Dealer;
- any commissions allowed or paid to agents; and
- the securities exchanges, on which the notes will be listed.

The nature of the obligation of the Dealer to purchase the notes is described below. The notes may be offered either through syndicates represented by one or more Dealers or directly by one or more firms acting alone. The Dealer or Dealers for a particular offering of notes may be provided to potential investors separately relating to that offering. Unless otherwise described in a Drawdown Prospectus, the obligation of the Dealer(s) to purchase any notes will be subject to various conditions precedent.

Dealer trading may take place in some of the notes. Direct sales may be made on a national securities exchange or otherwise. If the Issuer, directly or through agents, solicits offers to purchase notes, the Issuer reserves the sole right to accept and, together with its agents, to reject in whole or in part any proposed purchase of notes.

The Issuer may change any initial offering price and any discounts or concessions allowed or reallowed or paid to a Dealer. The Issuer may authorise one or more Dealers or agents to solicit offers by certain institutions to purchase securities from the Issuer pursuant to delayed delivery contracts providing for payment and delivery at a future date.

Any Dealer may sell any notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of such notes.

Any Dealer or agent participating in the offering of securities, including notes offered by this Base Prospectus, may be deemed to be an underwriter of those securities under the Securities Act and any discounts or commissions received by them and any profit realised by them on the sale or resale of the securities may be deemed to be underwriting discounts and commissions.

The Issuer anticipates that the notes will be sold only to institutional investors. Purchasers of notes, including the Dealers, may, depending on the facts and circumstances of the purchases, be deemed to be "underwriters" within the meaning of the Securities Act in connection with re-offers and sales of the notes by them. Noteholders should consult with their legal advisors in this regard prior to any re-offer or sale.

The Issuer has agreed to indemnify the Dealer(s), agents and their controlling Persons against certain civil liabilities, including liabilities under the Securities Act in connection with their participation in the distribution of the Issuer's notes.

The Dealer(s) and agents participating in the offering of the securities, and their controlling persons, may engage in transactions with and perform services for the Sponsor, the Issuer or their affiliates in the ordinary course of business.

Bank of Scotland will be the originator, sponsor, Transferor, Transferor Beneficiary, Servicer and the lender under the Expenses Loan Agreement. Lloyds Bank will be the Arranger and a Dealer under the Programme.

Nature of certain Dealer Obligations

After a public offering, the public offering price and other selling terms may be changed by the Dealer.

In connection with the sale of a Note Series, a Dealer may engage in:

- over-allotments, in which members of the syndicate selling a Note Series sell more notes than the Issuer actually sold to the syndicate, creating a syndicate short position;
- stabilising transactions, in which purchases and sales of a Note Series may be made by the members of the selling syndicate at prices that do not exceed a specified maximum;
- syndicate covering transactions, in which members of the selling syndicate purchase a Note Series in the open market after the distribution has been completed in order to cover syndicate short positions; and
- penalty bids, by which Dealers reclaim a selling concession from a syndicate member when any of the Note Series originally sold by that syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions.

Stabilising transactions, syndicate covering transactions and penalty bids may cause the price of a Note Series of Notes to be higher than it would otherwise be. These transactions, if commenced, may be discontinued at any time.

The Issuer may agree to indemnify the Lead Manager, Dealers, agents and their controlling Persons against certain civil liabilities, including liabilities under the Securities Act in connection with their participation in the distribution of the Issuer's notes.

Prohibition of Sales to European Economic Area Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms or Drawdown Prospectus, as the case may be, in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

    (a) a retail client as defined in point (11) of Article 4(1) MiFID II; or

(b) a customer within the meaning of Directive 2016/97/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a qualified investor as defined in the Prospectus Directive; and

(ii) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes.

Public Offer Selling Restriction under the Prospectus Directive

Prior to January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of notes which are the subject of the offering contemplated by this Base Prospectus as contemplated by the relevant Final Terms or Drawdown Prospectus, as applicable in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such notes to the public in that Relevant Member State:

(i) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts; or

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to in (i) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of notes to the public**" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 Prospectus Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

No deposit-taking: in relation to any notes which have a maturity of less than one year:

(i) it is a Person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any notes other than to Persons:

(a) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or

(b) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

Financial promotion: 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

General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

United States of America

If any Rule 144A Notes are offered under the relevant Final Terms or Drawdown Prospectus, as applicable, each of the Dealers will acknowledge that the notes have not been and will not be registered under the Securities Act or the state securities laws of any state of the United States or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S), except in reliance on Rule 144A to QIBs. If any Rule 144A Notes are offered under the relevant Final Terms or Drawdown Prospectus, as applicable, none of the notes other than the Rule 144A Notes may be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S).

If any Regulation S Notes are offered under the relevant Final Terms or Drawdown Prospectus, as applicable, each of the Dealers will acknowledge and agree that they will not offer, sell or deliver the Regulation S Notes: (a) (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of any U.S. Person except in accordance with Rule 903 of Regulation S or (in respect of Rule 144A Notes) pursuant to Rule 144A or another exemption from the registration requirements under the Securities Act; and (b) it will send to each Dealer or person receiving a selling concession, fee or other remuneration in respect of such Regulation S Notes that purchases Regulation S Notes from it in reliance on Regulation S a notice stating that such Dealer or person receiving a selling concession, fee or other remuneration is subject to the same restrictions during the Distribution Compliance Period substantially to the following effect:

"The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S".

In addition, until the expiration of the Distribution Compliance Period, an offer or sale of the Regulation S Notes within United States or to, or for the account or benefit of U.S. Persons (as defined in Regulation S) by any dealer (whether or not participating in the offering of the Regulation S Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

If any Regulation S Notes are offered under the relevant Final Terms or Drawdown Prospectus, as applicable, each of the Dealers will acknowledge and agree that neither it nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Regulation S Notes, and it and they have complied and will comply with the offering restrictions (as defined in Regulation S) of Regulation S.

If any Rule 144A Notes or Regulation S Notes are offered under the relevant Final Terms or Drawdown Prospectus, as applicable, each of the Dealers will acknowledge and agree that neither it nor any persons acting on its or their behalf have engaged or will engage in any form of general solicitation or general advertising (within the meaning of 502(c) under the Securities Act) in connection with any offer or sale of such notes in the United States.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that any Regulation S Notes and any Rule 144A Notes that are determined in an applicable Drawdown Prospectus to be equity notes are not designed for, and may not be purchased or held by, or transferred to, any Benefit Plan Investor and accordingly, each purchaser and transferee of any 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". With respect to purchasers and transferees that are employee benefit plans subject to Similar Law, each purchaser and transferee of any Regulation S Notes or Rule 144A Notes that are equity notes will be deemed to have represented, warranted and agreed that such purchase and holding of such notes does not and will not violate such Similar Law.

Due to the restrictions set forth above in the applicable Final Terms or Drawdown Prospectus, purchasers of the notes in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the notes.

Each purchaser of notes offered hereby will be deemed to have represented and agreed that it has received a copy of this Base Prospectus and the relevant Final Terms or Drawdown Prospectus, as applicable and such other information as it deems necessary to make an investment decision. Purchasers are also deemed to have made the representations and agreements set out in the applicable Final Terms or Drawdown Prospectus.

General

Persons into whose hands this Base Prospectus or any Final Terms or Drawdown Prospectus, as applicable comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver notes or have in their possession or distribute such offering material, in all cases at their own expense.

Neither the Issuer nor the Dealers represent that notes may at any time lawfully be sold in compliance with any application registration or other requirements in any jurisdiction, or pursuant to any exception available thereunder, or assume any responsibility for facilitating such sale.

The Dealer Agreement provides that the Dealer(s) shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer(s) described in the immediately preceding paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Base Prospectus or Drawdown Prospectus (in the case of a supplement or modification relevant only to a particular Note Series).

Purchase and Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the notes.

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 or "Blue Sky" laws or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Without limiting the foregoing, by holding a note, each Noteholder will acknowledge and agree, among other things, that such Noteholder understands that neither of the Issuer nor the Securitised Portfolio is registered as an investment company under the United States Investment Company Act of 1940, but that the Issuer and the Securitised Portfolio are exempt from registration as such.

Prospective Initial Investors in the notes

Each prospective purchaser of the notes offered in reliance on Rule 144A ("**Rule 144A**") or Rule 506 of Regulation D under the Securities Act (each, a "**US Offeree**") and each prospective purchaser of the notes offered in reliance on Regulation S ("**Regulation S**") under the Securities Act (a "**Non-US Offeree**" and together with the US Offerees, the "**Offerees**"), by accepting delivery of the Final Terms or Drawdown

Prospectus, as applicable and this Base Prospectus, will be deemed to have represented, acknowledged and agreed as follows:

(i) The Offeree acknowledges that the Final Terms or Drawdown Prospectus, as applicable and this Base Prospectus are personal to the Offeree and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the notes other than pursuant to Rule 144A, or Rule 506 of Regulation D or another exemption from registration from the Securities Act, or in offshore transactions in accordance with Regulation S. Distribution of the Final Terms or Drawdown Prospectus, as applicable and this Base Prospectus or disclosure of any of their contents to any person other than the Offeree and those persons, if any, retained to advise the Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Rule 506 of Regulation D or Regulation S is unauthorised and any disclosure of any of their contents, without the prior written consent of the Issuer, is prohibited.

(ii) The Offeree agrees to make no photocopies of the Final Terms or Drawdown Prospectus, as applicable and the Base Prospectus or any documents referred to herein and, if the Offeree does not purchase the notes or the offering is terminated, to return the Final Terms or Drawdown Prospectus, as applicable and this Base Prospectus and all documents referred to herein and therein to Lloyds Bank plc.

(iii) The Offeree has carefully read and understands the Final Terms or Drawdown Prospectus, as applicable and the Base Prospectus, including, without limitation, the "Additional Risk Factors" section herein and the "Risk Factors" section in the Base Prospectus, and has based its decision to purchase the notes upon the information contained herein and therein and on written information, if any, provided to it by the Issuer and the Dealer and not on any other information.

Notes

Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any class of Rule 144A Notes or Regulation S Notes is outstanding, the Rule 144A Notes, the Regulation S Notes and the Registered Uncleared Notes will bear a legend in, or substantially in, the form set forth below:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND NEITHER THE ISSUER NOR THE SECURITISED PORTFOLIO HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS THAT IT HAS OBTAINED THIS NOTE IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE RESTRICTIONS ON SALE AND TRANSFER SET FORTH IN THE NOTE TRUST DEED (THE "**NOTE TRUST DEED**"), DATED 16 OCTOBER 2008 (AS AMENDED AND RESTATED FROM TIME TO TIME), BETWEEN THE ISSUER AND DEUTSCHE BANK TRUST COMPANY AMERICAS (THE "**NOTE TRUSTEE**"). THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, FURTHER REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN) EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND IN ACCORDANCE WITH THE RESTRICTIONS, CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE NOTE TRUST DEED (i) TO A TRANSFEREE THAT IS A PERSON THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (ii) TO A TRANSFEREE THAT IS NOT A US PERSON (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND THAT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSES (i) AND (ii), IN A PRINCIPAL

AMOUNT WITH RESPECT TO EACH CLASS OF NOTES OF NOT LESS THAN €100,000 (OR THE EQUIVALENT THEREOF IN THE SPECIFIED CURRENCY) FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING. EACH PURCHASER OR TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE NOTE TRUST DEED.

The following two paragraphs are to be included in the legend for Regulation S Global Note Certificate only:

EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE TRUST DEED TO THE TRANSFEREE.

HOWEVER, WITHOUT PREJUDICE TO THE RIGHTS OF THE ISSUER AGAINST ANY BENEFICIAL OWNER OR PURPORTED BENEFICIAL OWNER OF NOTES, NOTHING IN THE NOTE TRUST DEED OR THE NOTES SHALL BE INTERPRETED TO CONFER ON THE ISSUER, THE NOTE TRUSTEE OR ANY PAYING AGENT ANY RIGHT AGAINST EUROCLEAR BANK SA/NV ("**EUROCLEAR**") AND/OR CLEARSTREAM BANKING, *SOCIÉTÉ ANONYME* ("**CLEARSTREAM**"), TO REQUIRE THAT EUROCLEAR AND/OR CLEARSTREAM, AS THE CASE MAY BE, REVERSE OR RESCIND ANY TRADE COMPLETED IN ACCORDANCE WITH THE RULES OF EUROCLEAR AND/OR CLEARSTREAM, AS THE CASE MAY BE.

The following two paragraphs are to be included in the legend for Rule 144A Global Note Certificate only:

EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE TRUST DEED TO THE TRANSFEREE.

HOWEVER, WITHOUT PREJUDICE TO THE RIGHTS OF THE ISSUER AGAINST ANY BENEFICIAL OWNER OR PURPORTED BENEFICIAL OWNER OF NOTES, NOTHING IN THE NOTE TRUST DEED OR THE NOTES SHALL BE INTERPRETED TO CONFER ON THE ISSUER, THE NOTE TRUSTEE OR ANY PAYING AGENT ANY RIGHT AGAINST THE DEPOSITORY TRUST COMPANY ("**DTC**") TO REQUIRE THAT DTC REVERSE OR RESCIND ANY TRADE COMPLETED IN ACCORDANCE WITH THE RULES OF DTC.

The following paragraph is to be included in the legend for Registered Uncleared Note Certificates only:

EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE TRUST DEED TO THE TRANSFEREE.

The following paragraphs are to be included only in the legend for Individual Note Certificates and Registered Uncleared Note Certificates that, pursuant to an applicable Drawdown Prospectus, will be treated as debt of the Issuer for US federal income tax purposes:

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR OF ANY INTEREST HEREIN IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (I) THE HOLDER IS NOT AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN WILL NOT BE, (A) AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" WITHIN THE MEANING OF AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (C) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE, THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN DESCRIBED IN (A) OR (B) BY REASON OF THE US DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE (EACH OF (A)-(C), A "**BENEFIT PLAN INVESTOR**") OR (D) A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(D) OF THE CODE, A NON-US PLAN DESCRIBED IN SECTION 4(B)(4) OF ERISA OR A BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR (ANY SUCH PLAN, A "**SIMILAR PLAN**") BUT IS SUBJECT TO ANY US FEDERAL, STATE, LOCAL, NON-US OR OTHER LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE

SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (ANY SUCH LAW OR REGULATION, A "**SIMILAR LAW**"), AND IT IS NOT PURCHASING THIS NOTE ON BEHALF OF ANY SUCH BENEFIT PLAN INVESTOR OR SIMILAR PLAN, OR (II) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT "PROHIBITED TRANSACTION" UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A SIMILAR PLAN, IS NOT IN A VIOLATION OF ANY SIMILAR LAW).

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR OF ANY INTEREST HEREIN THAT IS OR IS ACTING ON BEHALF OF A BENEFIT PLAN INVESTOR IS DEEMED TO REPRESENT, WARRANT AND AGREE BY ITS PURCHASE OF THIS NOTE OR ANY INTEREST HEREIN THAT (1) NO TRANSACTION PARTY (X) HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR (A "**PLAN FIDUCIARY**") ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO ACQUIRE ANY INTEREST IN THE NOTE AND (Y) IS ACTING AS A "FIDUCIARY" WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION OF ANY INTEREST IN THE NOTE AND (2) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION.

The following paragraph is to be included only in the legend for Individual Note Certificates and Registered Uncleared Note Certificates treated as equity in the Issuer for US federal income tax purposes:

EACH PURCHASER AND EACH TRANSFEREE OF THIS NOTE OR OF AN INTEREST HEREIN IS DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT (I) IT IS NOT (AND IS NOT DEEMED FOR PURPOSES OF TITLE I OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO BE) AND FOR SO LONG AS IT HOLDS AN EQUITY NOTE, AS APPLICABLE, WILL NOT BE (OR BE DEEMED FOR SUCH PURPOSES TO BE) (A) AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(3) OF ERISA) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" WITHIN THE MEANING OF AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE TO INCLUDE, THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN DESCRIBED IN (A) OR (B) BY REASON OF THE US DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE (EACH OF (A)-(C), A "**BENEFIT PLAN INVESTOR**") OR (II)(A) IT IS A "GOVERNMENTAL PLAN" WITHIN THE MEANING OF SECTION 3(32) OF ERISA, A "CHURCH PLAN" WITHIN THE MEANING OF SECTION 3(33) OF ERISA THAT HAS MADE NO ELECTION UNDER SECTION 410(D) OF THE CODE, A NON-US PLAN DESCRIBED IN SECTION 4(B)(4) OF ERISA OR A BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR WHICH IS SUBJECT TO ANY US FEDERAL, STATE, LOCAL, NON-US OR OTHER LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (ANY SUCH LAW OR REGULATION, A "**SIMILAR LAW**") AND (B) THE PURCHASE AND HOLDING OF SUCH EQUITY NOTES, AS APPLICABLE, DO NOT AND WILL NOT VIOLATE ANY SUCH SIMILAR LAW.

The following two paragraphs are to be included in the legend for Regulation S Global Note Certificates only:

ANY TRANSFERS, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, DEUTSCHE BANK AG, LONDON BRANCH, OR ITS NOMINEE HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF DEUTSCHE BANK AG, LONDON BRANCH OR ITS NOMINEE OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR AND

CLEARSTREAM (AND ANY PAYMENT HEREON IS MADE TO DEUTSCHE BANK AG, LONDON BRANCH).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, AND NOT IN PART, TO NOMINEES OF EUROCLEAR AND CLEARSTREAM OR TO SUCCESSORS THEREOF OR SUCH SUCCESSORS' NOMINEE AND TRANSFERS OF INTERESTS IN THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE TRUST DEED.

The following two paragraphs are to be included in the legend for Rule 144A Global Note Certificates only:

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE OR SUCH OTHER ENTITY AS IS REQUESTED BY DTC), ANY TRANSFERS, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. ("**CEDE**"), HAS AN INTEREST HEREIN.

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, AND NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF INTERESTS IN THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE TRUST DEED.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH IN THE NOTE TRUST DEED. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF DEUTSCHE BANK AG, LONDON BRANCH AS THE PRINCIPAL PAYING AGENT.

THE HOLDER OF THIS NOTE ACKNOWLEDGES THAT NOTWITHSTANDING ANY OTHER PROVISION OF THE NOTE TRUST DEED OR ANY OTHER TRANSACTION DOCUMENT, ALL PAYMENTS OF PRINCIPAL, INTEREST OR ANY OTHER AMOUNT TO BE MADE BY THE ISSUER IN RESPECT OF THE NOTES OR UNDER ANY TRANSACTION DOCUMENT WILL BE PAYABLE PURSUANT TO THE PRIORITY OF PAYMENTS AND ONLY FROM, AND TO THE EXTENT OF, THE SUMS PAID TO, OR NET PROCEEDS RECOVERED BY OR ON BEHALF OF, THE ISSUER IN RESPECT OF THE SECURITY (AS DEFINED IN THE SECURITY TRUST DEED AND CASH MANAGEMENT AGREEMENT, DATED 16 OCTOBER 2008 (AS AMENDED AND RESTATED FROM TIME TO TIME)), AMONG PENARTH FUNDING 1 LIMITED, PENARTH RECEIVABLES TRUSTEE LIMITED, BANK OF SCOTLAND PLC, DEUTSCHE BANK TRUST COMPANY AMERICAS AND INTERTRUST MANAGEMENT LIMITED (THE "**STDCMA**"). IF THE PROCEEDS OF THE SECURITY (AS DEFINED IN THE STDCMA) ARE NOT SUFFICIENT FOR THE ISSUER TO MEET ITS OBLIGATIONS IN RESPECT OF THE NOTES AND OTHER TRANSACTION DOCUMENTS, NO OTHER ASSETS OF THE ISSUER WILL BE AVAILABLE TO MEET SUCH INSUFFICIENCY.

Initial Investors and transferees of Interests in Rule 144A Global Note Certificates

Each initial investor in, and subsequent transferee of, an interest in a Rule 144A Global Note Certificate will be deemed to have represented and agreed as follows:

(i) It (a) is a "Qualified Institutional Buyer" ("**QIB**") within the meaning of Rule 144A and is acquiring the notes in reliance on the exemption from Securities Act registration provided by Rule 144A thereunder and (b) understands the notes will bear the legend set forth above and be represented by one or more Rule 144A Global Notes Certificates. In addition, it will be deemed to have represented and agreed that it will hold and transfer in an amount of not less than, with respect to each class of notes, €100,000 (or the equivalent thereof in the specified currency) for it or for each account for which it is acting.

(ii) It understands that (a) the notes have been offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, (b) the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and (c) if in the future it decides to offer, resell, pledge or otherwise transfer the notes, such notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Note Trust Deed and the legend on such notes. It acknowledges that no representation is made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the notes.

(iii) In connection with the purchase of the notes: (a) the Issuer is not acting as a fiduciary or financial or investment advisor for it; (b) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer or the Dealer (in its capacity as such) or any of their agents, other than any statements in a current prospectus for such notes and any representations expressly set forth in a written agreement with such party; (c) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or the Dealer; (d) its purchase of the notes will comply with all applicable laws in any jurisdiction in which it resides or is located; (e) it is acquiring the notes as principal solely for its own account for investment and not with a view to the resale, distribution or other disposition thereof in violation of the Securities Act; and (f) it is a sophisticated investor and is purchasing the notes with a full understanding of all of the terms, conditions and risks thereof and is capable of assuming and willing to assume those risks.

(iv) Except as otherwise provided in a Drawdown Prospectus either: (i) it is not, and for so long as it holds a debt note will not be, a Benefit Plan Investor or a Similar Plan that is subject to any Similar Law, and it is not purchasing such debt note on behalf of any such Benefit Plan Investor or Similar Plan, or (ii) the purchase, holding and subsequent disposition of such debt note will not constitute or result in a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a Similar Plan, is not in a violation of any Similar Law). In addition, if it is a Benefit Plan Investor, (i) none of the Transaction Parties (A) have provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire any interest in the debt note and (B) are acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of any interest in the debt note and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

(v) If the applicable Drawdown Prospectus indicates that the US Offered Notes will be treated as equity for US federal income tax purposes either that (i) it is not (and is not deemed for purposes Title I of ERISA or Section 4975 of the Code to be) and for so long as it holds an equity note, as applicable, will not be (or be deemed for such purposes to be) a Benefit Plan Investor or (ii)(A) it is a Similar Plan that is subject to any Similar Law and (B) the purchase and holding of such equity notes, as applicable, do not and will not violate any such Similar Law.

(vi) It understands that an investment in the notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. It has had access to such financial and other information concerning the Issuer and the notes, as it deemed necessary or appropriate in order to make an informed investment decision with respect to its acquisition of the notes, including an opportunity to ask questions of and request information from the Issuer. It understands that the notes will be highly illiquid and are not suitable for short term trading. It understands that it is possible that due to the structure of the transaction and the performance of the Securitised Portfolio, payments on the notes may be deferred, reduced or eliminated entirely. The Issuer has assets limited to the Security (as defined in the STDCMA) for payment of the notes.

(vii) It acknowledges that it is its intent and that it understands it is the Issuer's intent, that for purposes of US federal, state and local income taxes, the Issuer will be treated as a corporation and the notes will be treated as indebtedness of the Issuer; it agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment, except as otherwise required by any taxing authority under applicable law.

(viii) It is aware that, except as otherwise provided in the Note Trust Deed, the notes being sold to it will be represented by one or more Global Note Certificates, and that beneficial interests therein may be held only through Euroclear and Clearstream or DTC or one of their nominees, as applicable.

(ix) It understands that the Issuer, the Note Trustee, the Dealer and their counsel and affiliates will rely on the accuracy and truth of the foregoing acknowledgements, agreements and representations, and it hereby consents to such reliance.

Initial Investors and transferees of Interests in Regulation S Global Note Certificates

Each initial investor in, and subsequent transferee of, an interest in a Regulation S Global Note Certificate will be deemed to have made the representations set forth in clauses (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) above and will be deemed to have further represented and agreed as follows:

(i) It is aware that the sale of notes to it is being made in reliance on the exemption from registration provided by Regulation S and understands that the notes offered in reliance on Regulation S will bear the legend set forth above and be represented by or one or more Regulation S Global Note Certificates. The notes so represented may not at any time be held by or on behalf of US Persons (as defined in Regulation S). It and each beneficial owner of the notes that it holds is not, and will not be, a US Person (as defined in Regulation S) and is located outside the United States (within the meaning of Regulation S) and its purchase of the notes will comply with all applicable laws in any jurisdiction in which it resides or is located.

(ii) If it is not a "United States person" as defined in Section 7701(a)(30) of the Code, it is not acquiring any Note as part of a plan to reduce, avoid or evade US federal income taxes owed, owing or potentially owed or owing.

Settlement

All payments in respect of the Sterling notes shall be made in Sterling in same-day funds. All payments in respect of the Euro notes shall be made in Euros in same-day funds. All payments in respect of the Dollar notes shall be made in dollars in same-day funds.

AUDITORS

The auditors of the Issuer are PricewaterhouseCoopers LLP (PwC), Registered Auditors. PwC will audit the financial statements of the Issuer in accordance with accounting standards generally accepted in the United Kingdom. The address of PwC is Benson House, 33 Wellington Street, Leeds, LS1 4JP.

USE OF PROCEEDS

The net proceeds of the issue of a Note Series will be used by the Issuer to subscribe for a Loan Note issued by Loan Note Issuer No. 1 of such value and on such terms as further specified in the applicable Final Terms or Drawdown Prospectus.

GENERAL INFORMATION

1. The Issuer has made an application (i) to the UKLA to admit the notes to the Official List and (ii) to the London Stock Exchange to admit the notes to trading on the Regulated Market of the London Stock Exchange. The listing of the notes on the Regulated Market of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Each class of each Note Series intended to be admitted to listing on the Official List of the UKLA and admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to listing and trading upon submission to the UKLA and the Regulated Market of the London Stock Exchange of this Base Prospectus and any other information required by the UKLA and the Regulated Market of the London Stock Exchange, subject in each case to the issue of the relevant notes. Prior to official listing, dealings will be permitted by the Regulated Market of the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

2. However, notes may be issued pursuant to the Programme which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

3. The establishment of the Programme was authorised by board meeting of the Issuer passed on 3 October 2008. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the notes.

4. Application has been made for the notes (other than Registered Uncleared Notes) to be accepted for clearance through Euroclear, Clearstream and DTC. The appropriate common code and the International Securities Identification Number ("**ISIN/CUSIP**"), Financial Instrument Short Name ("**FISN**") and Classification of Financial Instruments ("**CFI**") code (as applicable) in relation to the notes of each Note Series (other than Registered Uncleared Notes) will be specified in the Final Terms or Drawdown Prospectus, as applicable relating thereto. The relevant Final Terms or Drawdown Prospectus, as applicable shall specify any other clearing system as shall have accepted the relevant notes for clearance together with any further appropriate information.

5. Since the date of the Issuer's audited financial statements for the period ending 31 December 2017, there has been no significant change in the financial or trading position of the Issuer and, since such date there has been no material adverse change in financial position or prospects of the Issuer.

6. Since 7 March 2019 (being the date of incorporation of Loan Note Issuer No.1), there has been no significant change in the financial or trading position of Loan Note Issuer No. 1 and, since such date there has been no material adverse change in financial position or prospects of Loan Note Issuer No. 1.

7. Since 7 March 2019 (being the date of incorporation of the Receivables Trustee), there has been no significant change in the financial or trading position of the Receivables Trustee and, since such date there has been no material adverse change in the financial position or prospects of the Receivables Trustee.

8. Certain of the key transaction documents, namely the RTDSA, the De-Linked Supplement, the STDCMA, any Global Loan Notes, each Loan Note Supplement and the Expenses Loan Agreement, provide that, while such agreements and all non-contractual obligations arising out of or in connection with them are governed by English law, the Courts of England and Wales have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the relevant document.

9. There is no intention to accumulate surpluses in the Issuer, Loan Note Issuer No. 1 or the Receivables Trustee.

10. The information set out in the sections entitled "*Credit Card Portfolio*" and "*The Receivables—Summary of Securitised Portfolio*" has been compiled by reference to information provided by Bank of Scotland.

11. The Issuer has not traded since its incorporation on 10 June 2008 other than the establishment of the Penarth medium term note programme and the issuance of the Series 2008-1A Notes, Series

2008-2A Notes, Series 2010-A1 Notes, Series 2010-A2 Notes, Series 2010-A3 Notes, Series 2010-B1 Notes, Series 2010-C1 Notes, Series 2010-D1 Notes, Series 2010-2 A1 Notes, Series 2010-2 A2 Notes, Series 2010-2 A3 Notes, Series 2010-2 B1 Notes, Series 2010-2 C1 Notes, Series 2010-2 D1 Notes, Series 2011-1 A1 Notes, Series 2011-1 A2 Notes, Series 2011-2 A1 Notes, Series 2012-1 A1 Notes, Series 2013-1 A1 Notes, Series 2013-1 A2 Notes, Series 2014-1 A1 Notes, Series 2014-1 A2 Notes, Series 2014-2 A1 Notes, Series 2014-2 B1 Notes, Series 2014-2 C1 Notes, Series 2014-2 D1 Notes, Series 2015-1 A1 Notes, Series 2015-1 A2 Notes, Series 2015-2 A1 Notes, Series 2015-2 A2 Notes, Series 2016-1 A1 Notes, Series 2018-1 A1 Loan Notes, Series 2018-1 A2 Loan Notes, Series 2018-2 A1 Loan Notes and Series 2018-2 A2 Loan Notes.

12. If prospective investors are in any doubt about the contents of this Base Prospectus they should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser.

13. For so long as this Base Prospectus is in effect and any series of notes is outstanding, the Servicer will prepare monthly reports that will contain information about the notes. Unless and until Individual Certificates are issued, the reports may be inspected during normal business hours and upon reasonable notice at the Specified Office of the Principal Paying Agent and at the registered office of the Issuer.

Documents available for inspection

14. For so long as this Base Prospectus is in effect and any series of notes is outstanding, copies of the following documents in physical form may be inspected during normal business hours at the Specified Office of the Principal Paying Agent and at the registered office of the Issuer, namely:

(a) the memorandum and articles of association of the Issuer the memorandum and articles of association of Loan Note Issuer No. 1;

(b) the memorandum and articles of association of the Receivables Trustee;

(c) historical financial information of the Issuer set out in Appendix B and Appendix C;

(d) the current Base Prospectus in relation to the Programme;

(e) the Paying Agency Agreement;

(f) the Dealer Agreement and the relevant subscription agreement;

(g) any Final Terms or Drawdown Prospectus, as applicable relating to notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system;

(h) the Master Framework Agreement;

(i) the RSD including amendments thereto;

(j) the RTDSA including amendments thereto;

(k) the Trust Section 75 indemnity;

(l) the Expenses Loan Agreement;

(m) the STDCMA;

(n) the Note Trust Deed;

(o) each Note Trust Deed Supplement;

(p) the Issuer Master Framework Agreement;

(q) the De-Linked Supplement;

(r) the Issuer Corporate Services Agreement;

(s) the RT Corporate Services Agreement;

(t) the Funding 1 Corporate Services Agreement;

(u) the various bank agreements of Loan Note Issuer No. 1 and the Issuer; and

(v) each Loan Note Supplement.

In addition, some of the documents above may also be made available from time to time in electronic form on a website indicated in the monthly reports prepared by the Servicer.

Further information available to noteholders pursuant to the Securitisation Regulation

15. The Issuer will procure that the Servicer will pursuant to the terms of the RTDSA:

(a) publish on the Reporting Website ongoing information in relation to the Securitised Portfolio in accordance with the requirements of Articles 7(1)(a) and (e) (subject to Article 43(8) of the Securitisation Regulation and any published guidance of the relevant regulatory or competition authorities) of the Securitisation Regulation, and in relation to STS Securitisations, Article 22(5) of the Securitisation Regulation in the frequency and by the dates specified in the Securitisation Regulation;

(b) make available on the Reporting Website the documents required by Articles 7(1)(b) and in relation to STS Securitisations, (d) of the Securitisation Regulation prior to the pricing date of each Note Series; and

(c) publish on the Reporting Website any information required by and in accordance with Article 7(1)(f) and (g) of the Securitisation Regulation without delay.

The reports set out in paragraph (a) above and the documentation and information set out in paragraphs (b) and (c) above shall be published on the European DataWarehouse GmbH's website at https://editor.eurodw.eu/editor (the "**Reporting Website**") which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation no later than the specified requirements pursuant to Article 7(2) of the Securitisation Regulation. For the avoidance of doubt, this website and the contents thereof do not form part of this Base Prospectus.

16. Following the cessation of the interim reporting regime under Article 43(8) of the Securitisation Regulation, taking into account any transitional provisions, the Servicer shall use commercially reasonable efforts to amend the form of investor reports (in consultation with the Transferor and the Issuer) to comply with the requirements of Articles 7(1)(a) and (e) if the Securitisation Regulation).

17. In relation to STS Securitisations:

(a) the information required by Article 7(1)(a) of the Securitisation Regulation is available to potential investors before pricing, upon request;

(b) final versions of the documentation required pursuant to Article 7(1)(b) of the Securitisation Regulation will be made available on the Reporting Website within 15 days of the relevant Issue Date;

(c) the information required pursuant to Articles 7(1)(a) and (e) of the Securitisation Regulation will be made available on the Reporting Website on an ongoing basis simultaneously.

18. From the date of this Base Prospectus as long as any series and class of notes remains outstanding, a cash flow model will be made available to investors, either directly or indirectly through one or more entities who provide such cash flow models to investors generally.

19. Each investor report of the programme will contain a glossary of the defined terms used in such report and a summary of certain rating triggers applicable to any series.

Legal Entity Identifier

20. The Legal Entity Identifier (LEI) code of the Issuer is 213800F8FTNP3LEAW656.

ADDITIONAL IMPORTANT INFORMATION

Each Final Terms constitutes a final terms for the purposes of Article 5.4 of the Prospectus Directive and is supplemental to and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the notes is available only on the basis of the combination of the Final Terms and the Base Prospectus.

While investors should consider carefully the combination of this Base Prospectus and the Final Terms, not all important information is contained in the Final Terms. Important information that investors must consider carefully includes that:

(a) in the event that any withholding or deduction for any taxes, duties, assessments or government charges of whatever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest in respect of the notes by the United Kingdom, or any other jurisdiction or any political subdivision or any authority in or of such jurisdiction having power to tax, the Issuer or the Paying Agents on behalf of the Issuer shall make such payments after such withholding or deduction and neither the Issuer nor the Paying Agents will be required to make any additional payments to Noteholders in respect of such withholding or deduction.

(b) the Issuer will confirm to the Dealers that the Final Terms, when read in conjunction with the Base Prospectus, contains all information which is (in the context of the Programme, the issue, offering and sale of the notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in the Final Terms are honestly held or made and are not misleading in any material respect; that the Final Terms do not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and offering and sale of the notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

(c) no person has been authorised to give any information or to make any representation not contained in or not consistent with the Final Terms or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

(d) no representation or warranty is made or implied by the Arranger, Dealer or any of their respective affiliates, advisers, directors or group companies and neither such Arranger, Dealer nor any of their respective affiliates, advisers, directors or group companies makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in the Final Terms. Neither the delivery of the Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in the Final Terms is true subsequent to the date hereof or the date upon which any future Final Terms (in relation to any future issue of other notes) is produced or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which any future Final Terms (in relation to any future issue of other notes) are produced or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No request has been made for a certificate permitting public offers of the notes in other member states of the European Union.

(e) the distribution of the Final Terms and the offering, sale and delivery of the notes in certain jurisdictions may be restricted by law. Persons in possession of the Final Terms are required by the Issuer and the Dealer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of notes and on the distribution of the Final Terms and other offering material relating to the notes, see "*Plan of Distribution*" in the Base Prospectus.

(f) certain figures included in the Final Terms have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

(g) the information about each Note Series appears in two separate documents: a Base Prospectus and the Final Terms. The Base Prospectus provides general information about each Note Series issued under the Programme, some of which may not apply to a specific Note Series. With respect to each note Series, the Final Terms are the "relevant Final Terms" or the "applicable Final Terms" referred to in the Base Prospectus.

(h) the Final Terms may be used to offer and sell a Note Series only if accompanied by the Base Prospectus.

(i) prospective investors should rely only on the information in the Final Terms and the Base Prospectus, including information incorporated by reference. The Issuer has not authorised anyone to provide investors with different information.

(j) prospective investors should read the Final Terms and the Base Prospectus carefully before making an investment. A note is not a deposit and neither the notes nor the underlying Receivables are insured or guaranteed by Bank of Scotland plc or by any United Kingdom or United States governmental agency. The notes offered in the Final Terms and the Base Prospectus will be obligations of the Issuer only. The Issuer will only have a limited pool of assets to satisfy its obligations under the notes. The notes will not be obligations of Bank of Scotland plc, the Lead Manager, the Dealer(s) or any of their respective affiliates.

(k) neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of any notes or determined if the Final Terms are truthful or complete. Any representation to the contrary is a criminal offence.

(l) the Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the "Investment Company Act").

AN INVESTMENT IN THE NOTES IS ONLY SUITABLE FOR FINANCIALLY SOPHISTICATED INVESTORS WHO ARE CAPABLE OF EVALUATING THE MERITS AND RISKS OF SUCH INVESTMENT AND WHO HAVE SUFFICIENT RESOURCES TO BE ABLE TO BEAR ANY LOSSES WHICH MAY RESULT FROM SUCH INVESTMENT. IF PROSPECTIVE INVESTORS ARE IN ANY DOUBT ABOUT THE CONTENTS OF THE BASE PROSPECTUS THEY SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.

The Final Terms will not specify *inter alia*:

(i) the name or names of any Series Dealers or agents including, where a syndicate of Series Dealers is used, the managing Series Dealer or Series Dealers;

(ii) whether a Notes Series is intended to be held in a manner which would allow Eurosystem eligibility;

(iii) whether employee benefit plans may purchase the notes pursuant to ERISA, the Code or any Similar Law; and

(iv) whether the notes are considered to be debt or equity for US tax purposes.

We may provide additional information in relation to a Note Series to potential investors from time to time and such information may include the information set out above. This information will not be contained in any Final Terms.

APPENDIX A - FORM OF FINAL TERMS

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

MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

FINAL TERMS DATED [Date]
(to the Base Prospectus dated [•] 2019 [and the Supplemental Base Prospectus dated [•]])

Penarth Master Issuer plc
(incorporated in England and Wales with limited liability under registered number 6615304)
Issuer

Bank of Scotland plc
Sponsor, Transferor and Servicer

Issue of [£/€/$][•] [title of note] under
the Penarth Medium Term Note Programme
(ultimately backed by trust property in the Penarth Receivables Trust)

The Issuer will issue	Class **[•]** Notes
Principal Amount	**[$][€][£] [•]**,000,000
Interest Rate	**[•]** per cent. per annum plus **[•]** rate of relevant Interest Period/[***specify other interest rate and types***]
Interest Payment Dates	**[•]**
Scheduled Redemption Date	**[•]** [•] 20**[•]**
Final Redemption Date	**[•]**[•] 20**[•]**
Price to public	**[$][€][£] [•]**,000,000 (or **[•]** per cent.)
Underwriting discount	**[$][€][£][•]**,000,000 (or **[•]** per cent.)
Proceeds to Sponsor	**[$][€][£][•]**,000,000 (or **[•]** per cent.)

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to "**US Persons**" (as defined in Regulation S of the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The notes may only be offered, sold or delivered [[to non US Persons (as defined in Regulation S) outside the United States in reliance on Regulation S (the "**Regulation S Notes**")] / [within the United States in reliance on Rule 144A under the Securities Act ("**Rule 144A**") only to persons that are "qualified institutional buyers" (each a "**QIB**") within the meaning of Rule 144A (the "**Rule 144A Notes**")] / [.within the United States in reliance on Rule 506 of Regulation D under the Securities Act (the "**Registered Uncleared Notes**")]].

This document constitutes Final Terms for the purposes of Article 5.4 of the Prospectus Directive and is supplemental to and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the specified offices of the Dealer or the Principal Paying Agent and copies may be obtained from the specified offices of the Dealer or the Principal Paying Agent.

The Base Prospectus, its supplements and the Final Terms will be made available in electronic form on the website of the regulated market of the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

[If issued under these Final Terms, Regulation S Notes (as defined herein) of each class will be represented on issue by beneficial interests in one or more permanent global note certificates (each a "**Regulation S Global Note Certificate**"), in fully registered form, without interest coupons attached, which will be registered in the name of a nominee for and deposited with a [Common Depositary/Common Safekeeper] for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**").] [If issued under these Final Terms, Rule 144A Notes (as defined herein) of each class will be represented on issue by beneficial interests in one or more permanent global note certificates (each a "**Rule 144A Global Note Certificate**"), in fully registered form, without interest coupons attached, [which will be deposited with Deutsche Bank Trust Company Americas, as custodian ("**DTC Custodian**") for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**") / [which will be registered in the name of a nominee for and deposited with a [Common Depositary/Common Safekeeper] for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**")].] [If issued under these Final Terms, Registered Uncleared Notes of each class will be represented on issue by one or more registered individual note certificates (each a "**Registered Uncleared Note Certificate**") in fully registered form, without interest coupon attached, which must be registered in the name of the note purchaser.] Ownership interests in the [Regulation S Global Note Certificates] [Rule 144A Global Note Certificates] will be shown on, and transfers thereof will only be effected through, records maintained by [Euroclear, Clearstream] [DTC], and [their]/[its] participants. [Regulation S Notes] [Rule 144A Notes] in definitive certificated, fully registered form will be issued only in the limited circumstances described herein. In each case, purchasers and transferees of notes will be deemed to have made certain representations and agreements. See "*Forms of the notes*" and "*Plan of Distribution*" in the Base Prospectus.

[The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) ("**MiFID II**"); (ii) a customer within the meaning of Directive 2016/97/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPS Regulation.]

Arranger

Lloyds Bank Corporate Markets

Joint Lead Managers

Lloyds Bank Corporate Markets

CONTENTS

TRANSACTION FEATURES

These Final Terms supplement the disclosure in the Base Prospectus. The Series 20[•]-[•] Notes will be governed, to the extent not described in these Final Terms, by the applicable provisions of the Base Prospectus. Unless otherwise indicated, words and expressions defined in the Base Prospectus shall have the same meanings below.

NOTE SERIES

Series Number:	Series [•]
Class of Note:	[•]
Issue Date:	[•]
Issue Price:	[•] per cent.
Ratings:	[•]
Principal Amount:	[•]
Net Proceeds:	[•]
Specified Currency:	Notes are to be denominated in [•]
Fixed, Floating or other interest type Designation:	[Fixed]/[Floating]
Scheduled Redemption Date:	[•]
Final Redemption Date:	[•]
Initial Rate (if applicable):	[•]
Rate of Interest:	[•]
Margin (if applicable):	[•]
Additional Interest Margin (if applicable):	[•]
Liquidity Funding Margin (if applicable):	[•]
Minimum Interest Rate (if applicable):	[•]
Maximum Interest Rate (if applicable):	[•]
Day Count Fraction[s]:	[•]
Interest Determination Date:	[•]/[Two Business Days prior to the commencement of the relevant Interest Period]/[[5] Business Days prior to the end of the relevant Interest Period]
Distribution Date:	On the [18th/[•] day of [each month/[•]], in each case subject to adjustment for non-Business Days
First Interest Payment Date:	[•] [•] 201[•]
Interest Commencement Date:	[•]

Floating Rate Commencement Date (if applicable):	[•]
Interest Payment Dates:	On the [18^{th}/[•]] day of [each month/[•]], in each case subject to adjustment for non-Business Days
Redemption Period Interest Payment Dates:	On the [18^{th}/[•]] day of [each month/[•]], in each case subject to adjustment for non-Business Days
Interest Rate Calculations:	[Condition 6(a) / Condition 6(b) / Condition 6(c)/ Condition 6(d) / Condition 6(e) / Condition 6(f)/ Condition 6(g) / Condition 6(h) / Condition 6(i)/ Condition 6(j) / Condition 6(k) / Condition 6(l) / Condition 6(m) / Condition 6(n)]
[LIBOR/EURIBOR/SONIA/ SOFR/USD LIBOR (in the case of the first Interest Period):]	[[•] month [(except for the First Interest Period where [•] [LIBOR/EURIBOR/SONIA/SOFR/USD LIBOR] will be based on the linear interpolation of [•] and [•][•] LIBOR
Reference Rate:	[•]
Rate of return of a daily compound interest investment	[(with the daily Sterling overnight reference rate [•] as the reference rate for the calculation of interest)]
Redenomination, Renominalisation and Reconventioning:	[YES/NO]
Indication of Yield:	[•]
Denomination:	[•]
Listing:	[London Stock Exchange – Regulated Market]
Screen Rate Determination:	[SONIA – Overnight Rate/SOFR – Overnight Rate/Not Applicable]
"D" for the purposes of SONIA/SOFR	[[•]/[360/365]/[Actual/Actual]/[365/365]]
Calculation Method:	[Weighted Average/Compounded Daily]
Observation Method:	[Lag/Lock-out]
Observation Look-back Period:	[[•]/[5] Business Days/Not Applicable]
Clearing and Settlement (if applicable):	[In respect of the Rule 144A Global Note Certificates, through [DTC/Euroclear/Clearstream]] [In respect of the Regulation S Global Note Certificates, through [Euroclear/Clearstream]]
Additional Business Centre(s):	[Amsterdam/ Beijing/ Chicago/ Frankfurt/ Hong Kong/ Madrid/ Milan/ Moscow/ Paris/ Rome/ Shanghai/ Singapore/ Sydney/ Tokyo/ Toronto]
Additional Financial Centre(s):	[Amsterdam/ Beijing/ Chicago/ Frankfurt/ Hong Kong/ Madrid/ Milan/ Moscow/ Paris/ Rome/ Shanghai/ Singapore/ Sydney/ Tokyo/ Toronto]

Business Day:	[Amsterdam/ Beijing/ Chicago/ Frankfurt/ Hong Kong/ Madrid/ Milan/ Moscow/ Paris/ Rome/ Shanghai/ Singapore/ Sydney/ Tokyo/ Toronto]
Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]
Form of notes:	Registered Notes: [Regulation S Global Note Certificates registered in the name of a nominee for [a Common Depositary for Euroclear and Clearstream, a Common Safekeeper for Euroclear and Clearstream, (that is, held under the New Safekeeping Structure (NSS))]/[Rule 144A Global Note Certificates registered in the name of a nominee for [DTC][a Common Depositary for Euroclear and Clearstream, a Common Safekeeper for Euroclear and Clearstream, (that is, held under the New Safekeeping Structure (NSS))]]/[Registered Uncleared Note Certificate registered in the name of the note purchaser].
Eurosystem eligibility	[Yes. Note that the designation "yes" simply means that the 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)] [include this text for registered notes] 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 European Central Bank being satisfied that Eurosystem eligibility criteria have been met]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then 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)] [include this text for registered notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]
Call Date:	[None/[•] 20 [•]]
Subject to Mandatory Transfer Arrangements:	[Yes/No]
Mandatory Transfer Date:	[None/[•] 20 [•]]
Estimated total expenses related to admission to trading:	[•]
Screen Rate:	[Yes/No]
Redemption Period End Date:	[•] [•] 20[•]
Minimum Adjusted Transferor Interest:	[•]%

Credit Risk Retention Expected Seller's interest as at the Issue Date for U.S. Credit Risk Retention Rules	Approximately £[•] or [•]% [calculated on the basis of balances as at [•] and a hypothetical issuance of £[•] aggregate principal amount of all Series [•] notes.] The actual amount of the Seller's interest as at the Issue Date will not be determined until such Issue Date which will be after the date of these Final Terms.
STS Notification Submitted:	[Yes]/[No]
STS Verification:	[Prime Collateralised Securities (PCS) UK Limited]/[•]/[No]
AUP Sample Report:	[Yes]/[No] [Publicly available at U.S. Securities and Exchange Commission]

[The Transferor [has not used the services of]/[has used the services of [●] as] an authorised verification agent authorised under Article 28 of the Securitisation Regulation to assess whether the series 20[●]-[●] Notes comply with the STS requirements and prepare an STS assessment.] [It is expected that the STS assessment prepared by the authorised verification agent will be available on the website of such agent (https://www.pcsmarket.org/sts-verification-transactions/) together with a detailed explanation of its scope at https://www.pcsmarket.org/disclaimer). For the avoidance of doubt, this website and the contents thereof do not form part of this Final Terms. For further information please refer to the Risk Factor entitled "*Impact of regulatory initiatives on certain investors*".]

LOAN NOTE SUPPORTING SERIES

The notes of this Note Series will be collateralised by the class [*class*] [*year*] – [*identifier*] Loan Note (the "**Related Loan Note**") which shall have the following terms as set out in the Class [•] Loan Note Supplement.

Designation for the purposes of the STDCMA:	Class [•]
Issuance Date:	[•]
Initial Principal Amount:	[•]
Class [•] Required Subordinated Percentage:	[•] per cent.
First Monthly Period End Date:	[•]
First Loan Note Interest Payment Date:	[•]
Loan Note Interest Payment Date:	[•]
Loan Note Interest Period:	[•]
Loan Note Interest Rate:	[•]
Scheduled Redemption Date:	[•]
Stated Monthly Accumulation Amount:	[•]
Final Redemption Date:	[•]
Additional Early Redemption Events:	[None]/ [•]
Required Accumulation	[•]

Reserve Account Amount:	
Additional Junior Cost Items:	[•]
Series Cash Reserve Account:	[•]
Amortisation Period:	[Rapid Amortisation Period/Accelerated Amortisation Period/Optional Amortisation Period/Partial Amortisation Period]
Accumulation Period Commencement Date:	[•]
Programme Reserve Account Percentage:	[•]

The Related Loan Note will have a Loan Note Revolving Period and an Accumulation Period and may have an Amortisation Period as more fully described in the Base Prospectus.

The "**Accumulation Period Commencement Date**" means in respect of the Related Loan Note, the first day of the month that is [•] whole months prior to the Scheduled Redemption Date for the Related Loan Note **provided**, **however that**, if the Accumulation Period Length for such Related Loan Note is less than [•] months, the Accumulation Period Commencement Date will be the first day of the month that is the number of whole months prior to such Scheduled Redemption Date at least equal to the Accumulation Period Length and, as a result, the number of Monthly Periods during the period from the Accumulation Period Commencement Date to such Scheduled Redemption Date will be at least equal to the number of months comprising the Accumulation Period Length.

The "**Class** [•] **(**[•]**) Reserve Account Percentage**" shall be determined as follows: (i) if the Originator Rating Triggers are satisfied, the Class [•] ([•]) Reserve Account Percentage shall be [•] per cent., or (ii) if only the Moody's Originator Rating Trigger has been breached, the Class [•] ([•]) Reserve Account Percentage shall be [•] per cent., or (iii) if only the S&P Originator Rating Trigger has been breached, the Class [•] ([•]) Reserve Account Percentage shall be [•] per cent., or (iv) if both Originator Rating Triggers are breached, the Class [•] ([•]) Reserve Account Percentage shall be [•] per cent..

The "**Moody's Originator Rating Trigger**" means the (i) short term unsecured and unguaranteed debt rating of Bank of Scotland of at least [•] by Moody's and (ii) long term unsecured and unguaranteed debt rating of Bank of Scotland of at least [•] by Moody's.

The "**S&P Originator Rating Trigger**" means the short term unsecured and unguaranteed debt rating of Bank of Scotland of at least [•] by S&P.

The "**Release Date**" means the earlier to occur of (i) the Scheduled Redemption Date (or any Transfer Date thereafter) on which the Nominal Liquidation Amount for the Related Loan Note is reduced to zero and (ii) the Final Redemption Date. On the Release Date an amount equal to the lesser of (i) the Available Series Cash Reserve Account Amount for the Related Loan Note and (ii) the Nominal Liquidation Amount Deficit for the Related Loan Note after taking into account the Available Programme Reserve Account Amount, will be paid by Loan Note Issuer No. 1 to the Issuer in respect of the Related Loan Note.

The "**Required Series Cash Reserve Account Amount**" means on any Transfer Date in respect of the Related Loan Note, an amount equal to the product of (i) the Class [•] ([•]) Reserve Account Percentage for such Transfer Date multiplied by (ii) the Nominal Liquidation Amount of the Related Loan Note as at the close of business on the last day of the preceding Monthly Period.

PARTIES

Issuer:	Penarth Master Issuer plc.
Note Trustee:	Deutsche Bank Trust Company Americas.
Principal Paying Agent and Agent Bank for the notes:	[●]. The Principal Paying Agent will make payments of interest and principal when due on the notes. The Principal Paying Agent and Agent Bank's address in London is, at the date of these Final Terms, [●].
US Paying Agent and Registrar:	[No/specify]
Custodian:	[No/specify]
Calculation Agent:	[•]
Paying Agent:	[•] at its Specified Office in [•], which is, at the date of these Final Terms, [•].
Receivables Trustee:	Penarth Receivables Trustee Limited.
Loan Note Issuer No. 1:	Penarth Funding 1 Limited.
Sponsor, Transferor and Transferor Beneficiary:	Bank of Scotland plc.
Security Trustee:	Deutsche Bank Trust Company Americas.
Swap Counterparty:	[●]/[Not Applicable]
Cash Manager:	Bank of Scotland plc.
Servicer:	Bank of Scotland plc.
[Mandatory Purchaser:	[•]]

OTHER NOTE SERIES ISSUED

The table below sets forth the principal characteristics of the other series previously issued by the Issuer that are outstanding at the date of these Final Terms, in connection with the receivables trust and the receivables assigned by the Transferor.

Note Series	Ratings (Standard & Poor's/Fitch/ Moody's)	Issuance Date	Tranche Size	Note Interest Rate	Scheduled Redemption Date	Final Redemption Date
Series 2013-1 A2	N/A/AAAsf/Aaa (sf)	21 November 2013	£1,300,000,000	0.45 per cent. per annum plus 1-month Sterling LIBOR	18 October 2021	18 October 2023
Series 2014-2 B1	AA-(sf)/Asf/ Aa2 (sf)	20 October 2014	£600,000,000	1.25 per cent. per annum plus 1-month Sterling LIBOR	18 September 2025	18 September 2027
Series 2014-2 C1	A(sf)/BBB+sf/ A2 (sf)	20 October 2014	£120,000,000	1.75 per cent. per annum plus 1-month Sterling LIBOR	18 September 2025	18 September 2027
Series 2014-2 D1	N/A/N/A/N/A	20 October 2014	£500,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 September 2028	18 September 2030
Series 2015-1 A2	AAA (sf)/AAAsf/Aaa (sf)	31 March 2015	£500,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 March 2020	18 March 2022
Series 2015-2 A2	AAA (sf)/AAAsf/Aaa (sf)	11 June 2015	£200,000,000	0.50 per cent. per annum plus 1-month Sterling LIBOR	18 May 2020	18 May 2022
Series 2018-1 A1	AAA (sf)/AAAsf/Aaa (sf)	26 March 2018	$300,000,000	0.38 per cent. per annum plus 1-month USD LIBOR	18 March 2020	18 March 2022
Series 2018-1 A2	AAA (sf)/AAAsf/Aaa (sf)	26 March 2018	£300,000,000	0.45 per cent. per annum plus 1-month Sterling LIBOR	18 March 2023	18 March 2025
Series 2018-2 A1	AAA (sf)/AAAsf/Aaa (sf)	10 October 2018	$650,000,000	0.45 per cent. per annum plus 1-month USD LIBOR	18 September 2020	18 September 2022
Series 2018-2 A2	N/A/AAAsf/Aaa (sf)	10 October 2018	£500,000,000	0.85 per cent. per annum plus 1-month Sterling LIBOR	18 September 2025	18 September 2027

CURRENT NOTE SERIES

[The table below sets forth the principal characteristics of the other series to be issued by the Issuer at the date of these Final Terms in connection with the receivables trust and the receivables assigned by the Transferor.]

Note Series	Ratings (Standard & Poor's/Fitch/ Moody's)	Issuance Date	Tranche Size	Note Interest Rate	Scheduled Redemption Date	Final Redemption Date
[•]	[•]	[•]	[•]	[•]	[•]	[•]

BANK PORTFOLIO INFORMATION AS AT [•]

The following tables show information relating to the historic performance of Eligible Accounts originated using Bank of Scotland plc's and Lloyds Bank plc's underwriting criteria, respectively. *If an Additional Transferor accedes to the RSD, information in relation to the historic performance of the Eligible Accounts originated using such Additional Transferor's underwriting criteria will be added.* The Receivables from certain Eligible Accounts will ultimately back the notes and comprise the Receivables Trust (the "**Securitised Portfolio**"). As mentioned in the Base Prospectus, a member of Lloyds Banking Group may accede to the RSD as an Additional Transferor subject to certain conditions being satisfied.

Receivables Yield Considerations

The following tables set forth the gross revenues from finance charges and fees billed to Accounts in the Bank Portfolio (as defined in the Base Prospectus) of Bank of Scotland and Lloyds Bank for each of the years ended 31 December [•], [•], [•], [•], and for the [•] months ended [•]. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on an accrual basis. Collections of Receivables included in Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience shown in the following tables. For further detail, please see page 184 of the Base Prospectus. Historical yield experience of the Bank Portfolio may not be indicative of future performance of the Bank Portfolio or the Securitised Portfolio.

Combined Bank of Scotland and Lloyds Bank Portfolio Yield

		Year Ended						
	[•]	[•]	[•]	[•]	[•]	[•]	[•]	Notes
Average Monthly Accrued Finance Charges and Fees	£[•]	[•]	[•]	[•]	[•]	[•]	[•]	1,4
Average Receivables Outstanding	£[•]	[•]	[•]	[•]	[•]	[•]	[•]	2
Yield from Charges and Fees	[•]%	[•]	[•]	[•]	[•]	[•]	[•]	3,5
Yield from Interchange	[•]%	[•]	[•]	[•]	[•]	[•]	[•]	5, 6
Yield from Charges, Fees and Interchange	[•]%	[•]	[•]	[•]	[•]	[•]	[•]	5

Notes:

(1) Finance Charges and Fees are comprised of Monthly Periodic charges and other credit card fees - this is the average accrued monthly amount.
(2) Average receivables outstanding includes principal and finance charges, and excludes receivables charged off.
(3) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.
(4) All ratios are annualised.
(5) Yield from interchange has reduced from November 2015 onwards as a result of the adoption of EU Interchange Fee Regulation.

Delinquency and Loss Experience

The following tables set forth the delinquency and loss experience for each of the periods shown for the Bank Portfolio of credit card accounts. The Bank Portfolio's delinquency and loss experience is comprised of segments which may, when taken individually, have delinquency and loss characteristics different from those of the overall Bank Portfolio of credit card accounts. Because the Securitised Portfolio is only a portion of the Bank Portfolio, actual delinquency and loss experience with respect to the Receivables comprised therein may be different from that set forth below for the Bank Portfolio. There can be no assurance that the delinquency and loss experience for the Securitised Portfolio in the future will be similar to the historical experience of the Bank Portfolio set forth below. For further detail, please see the Base Prospectus.

DELINQUENCY EXPERIENCE

Combined Bank of Scotland and Lloyds Bank Portfolio

	[•]		[•]		[•]		[•]		[•]		[•]	
Receivables Outstanding[1][2]..	[•]		[•]	[•]	[•]		[•]		[•]		[•]	
Receivables Delinquent.........												
5-29 Days..............................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
30-59 Days............................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
60-89 Days............................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
90+ Days...............................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total.....................................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Notes:

(1) Receivables outstanding represent end of period receivables.

(2) Receivables outstanding includes principal and finance charges, and excludes receivables charged off

GROSS CHARGE-OFF EXPERIENCE

Combined Bank of Scotland and Lloyds Bank Portfolio

	Year End							
	[•]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**Notes**
Average Receivables Outstanding ..	[•]	[•]	[•]	[•]	[•]	[•]	[•]	1
Total gross charge-offs	[•]	[•]	[•]	[•]	[•]	[•]	[•]	
Total gross charge-offs as % of Receivables	[•]	[•]	[•]	[•]	[•]	[•]	[•]	2

Notes:

(1) Average receivables outstanding includes principal and finance charges, and excludes receivables charged off.

(2) All ratios are annualised.

Maturity Assumptions

The following tables set forth the highest and lowest cardholder monthly payment rates for the Bank Portfolio during any month in the periods shown and the average cardholder monthly payment rates for all months during the periods shown, in each case calculated as a percentage of total opening monthly account balances during the periods shown. Payment rates shown in the table are based on amounts which would be deemed payments of Principal Receivables and Finance Charge Receivables with respect to the related credit card accounts.

CARDHOLDER MONTHLY PAYMENTS RATES

Combined Bank of Scotland and Lloyds Bank Portfolio

	Year End						
	[•]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**
Lowest Month[(1)].........	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Highest Month[(1)]........	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Monthly Average[(1)]....	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Notes:

(1) Payment % = (Total Payments in calendar month/ Total Opening Receivables Outstandings at start of calendar month)*100.

For further detail, please see the Base Prospectus.

SECURITISED PORTFOLIO RECEIVABLES INFORMATION

As at [•]

The following tables summarise the Securitised Portfolio by various criteria as at the beginning of the day on **[•]**. Because the future composition of the Securitised Portfolio may change over time, these tables are not necessarily indicative of the composition of the Securitised Portfolio at any time subsequent to **[•]**.

Recent Lump Additions and Removals

Bank of Scotland may from time to time transfer Receivables to the Penarth Receivables Trust in lump additions by designating additional accounts to the Penarth Receivables Trust.

Since 1 January 2013, Bank of Scotland has made the following lump additions of accounts to the Penarth Receivables Trust: on 1 July 2013, 1 June 2014, 1 November 2014, 1 June 2015, 1 November 2015, 1 March 2016, 1 November 2016, 1 November 2017, 1 June 2018 and 1 November 2018 the amounts of £682,802,110, £592,574,309, £635,657,464, £653,410,229, £687,026,190, £909,068,819, £545,751,827, £1,041,736,637, £783,362,155 and £751,311,493 respectively. The lump additions made since 8 November 2010 include Receivables transferred by Lloyds Bank to Bank of Scotland and subsequently transferred by Bank of Scotland to the Receivables Trustee.

[*Additional description about additions or removals to be inserted (if required)*]

Receivables Yield Considerations

The following tables set forth the gross revenues from finance charges and fees billed to accounts in the Securitised Portfolio for the period from [•] to [•], the year ended [•], the year ended [•] and for the [•] months ended [•]. Each table has been provided by Bank of Scotland. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on an accrual basis. Collections of Receivables included in the Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience in the table. For further detail, please see the Base Prospectus.

Securitised Portfolio Yield

(*non percentage amounts are expressed in Sterling*)

Revenue Experience	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**Notes**
Average Principal Receivables Outstanding	[•]	[•]	[•]	[•]	[•]	1
Average Finance Charges, Fees and Interchange ...	[•]	[•]	[•]	[•]	[•]	2,3
Yield from Finance Charges, Fees and Interchange	[•]	[•]	[•]	[•]	[•]	2,3,4

Notes:

(1) Average principal receivables outstanding is the average of the opening receivables balance for the period indicated.

(2) Finance Charges and Fees are comprised of monthly periodic charges and other credit card fees net of adjustments made pursuant to Bank of Scotland.

(3) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.

(4) All ratios are annualised.

Principal Payment Rate[1]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**
Lowest Month.................................	[•]	[•]	[•]	[•]	[•]	[•]
Highest Month	[•]	[•]	[•]	[•]	[•]	[•]
Average Month	[•]	[•]	[•]	[•]	[•]	[•]

Notes:

(1) Payment rate calculated as principal collections in the calendar month over opening principal receivables

SECURITISED PORTFOLIO PERFORMANCE

Delinquency Experience	As at 31 December																	
	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables
Principal Receivables Outstanding [1]...	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Number of Days Delinquent:	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
5 to 29 Days[2].........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
30 to 59 Days..........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
60 to 89 Days..........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
90 or more Days......	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total......................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Notes:

(1) Principal Receivables outstanding represent the closing Receivables at the period end.

(2) Delinquencies represent delinquent Principal Receivables at the period end.

Loss Experience

Loss Experience	**Year Ended 31 December**							
	[•]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**Notes**
Average Principal Receivables Outstanding..	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	1
Average Gross Losses............................	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	2
Average Recoveries................................	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	3
Average Net Losses	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	£[•]	4, 6
Gross Losses as a percentage of Principal Receivables Outstanding....................	[•]%	[•]%	[•]%	[•]%	[•]%	[•]%	[•]%	5
Net Losses as a percentage of Principal Receivables Outstanding....................	[•]%	[•]%	[•]%	[•]%	[•]%	[•]%	[•]%	5, 6

Notes:

(1) Average principal receivables outstanding is the average of the opening receivables balance for the period indicated.

(2) Gross Losses are charged-off principal receivables.

(3) Recoveries are amounts received on previously charged-off principal receivables.

(4) Net Losses are Gross Losses minus Recoveries.
(5) All ratios are annualised.
(6) Average net losses and net losses as a % of principal receivables outstanding are negative in 2016, resulting from lower gross losses and relatively higher recoveries due to a debt sale in December 2016.

All ratios are annualised by multiplying by the following ratio: 365 divided by the number of days in the reported period.

COMPOSITION BY ACCOUNT BALANCE

Securitised Portfolio

Account Balance Range	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables	Percentage of Total Receivables
Credit Balance	[•]	[•]	[•]	[•]
No Balance	[•]	[•]	[•]	[•]
£0.01 - £5,000.00	[•]	[•]	[•]	[•]
£5,000.01 - £10,000.00	[•]	[•]	[•]	[•]
£10,000.01 - £15,000.00	[•]	[•]	[•]	[•]
£15,000.01 - £20,000.00	[•]	[•]	[•]	[•]
£20,000.01 or more	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY CREDIT LIMIT

Securitised Portfolio

Credit Limit Range	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables	Percentage of Total Receivables
Less than £5,000.00	[•]	[•]	[•]	[•]
£5,000.01 - £10,000.00	[•]	[•]	[•]	[•]
£10,000.01 - £15,000.00	[•]	[•]	[•]	[•]
£15,000.01 - £20,000.00	[•]	[•]	[•]	[•]
£20,000.01 or more	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY PERIOD OF DELINQUENCY

Securitised Portfolio

Period of Delinquency (Days contractually Delinquent)	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[1]	Percentage of Total Receivables
Not Delinquent	[•]	[•]	[•]	[•]
5 - 29 Days	[•]	[•]	[•]	[•]
30 - 59 Days	[•]	[•]	[•]	[•]
60 - 89 Days	[•]	[•]	[•]	[•]
90 or More Days	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]

Notes:

(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY ACCOUNT AGE

Securitised Portfolio

Account Age	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[1]	Percentage of Total Receivables
Not More Than 6 Months	[•]	[•]	[•]	[•]
Over 6 Months to 12 Months	[•]	[•]	[•]	[•]
Over 12 Months to 24 Months	[•]	[•]	[•]	[•]
Over 24 Months to 36 Months	[•]	[•]	[•]	[•]
Over 36 Months to 48 Months	[•]	[•]	[•]	[•]
Over 48 Months to 60 Months	[•]	[•]	[•]	[•]
Over 60 Months to 72 Months	[•]	[•]	[•]	[•]
Over 72 Months	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]

Notes:

(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

GEOGRAPHIC DISTRIBUTION OF ACCOUNTS

Securitised Portfolio

Region	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables(1)	Percentage of Total Receivables
East Anglia	[•]	[•]	[•]	[•]
London	[•]	[•]	[•]	[•]
Midlands	[•]	[•]	[•]	[•]
North East England	[•]	[•]	[•]	[•]
North West England	[•]	[•]	[•]	[•]
Scotland	[•]	[•]	[•]	[•]
South Central England	[•]	[•]	[•]	[•]
South East England	[•]	[•]	[•]	[•]
South West England	[•]	[•]	[•]	[•]
Wales	[•]	[•]	[•]	[•]
Other	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]

Notes:

(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

SECURITISED PORTFOLIO YIELD AND SECURITISED PORTFOLIO PERFORMANCE ON A MONTHLY BASIS

Principal Receivables Outstanding(1)	[•]	[•]
Total Receivables Outstanding(1)	[•]	[•]
Net Losses as % of Principal Receivables Outstanding(2)	[•]	[•]
Percentage of Total Receivables Delinquent 30+ Days(3)	[•]	[•]
Yield from Finance Charges, Fees and Interchange(4)	[•]	[•]
Receivables Principal Payment Rate(5)	[•]	[•]
Percentage of accounts making minimum monthly payment	[•]	[•]
Percentage of accounts making full payment	[•]	[•]

	[•]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**
Principal Receivables Outstanding(1)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total Receivables Outstanding(1)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Net Losses as % of Principal Receivables Outstanding(2)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of Total Receivables Delinquent 30+ Days(3)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Yield from Finance Charges, Fees and Interchange(4)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Receivables Principal Payment Rate(5)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of accounts making minimum monthly payment	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of accounts making full payment	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

	[•]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**
Principal Receivables Outstanding(1)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total Receivables Outstanding(1)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Net Losses as % of Principal Receivables Outstanding(2)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of Total Receivables Delinquent 30+ Days(3)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Yield from Finance Charges, Fees and Interchange(4)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Receivables Principal Payment Rate(5)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of accounts making minimum monthly payment	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of accounts making full payment	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

	[•]	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**	**[•]**
Principal Receivables Outstanding(1)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total Receivables Outstanding(1)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Net Losses as % of Principal Receivables Outstanding(2)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of Total Receivables Delinquent 30+ Days(3)	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Yield from Finance Charges, Fees and Interchange[(4)]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Receivables Principal Payment Rate[(5)]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of accounts making minimum monthly payment	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Percentage of accounts making full payment	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Notes:

(1) Principal Receivables and total Receivables outstanding are as at the beginning of the relevant period.

(2) Net losses includes recoveries from previously charged off accounts.

(3) Delinquencies represent delinquent Principal Receivables.

(4) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.

(5) Payment rate calculated as principal collections in the calendar month over opening Principal Receivables.

STATIC POOL DATA

The following tables present yield, net charge off, delinquencies, principal payment rate, total payment rate, Principal Receivables balance and total Receivables balance for Receivables included in the Securitised Portfolio since January 2014. In each case, the information is organised by calendar year of account origination ("**Year of Account Origination**") for each monthly period.

The data reflects the combined Bank of Scotland and Lloyds Bank Receivables in the Penarth Receivables Trust.

Yield from finance charges, fees and interchange

Year of Account Origination											[•]	[•]
Pre-2007........											[•]	[•]
2007											[•]	[•]
2008											[•]	[•]
2009											[•]	[•]
2010											[•]	[•]
2011												
2012												
2013												
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

[*insert details/commentary*]

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Net Charge Off

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							2014					
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							2015					
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							2016					
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							2017					
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre 2007..............	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2019											
Pre 2007..............	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018.....................	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

[*insert details/commentary*]

30+DAYS DELINQUENCIES

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007...........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007...........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007...........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

[*insert details/commentary*]

Principal Payment Rate

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

[*insert details/commentary*]

Total Payment Rate

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Total payment rate is calculated as principal and finance charge collections received from cardholders during the performance period divided by principal and finance charge receivables at the beginning of the performance period.

Opening Principal Receivables

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	[•]	[•]
Pre-2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2010	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2011	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2012	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2013	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2014	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2015	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2016	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2017	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2018	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Opening principal receivables represents principal receivables at the start of the first day of the performance period.

Opening Total Receivables

Year of Account Orig-ination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Pre-2007...	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2007.........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2008.........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
2009.........	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
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Year of Account Orig-ination	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
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Opening total receivables represents principal and finance charge receivables at the start of the first day of the performance period.

DISTRIBUTION

	Class [•]
ISIN:	[•]
Common Code:	[•]
CUSIP:	[•]
[FISN:	[•]]
[CFI code:	[•]]

LISTING APPLICATION

This document comprises the Final Terms required to list the issue of notes described herein pursuant to the Programme of the Issuer.

Signed on behalf of the Issuer:

By: ....*duly authorised*

PENARTH MASTER ISSUER PLC
Per pro Intertrust Directors 1 Limited
as Director

GENERAL INFORMATION

The admission of the Programme to listing on the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange took effect on 13 June 2019. The listing of the notes on the Regulated Market of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). This Note Series is intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to listing and trading upon submission to the UK Listing Authority and the Regulated Market of the London Stock Exchange of these Final Terms and any other information required by the UK Listing Authority and the Regulated Market of the London Stock Exchange, subject in each case to the issue of the relevant notes. Prior to official listing, dealings will be permitted by the Regulated Market of the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

APPENDIX B
FINANCIAL STATEMENTS OF ISSUER FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2017

Registered Number : 6615304

PENARTH MASTER ISSUER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

PENARTH MASTER ISSUER PLC
DIRECTORS AND COMPANY INFORMATION

DIRECTORS

Jeremy Richard Hugh Bradley
Intertrust Directors 1 Limited
Intertrust Directors 2 Limited

COMPANY SECRETARY

Intertrust Corporate Services Limited

REGISTERED OFFICE

35 Great St Helen's
London
EC3A 6AP

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

PENARTH MASTER ISSUER PLC
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic Report and audited financial statements of Penarth Master Issuer plc (the "Company") for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is the investment of the proceeds of the issue of publicly listed floating rate asset-backed global loan notes, which are denominated in US Dollars and Sterling (the "Notes"), in the international capital markets. The Notes have been designated Class A, Class B, Class C or Class D in accordance with the relevant Note series to which such Notes relate. These proceeds have been invested in loans to a related undertaking. No future changes in activity are envisaged.

The activities of the Company and its immediate parent company, Penarth Asset Securitisation Holdings Limited, are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure (the "Penarth Transaction") has been established as a means of raising finance for Bank of Scotland plc ("BOS"), and subsequently Lloyds Banking Group plc ("LBG"). The Programme Documentation sets out the workings of the transaction and the principal risks to the holders of the Notes. As such, these have not been reproduced in full in the financial statements. BOS and Lloyds Bank plc ("Lloyds") are also originators of the underlying credit card receivables (the "Originators").

The Company is a wholly owned subsidiary of Penarth Asset Securitisation Holdings Limited, a company registered in England and Wales. The shares of Penarth Asset Securitisation Holdings Limited are held on a discretionary trust basis by Intertrust Corporate Services Limited.

Penarth Asset Securitisation Holdings Limited holds 49,998 quarter paid £1 ordinary shares and one fully paid £1 ordinary shares. Intertrust Nominees Limited also holds one £1 fully paid ordinary share in the Company as a nominee shareholder for the benefit of Penarth Asset Securitisation Holdings Limited. These shares comprise the entire issued share capital of the Company.

As at 31 December 2017 the Penarth Asset Securitisation Holdings Limited Group (the "Group") comprised the Company, Penarth Asset Securitisation Holdings Limited, Penarth Funding 2 Limited, Penarth Receivables Trustee Limited and Penarth Funding 1 Limited.

Business Review

The results for the year are set out on page 16. The profit for the year amounted to £1,942,000 (2016: £525,000 loss). The directors do not recommend the payment of a dividend this year (2016: £nil).

As required under International Financial Reporting Standards ("IFRSs"), the profit for the year includes a fair value gain on financial instruments of £1,933,000 (2016: fair value loss £396,000) which reflects the movement in the market value of the derivatives. The Notes issued are economically hedged using derivative contracts and so gains or losses are expected to reverse in the future.

Profits on a cashflow basis are pre-determined under the Programme Documentation. Under the terms of the intercompany loans with Penarth Funding 1 Limited, the Company has the right to a profit before tax of the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Series of Notes outstanding during the course of the previous 11 monthly periods from available revenue receipts per month. The profit for the year was £1,942,000 (2016 £525,000 loss).

Business Review (continued)

During the year, the Company repaid \$750,000,000 (hedged at £506,141,180) of the Series 2015-1 A1, £393,000,000 of the Series 2015-2 A1 and £500,000,000 of the Series 2014-2 A1 notes on the respective scheduled redemption dates; the debt securities in issue and the loans receivable from Penarth Funding 1 Limited were decreased by the same value. On 31 July 2017, Penarth Master Issuer plc extended the scheduled redemption date of Series 2013-1 A2 from 18 November 2017 to 18 October 2021. No loan notes were issued during 2017.

Additions of further receivables to the Trust have been made during the year in line with Programme Documentation in order to support current and future issuance plans.

Since the year end, Penarth Master Issuer plc has made loan note repayments of \$500,000,000 (hedged at £351,148,254) and loan note issuances of \$300,000,000 (hedged at £215,594,682) and £300,000,000.

The Company will continue to issue Notes and invest the proceeds as intercompany loans to Penarth Funding 1 Limited. The directors anticipate that the Company will be profitable over its lifetime.

Key performance indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation and published as a monthly Investor Report. An extract of these is shown in note 11(a).

The KPIs include the excess spread on the Penarth Receivables Trust ("the Trust") assets available as the first line of credit enhancement to the Notes, the losses that have occurred and the level of arrears in the underlying credit cards, the rate of repayment of the receivables within the Trust and an analysis of the characteristics of the underlying credit cards in the Trust.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows against planned cash flows. During the year, all payments were made as expected including necessary payments on the Notes in accordance with the scheduled repayment dates for the year ended 31 December 2017.

At the time of issue each series and class of Notes is assigned a credit rating which reflects the likelihood of full and timely payment to the holders of the Notes of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Trust's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the Company. No downgrade in credit ratings has been applied to the Company's Notes in the year under review and subsequently up to the date of approval of these financial statements.

Taxation

The Company's tax charge is based on the permanent tax regime for securitisation companies. All fair value adjustments on derivative contracts are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company.

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise intercompany loans to Penarth Funding 1 Limited, Notes issued in the capital markets, derivatives ("swaps"), various other receivables and payables and cash and liquid resources.

The principal risks and uncertainties for the Company arise from the Company's financial instruments. These are credit risk, liquidity risk, interest rate risk and currency risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies is provided in note 11.

Credit risk

The intercompany loans are ultimately secured against a beneficial interest in a credit card portfolio held in the Trust for Penarth Funding 1 Limited. The performance of the credit card receivables is influenced by the economic background.

To mitigate this risk a series of subordinated loan notes is held internally within the Group to act as credit enhancement to ensure Penarth Funding 1 Limited can meet its obligations under the intercompany loan agreements to the Company.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with Penarth Funding 1 Limited. Penarth Funding 1 Limited is only obliged to pay interest and principal to the Company to the extent that it has such amounts available to it. The Company has recourse to the other assets of Penarth Funding 1 Limited for any shortfall in receipts due under the intercompany loan agreement.

The Company has received all necessary payments on the intercompany loans with Penarth Funding 1 Limited, in accordance with the scheduled repayment dates for the year ended 31 December 2017.

Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and circa 90% of assets are linked to base rate.

Risk management (continued)

Currency risk

The Company has issued certain Notes denominated in US Dollars ("Currency Notes"). All the Company's assets and its other liabilities are denominated in Sterling. The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Currency Notes. The cross currency swap provider is Wells Fargo Bank, N.A., which was rated Aa2/AA-/AA- (Long Term Moody's/S&P/Fitch) as at 31 December 2017.

Operational risks

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. Intertrust Management Limited has been appointed to provide corporate services in accordance with a corporate services agreement. Other third parties who have agreed to provide services with respect to the Notes include the paying agents, issuing entity swap counterparty and the agent bank. BOS has been appointed to act as account bank and cash manager on behalf of the Company.

Business risks

The principal business risks of the Company are set out in a number of asset and non-asset trigger events in the Programme Documentation. Non-asset triggers include: Minimum Seller share below that required, Insolvency of seller (BOS), Termination of servicer (BOS) not replaced within 60 days and Minimum trust size breached. The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities. There have been no such trigger events since inception of the Programme.

On Behalf of the Board

Helena Whitaker
Intertrust Directors 1 Limited
As Director

DATE: 26 April 2018

PENARTH MASTER ISSUER PLC
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2017.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with IFRSs as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors and directors' interests

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Intertrust Directors 1 ("ID1") Limited, Intertrust Directors 2 ("ID2") Limited, Jeremy Richard Hugh Bradley.

The above directors are also directors of Penarth Asset Securitisation Holdings Limited while Jeremy Richard Hugh Bradley is in addition also a director of Penarth Funding 1 Limited, Penarth Funding 2 Limited and Penarth Receivables Trustee Limited.

During the year under review, the directors did not receive any remuneration or emoluments from the Company in respect of qualifying services provided to the Company (2016: £nil).

Disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, in the case of each director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the directors' report and financial statements. Jeremy Richard Hugh Bradley, ID1 Limited and ID2 Limited are also directors of other companies within the Group. None of the directors has any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest in any material contract or arrangement with the Company either during or at the end of the year.

Employees

The Company did not have any employees during the year (2016: none).

Corporate Governance

The directors have been charged with governance in accordance with the programme documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been listed, the Company is largely exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules 7.1 *Audit Committees* and 7.2 *Corporate Governance Statements* (save for the rule 7.2.5 requiring descriptions of the features of the internal control and risk management systems), which would otherwise require the Company to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement. Financial risk management is detailed on page 4 of the Strategic Report.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

Statement of going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. The Company has continued to perform in line with the transaction documents. Although the Company is in a net liabilities position as at 31 December 2017, this is driven by fair value volatility on derivative contracts. This fair value volatility will reverse over the life of the derivative contracts to nil. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

The financial statements on pages 16 to 40 were approved by the Board of Directors on 26 April 2018 and signed on its behalf by

Helena Whitaker
Intertrust Directors 1 Limited
as Director

DATE: 26 April 2018

PENARTH MASTER ISSUER PLC
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENARTH MASTER ISSUER PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Penarth Master Issuer plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.
Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.
We have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

OUR AUDIT APPROACH

Overview

- Overall materiality: 40,920,880 (2016: 57,256,530), based on 1% of total assets.

- The Company is a special purpose vehicle that forms part of a securitisation structure, established primarily as a means of raising wholesale funding for Bank of Scotland plc ("BOS") and subsequently Lloyds Banking Group plc ("LBG") the ultimate parent undertaking. LBG manages the securitisation transaction in its role as administrator, servicer of the underlying mortgage loans and cash manager.
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statements line item.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at LBG as administrator and servicer, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at the administrator and adopted a controls and substantive testing approach.

Our key audit matters which involved the greatest allocation of our resources effort comprise:

- The risk of errors in the priority or payments (the "Waterfalls") due to a lack of understanding of the transaction.
- The risk of management override of controls in order to overstate the performance of the asset pool and mask breaches of trigger events.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006 and the underlying legal documents and agreements governing this securitisation transaction. Our tests included, but were not limited to, management inquiries, review of board meeting minutes, and review and testing where applicable of the transaction documents. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Errors in the priority or payments (the "Waterfalls") due to a lack of understanding of the transaction Due to the complexity of the securitisation structure contractual terms and the special purpose nature of the entity, the Waterfalls present a pervasive risk to the overall accounting for the entity. If the Waterfalls are incorrectly processed, there is a risk that interest expense and principal balances payable to investors are not appropriately calculated and settled, and the cash flows returned to the seller as excess spread are incorrect. The Penarth structure is well-established with experienced staff calculating Waterfalls with few if any changes to the underlying prospectuses, and low staff turnover, and	We undertook the following work as part of the audit to address the risk of errors in the Waterfalls: We understood the design of the securitisation structure through inquiries with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls. We tested the design and operating effectiveness of management's Waterfalls calculation and preparation control through: Discussion with management and by

Key audit matter	*How our audit addressed the key audit matter*
there is an independent 3rd party paying agent who calculates the expected payments in parallel. In combination this limits the likelihood of errors remaining unidentified. Nevertheless, due to the complexity and pervasive nature of the Waterfalls, this area is a point of focus in our audit testing.	review of waterfalls working papers for consistency with the base prospectus; and Inspection of supporting documentation and recalculation of relevant data points for a sample of Waterfalls in the year. We performed substantive testing over this sample of Waterfalls to ensure no errors were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, and agreeing cash collections balances agreed to system reports. We additionally tested key system reports to validate that pool assets were completely and accurately identified in source system to support the cash collections as presented in the Waterfalls working papers. From the evidence obtained we concluded that the Waterfalls were prepared appropriately.
Risk of management override of controls in order to overstate the performance of the asset pool and mask breaches of trigger events. The contractual terms of the structure include specific 'trigger events' which mandate actions by the various parties to the deal in the event that certain conditions are reached, typically relating to the performance of the securitised asset pool or payments made through the Waterfalls. The severity of breaches varies depending on the specific trigger event, but could result in accelerated repayment terms, or higher interest rates, and as such the impact on the financial statements can be pervasive and significant. Management are not incentivised via profit, as special purpose entities of this type are not profit-oriented, with profit contractually pre-determined. However as financial reporting and asset servicing are controlled by Lloyds Banking Group management, there is a risk that the management by-pass controls for two reasons: To conceal evidence that would show trigger events have occurred; and To manipulate cash flows on the securitised asset pool to mask underperformance of the	We undertook the following work as part of the audit to address the risk of errors in the Waterfalls: We understood the design of the securitisation structure through inquiries with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls. We tested the design and operating effectiveness of management's monitoring of trigger events on a sample basis for breaches by reviewing governance documentation and minutes, and re-performing a sample of triggers. We tested the design and operating effectiveness of management's Waterfalls calculation and preparation control through: Discussion with management and by review of waterfalls working papers for consistency with the base prospectus; and Inspection of supporting documentation and recalculation of relevant data points for a

Key audit matter	*How our audit addressed the key audit matter*
pool which could result in a trigger event occurring. Waterfalls calculations are manual and therefore present an opportunity to manually override system-driven asset flagging and cash flow balances to mask trigger breaches or asset underperformance. We have therefore focussed our audit procedures on risk assessment reviews to identify unusual trends, the calculation and monitoring of trigger events and the manual preparation of the Waterfalls.	sample of Waterfalls in the year. We performed substantive testing over this sample of Waterfalls to ensure no inappropriate manual adjustments were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, and agreeing cash collections balances agreed to system reports. From the evidence obtained we concluded that the performance was not overstated and trigger breaches had not been masked.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	40,920,880 (2016: 57,256,530).
How we determined it	1% of total assets.
Rationale for benchmark applied	The entity is a not-for-profit entity and where total assets is used as a benchmark if the company is a PIE a rule of thumb of up to 1% can be applied whereas if it is a Non-PIE up to 2% can be used. We have deemed this as a PIE and have therefore applied 1% due to the fact the entity has listed debt, and as a result the public will be interested in the performance of the business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,046,044 (2016: 2,862,827) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENARTH MASTER ISSUER PLC

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

APPOINTMENT

Following the recommendation of the Lloyds Banking Group Audit Committee, we were appointed by the directors on 30 April 2010 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2009 to 31 December 2017. The audit of Lloyds Banking Group and its subsidiaries was tendered in 2014 and we were re-appointed with effect from 1 January 2016. There will be a mandatory rotation of Lloyds Banking Group for the 2021 audit.

Jessica Miller

Jessica Miller (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2018

PENARTH MASTER ISSUER PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Interest receivable and similar income	2	42,638	54,395
Interest payable and similar charges	3	(42,638)	(54,539)
Net interest income / (expense)		-	(144)
Fair value gain / (loss)	4	1,933	(396)
Income from group undertaking	5	11	12
Profit / (loss) before tax		1,944	(528)
Taxation	6	(2)	3
Profit / (loss) for the year and total comprehensive income / (expense)		1,942	(525)

The profit/(loss) shown above is derived from continuing operations. The Company operates a single business and all of the Company's activities are in the UK.

There was no income or expense recognised directly in equity in the current year or preceding year.

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

PENARTH MASTER ISSUER PLC
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Assets			
Loans to related company	7	4,072,939	5,471,947
Derivative assets	8	19,089	253,655
Cash and cash equivalents		60	51
Total assets		4,092,088	5,725,653
Equity and liabilities			
Debt securities in issue	9	4,092,108	5,727,615
Tax liability		2	2
Total liabilities		4,092,110	5,727,617
Share capital	10	13	13
Accumulated losses		(35)	(1,977)
Total equity		(22)	(1,964)
Total equity and liabilities		4,092,088	5,725,653

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

The financial statements on pages 16 to 40 were approved by the board of directors on 26 April 2018.

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Helena Whitaker
Intertrust Directors 1 Limited
as Director

PENARTH MASTER ISSUER PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2017	13	(1,977)	(1,964)
Profit for the year and total comprehensive income	-	1,942	1,942
Balance at 31 December 2017	13	(35)	(22)

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2016	13	(1,452)	(1,439)
Loss for the year and total comprehensive expense	-	(525)	(525)
Balance at 31 December 2016	13	(1,977)	(1,964)

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

PENARTH MASTER ISSUER PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £'000	2016 £'000
Operating activities		
Income received from related company	42,515	54,814
Interest paid to note holders	(42,504)	(54,945)
Tax paid	(2)	(5)
Net cash flows generated from / (used in) operating activities	9	(136)
Investing activities		
New principal issued as loan to related company	-	(351,148)
Principal receipts from loan to related company	1,399,141	150,000
Net cash flows generated from / (used in) investing activities	1,399,141	(201,148)
Financing activities		
New debt securities issued	-	351,148
Principal repayments on debt securities in issue	(1,399,141)	(150,000)
Net cash flows (used in) / generated from financing activities	(1,399,141)	201,148
Net increase / (decrease) in cash and cash equivalents		
Increase / (decrease) in cash and cash equivalents	9	(136)
Cash and cash equivalents at start of year	51	187
Cash and cash equivalents at end of year	60	51

The cash flow statement is presented using the direct method.

The accompanying notes on pages 20 to 40 are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is a public limited company domiciled and incorporated in England and Wales.

(a) Basis of preparation

The financial statements for the year ended 31 December 2017 have been prepared using the going concern basis and in accordance with IFRSs and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board of Directors and signed on its behalf by ID1 Limited. All accounting policies have been consistently applied in the financial statements.

There are no new or amended accounting standards that have required a change to accounting policies for the 2017 financial year.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 13.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006 as applicable to companies using IFRSs. The financial statements are presented in sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis (except that derivative financial instruments are stated at their fair value).

(b) Interest income and interest payable

Interest receivable and similar income and interest payable and similar charges have been calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

(c) Accrued interest

Accrued interest has been incorporated within the loans to related company and within the outstanding balance of debt securities in issue on the Balance Sheet. A split between principal and accrued interest can be found in note 7 and note 9 respectively.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxation

Current tax which is payable on taxable profits is recognised as an expense or credit in the period in which the profits or losses arise.

Tax on the profit or loss for the year is recognised in the Statement of Comprehensive Income within Taxation and comprises only current tax. No provision for deferred tax is required under IAS 12 "Income Taxes" as no timing differences have arisen which would result in deferred tax on assets and liabilities.

(e) Financial instruments

The Company's financial instruments comprise intercompany loans to Penarth Funding 1 Limited, Notes issued in the capital markets, derivatives ("swaps"), other receivables and payables and cash and liquid resources. The main purpose of these financial instruments is to raise finance for BOS and LBG. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

(e)(i) Loans to related company

Loans to related company comprise intercompany loans to Penarth Funding 1 Limited, classified as "loans and receivables". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method.

(e)(ii) Derivative financial instruments

Derivative financial instruments comprise foreign currency swaps held with external counterparties. All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the income statement.

The fair value of derivative contracts is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current exchange rates.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(e)(iii) Cash and cash equivalents

The Company holds a transaction bank account. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with banks and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

(e)(iv) Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the intercompany loans to related company have become impaired.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger an impairment as long as they do not exceed the credit enhancement granted by the Originators. If there is objective evidence that an impairment loss has been incurred, an allowance account is established which is calculated as the difference between the balance sheet carrying value of the intercompany loan asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at that loan's original effective interest rate.

(e)(v) Debt securities in issue

Debt securities in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(e)(vi) Foreign currency translation

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

(g) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

(g)(i) Effective interest rate method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

For the purpose of the effective yield calculation, it has been assumed, based on the payment experience to date, that the average expected life of the Notes issued by the Company will end at the scheduled redemption date (unless specified earlier in the Programme Documentation, in which case the earlier date will be used). This may not be the case in practice.

(g)(ii) Fair value calculations

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based where available on quoted market prices and upon cash flow models which use, wherever possible, independently sourced market parameters such as interest rate yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Critical accounting estimates and judgements (continued)

(g)(iii) Impairment of intercompany loans

The Company's accounting policy for losses arising on the intercompany loans classified as loans and receivables is described in note 1(e)(iv). The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the balance sheet date. Impairment allowances are established to recognise incurred impairment losses in the Company's loan portfolios carried at amortised cost. In determining whether impairment has occurred at the balance sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

At 31 December 2017, impairment allowances against the intercompany loans totalled £nil (2016: £nil).

(h) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(i) Income from group undertaking

Under the terms of the intercompany loan agreement with Penarth Funding 1 Limited, the Company has the right to receive a fee for the provision of the intercompany loans. This fee includes an amount equal to £100 per month, per loan note in issuance from available revenue receipts per month, subject to a maximum fee of £1,000 in any calendar month.

(j) Capital disclosures

The Company is not subject to externally imposed capital requirements in the current and prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

(k) Going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. Although the Company is in a net liabilities position as at 31 December 2017, this is driven by fair value volatility on derivative contracts. This fair value will reverse over the life of the derivative contracts to nil. For this reason the directors continue to adopt the going concern basis in preparing the financial statements as per the Directors Report.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Interest receivable from loans to related company	42,620	54,391
Bank interest receivable	18	4
	42,638	54,395

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Interest payable on debt securities in issue	42,638	54,539

4. FAIR VALUE LOSS

	2017 £'000	2016 £'000
Gain / (Loss) on retranslation of US$ loan notes to Sterling	236,499	(243,548)
Fair value movement on US$ currency swap	(234,566)	243,152
Fair value gain / (loss)	1,933	(396)

Movements have arisen on the fair value of currency swaps and the revaluation of loan notes into Sterling using exchange rates as at the Balance Sheet date.

5. INCOME FROM GROUP UNDERTAKING

	2017 £'000	2016 £'000
Fee from Penarth Funding 1 Limited	11	12

This fee is not included in determining the effective interest rate arising on the intercompany loans that are held at amortised cost.

The Company has no employees (2016: nil). The Corporate Services Provider fees are paid and borne by Penarth Funding 1 Limited.

There are no fees payable to the auditors and their associates for services other than the statutory audit. The audit fees for the Company are paid for by Penarth Funding 1 Limited. The fee for the current year was £12,000 (2016: £12,000).

6. TAX ON PROFIT / (LOSS)

	2017 £'000	2016 £'000
a) Analysis of charge / (credit) for the year		
UK corporation tax		
- Current tax on taxable profit for the year	2	2
- Adjustments in respect of prior years	-	(5)
Current tax charge / (credit) for the year	2	(3)

Corporation tax is calculated at a rate of 19.25% (2016: 20.00%) of the taxable profit for the year.

6. TAX ON PROFIT / (LOSS) (CONTINUED)

b) Factors affecting the tax credit for the year

A reconciliation of the charge that would result from applying the standard United Kingdom tax rate to the profit before tax to the actual tax charge for the year is given below:

	2017 £'000	2016 £'000
Profit / (Loss) before tax	1,944	(528)
Profit / (Loss) before tax thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	374	(106)
Factors affecting charge:		
Non-taxable items	(372)	108
Adjustments in respect of prior years	-	(5)
Total tax charge / (credit) in the Statement of comprehensive income	2	(3)

The effective tax rate for the year is 0.1% (2016: 0.6%).

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

7. LOANS TO RELATED COMPANY

	2017 £'000	2016 £'000
Non-current - amounts due after one year		
Principal	3,720,000	2,771,148
Current - amounts due within one year		
Principal	351,147	2,699,141
Interest	1,792	1,658
	4,072,939	5,471,947

7. LOANS TO RELATED COMPANY (CONTINUED)

The intercompany loans to Penarth Funding 1 Limited are all denominated in Sterling and are at variable rates of interest, based on LIBOR for one month Sterling deposits. Such loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

Penarth Funding 1 Limited's ability to pay amounts due on the intercompany loans will depend mainly upon it receiving sufficient revenue receipts and principal from the credit card portfolio and amounts available in any applicable reserve funds. In the case of a shortfall, holders of the Notes may, subject to what other sources of funds are available to the Company, receive less than the full interest and/or principal than would otherwise be due on the Notes. The repayment of the intercompany loans will coincide with the repayment of the Notes.

8. DERIVATIVE ASSETS

The principal derivatives used by the Company are exchange rate contracts (foreign currency swaps).

Currency swaps generally involve the exchange of interest payment obligations denominated in different currencies.

The principal amount of the contract does not represent the Company's real exposure to credit risk which is limited to the current cost of replacing contracts with a positive value to the Company should the counterparty default. To reduce credit risk the Company only deals with highly rated counterparties and uses credit enhancement techniques such as collateralisation, where security is provided against the exposure. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate (see note 4).

The notional principal amount and fair value of instruments entered into was:

Exchange rate contracts:	**2017** **£'000**	**2016** **£'000**
Notional principal amount	351,148	1,250,289
Fair value		
Assets	19,089	253,655

9. DEBT SECURITIES IN ISSUE

	2017 £'000	2016 £'000
Non-current - amounts due after one year		
Principal		
GBP – priced against 1 month GBP LIBOR Weighted average margin +0.67% (2016: +0.63%)	3,720,000	2,420,000
USD – priced against 1 month USD LIBOR Weighted average margin +0.55% (2016: +0.45%)	-	407,027
	3,720,000	2,827,027
Current - amounts due within one year		
Principal		
GBP – priced against 1 month GBP LIBOR Weighted average margin +0.67% (2016: +0.63%)	-	1,800,000
USD – priced against 1 month USD LIBOR Weighted average margin +0.55% (2016: +0.45%)	370,316	1,098,930
	370,316	2,898,930
Interest		
Interest payable on debt securities	1,792	1,658
	4,092,108	5,727,615

Debt securities in issue at 31 December 2017 comprise the floating rate Notes issued by the Company in connection with the securitisation of credit cards originated within BOS and Lloyds and are shown net of exchange rate adjustments. For more information about the Company's exposure to risk, see note 11. There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the current or prior year.

10. SHARE CAPITAL

	2017 £	2016 £
Authorised		
50,000 (2016: 50,000) Ordinary shares of £1 each	50,000	50,000
Allotted and paid up		
Issued Share capital comprises:		
2 (2016: 2) ordinary shares of £1 each (fully paid)	2	2
49,998 (2016: 49,998) ordinary shares of £1 each (one quarter paid)	12,500	12,500
	12,502	12,502

11. MANAGEMENT OF RISK

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. However, considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The directors do not consider there to be a capital management risk as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction. In addition, derivative contracts are entered into as part of the securitisation transaction to hedge all currency risk arising in the transaction including the obligations under the Notes.

The derivative counterparties are selected as highly rated, regulated financial institutions and this reduces the risk of default and loss for the Company. Additional protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

11(a) Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company. The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with Penarth Funding 1 Limited. The primary credit risk of the Company therefore relates to the default on the intercompany loan with Penarth Funding 1 Limited. The primary credit risk of Penarth Funding 1 Limited relates to the credit risk associated with the securitised pool of credit cards originated within BOS and Lloyds.

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in that of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

To mitigate this risk, credit enhancement is provided to the transaction within Penarth Funding 1 Limited in the form of excess spread and subordinated loan notes. Penarth Funding 1 Limited's share of the income on the credit card pool is expected to exceed the interest payable on the loan from the Company, related expenses and charge offs. This excess income (excess spread) is available to make good any reduction in the principal balance of the credit card pool as a result of defaults by customers. An example of this excess spread calculated by reference to KPIs (Yield, Losses) and other measures is shown below along with monthly payment rate KPI and relevant definitions:

	% for Dec 2017	% for Dec 2016
Yield (defined as the gross yield rate)	12.93	19.33
Losses (defined as the charge off rate)	(1.84)	(1.99)
Expenses (defined as the expense rate)	(2.16)	(1.83)
Excess spread (defined as the excess available funds rate)	8.93	15.51
Monthly payment rate	21.52	22.35

Definition	Numerator	Denominator
Gross yield rate	Interest, fees, insurance, post charge off recoveries, interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance
Charge off rate	Principal balances charged off during the month (recoveries excluded)	Beginning of period principal receivables balance
Expense rate	Interest on notes, servicing fee paid by investor, other sundry structural costs	Investor share of principal receivables
Excess available funds rate	Yield rate less charge off rate less expense rate	
Monthly payment rate	All customer payments received (principal and revenue), interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance

The Company has a concentration of risk in the Originators. The underlying credit card assets of the securitisation are all in the UK market. The nature of the credit card portfolio means that there is no significant counterparty credit risk in relation to the underlying credit card pool.

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

In the event that a swap counterparty is downgraded by a rating agency below the rating(s) specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with sufficient rating, or taking such other action as it may agree with the relevant rating agency.

	Counterparty	Long Term Rating as at 31 Dec 2017	Long Term Rating as at date of approval of financial statements
		(Moody's / S&P/ Fitch)	(Moody's / S&P/ Fitch)
Bank account provider	Bank of Scotland plc	Aa3/A/A+	Aa3/A/A+
Currency swap provider	Wells Fargo Bank, NA	Aa2/AA-/AA-	Aa2 /AA-/AA-

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

	2017 £'000	2016 £'000
Assets held at amortised cost		
Loans to related company	4,072,939	5,471,947
Cash and cash equivalents	60	51
Assets held at fair value		
Derivative assets	19,089	253,655
	4,092,088	5,725,653

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The Company meets its obligation on the Notes issued from the cash flows it receives from Penarth Funding 1 Limited. These represent the only recourse for the Company. As a consequence, the credit quality of the credit card receivables indicates the capacity of the Company to service its payments, although the credit cards remain on the balance sheets of BOS and Lloyds and the structure of the securitisation provides for other credit enhancements.

Securitised credit card assets

Securitised credit card receivables can be analysed according to the rating systems used by the Company and Originators when assessing customers and counterparties. The total credit card trust portfolio balance against which intercompany loans are ultimately secured has been analysed below. This balance has also been used in part as security against other issuances made by the Group.

For the purposes of the Company's disclosures regarding credit quality, securitised credit card receivables subject to credit risk have been analysed as follows:

	2017 £'000	2016 £'000
Neither past due nor impaired	7,560,648	7,469,389
Past due but not impaired	97,307	92,621
Impaired	1,286,233	1,338,049
	8,944,188	8,900,059

Securitised credit card receivables which are past due but not impaired, as disclosed in the monthly 'Public' Investor Report available on www.lloydsbankinggroup.com, are shown below:

	2017 £'000	2016 £'000
1-30 days	74,166	69,062
31-60 days	23,141	23,559
	97,307	92,621

A financial asset is 'past due' if a counterparty has failed to make a payment when contractually due. Impaired loans are those which are two months or more in arrears (or certain cases where the borrower is bankrupt or is in possession).

The number and value of credit card receivables currently in arrears will have a bearing on the receipt of cash by the Company. As at 31 December 2017 17,245 accounts were in arrears by two or more months which represented 0.56% of the credit card pool (2016: 19,308 accounts, 0.63%).

11. MANAGEMENT OF RISK (CONTINUED)

11(b) Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and circa 90% of assets are linked to base rate.

11(c) Foreign currency risk

The Company's assets are denominated in sterling. However, during the year, the Company had Notes denominated in Sterling and also US Dollars on a floating rate basis. It is therefore exposed to currency risk as the value of the Notes will fluctuate due to changes in foreign currency exchange rates and in US LIBOR rates.

The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Currency Notes.

The effect of currency movements has no bearing on the results of the Company due to the use of the swaps, however, the Company is exposed to a small amount of volatility on the margin on the cross currency swap which is shown below. This is a fair value adjustment which will reverse over the life of the swap to nil. All interest received on the intercompany loans is paid to the paying agent and the swap provider covers any movement on exchange rates to the Note holders.

11. MANAGEMENT OF RISK (CONTINUED)

11(c) Foreign currency risk (continued)

The Company's elimination of foreign currency risk is as follows:

2017	**US Dollar £'000**	**Sterling £'000**	**Total £'000**
Debt securities in issue	351,148	3,720,000	4,071,148
Derivatives			
Net fair value of cross currency contracts	19,089	-	19,089
Notional cross currency at contracted rate	(19,168)	-	(19,168)
Cumulative mark to market volatility	(79)	-	(79)

2016	**US Dollar £'000**	**Sterling £'000**	**Total £'000**
Debt securities in issue	1,250,289	4,220,000	5,470,289
Derivatives			
Net fair value of cross currency contracts	253,655	-	253,655
Notional cross currency at contracted rate	(255,667)	-	(255,667)
Cumulative mark to market volatility	(2,012)	-	(2,012)

Mark to market volatility 2017	1,933	-	1,933

11. MANAGEMENT OF RISK (CONTINUED)

11(d) Liquidity risk

The Company's ability to meet payments on the Notes as they fall due is dependent on the timely receipt of funds under the intercompany loan agreement with Penarth Funding 1 Limited which may be delayed due to the level of repayment on the underlying credit card portfolio. If insufficient funds are received by Penarth Funding 1 Limited to repay the intercompany loans, then the Notes may not be paid in full and a part of the Notes may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Programme Documentation. Variations in the rate of prepayment of principal on the loans may affect each series and class of Notes differently.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the step-up date as defined in the Programme Documentation (unless it is known that a Note will be repaid prior to this date when the earlier date will be used). The step-up date is the earliest date on which the Company could be required to repay the liability and commercially the most likely.

It is anticipated that the interest and principal received on the intercompany loans will be sufficient to allow repayment of the Notes by the step-up date and thereby avoid the increase in the interest rate margin payable on the Notes.

2017	Carrying Value	Contractual repayment value	<1 Month	1-3 Months	3 Months – 1 Year	1-5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Notes in issue	4,090,316	4,071,148	-	351,148	-	3,720,000
Interest payable						
Interest payable on Notes in issue	1,792	177,138	3,696	7,548	33,488	132,406
	4,092,108	4,248,286	3,696	358,696	33,488	3,852,406

2016	Carrying Value	Contractual repayment value	<1 Month	1-3 Months	3 Months – 1 Year	1-5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Notes in issue	5,725,957	5,470,289	-	506,141	2,193,000	2,771,148
Interest payable						
Interest payable on Notes in issue	1,658	108,334	3,553	7,071	26,578	71,132
	5,727,615	5,578,623	3,553	513,212	2,219,578	2,842,280

11. MANAGEMENT OF RISK (CONTINUED)

11(e) Fair values

(i) Definition of fair value levels

Per IFRS 13 "Fair Value Measurement" the different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(ii) Financial instruments held at amortised cost

Loans to related company

Loans to related company are recognised on an amortised cost basis. The fair value of these variable rate loans is considered to be a close approximation to fair value due to their short term nature. The loans to related company are all denominated in Sterling and are at variable rates of interest, based on LIBOR for three-month Sterling deposits. These loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

Debt securities in issue

The fair value as at 31 December 2017 was £4,040,730,000 (2016: £5,691,069,000).

The Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions. However, notes held within LBG cannot be valued in this way using observable inputs. For this reason, in accordance with IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair Value Measurement", the debt securities in issue are considered to be Level 3 in the Fair Value Hierarchy.

(iii) Derivatives

The Company has currency swaps in place to hedge the future liability to make payments in USD of principal and interest on the USD denominated loan notes in issue (principal value of $500,000,000, hedged at £351,148,000).

The swaps which have been purchased to hedge currency risks arising on the Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions, and by using valuation techniques including discounted cash flow and options pricing models. The valuation method is consistent with commonly used market techniques. For this reason, in accordance with IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair Value Measurement", the derivatives are considered to be Level 2 in the Fair Value Hierarchy. The change in fair value that has been calculated using this valuation technique has been recognised in the statement of comprehensive income for the year ended 31 December 2017.

The fair value of the swaps is expected to unwind to £nil over the life of the Notes and is recorded in the balance sheet as an asset of £19,089,000 (2016: £253,655,000).

12. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties as part of the Company's normal business.

The related parties are BOS, LBG, Lloyds and Intertrust Corporate Services Limited by virtue of their various roles and inputs into securitisation arrangements to which the Company is a party.

BOS provides cash management services defined under the Programme Documentation. Fees for these services are paid on behalf of the Company by Penarth Funding 1 Limited, a company which is part of the Penarth Asset Securitisation Holdings Limited Group, which amounted to £45,132,000 in the year (2016: £53,405,000).

Intertrust Management Limited provides corporate services pursuant to a corporate services agreement with the Company and was paid £12,675 for services provided in the year (2016: £21,966). These fees are paid on behalf of the Company by Penarth Funding 1 Limited.

During the year, the Company undertook the following transactions with BOS (the "Parent") and other related parties within LBG:

	Parent	Other related parties	Parent	Other related parties
At 31 December or for the year then ended	**2017**	**2017**	**2016**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable and similar income				
Interest on loans to related company	-	42,620	-	54,391
Bank Interest	18	-	4	-
Interest payable and similar charges				
Interest payable on Notes held by LBG and subsidiary undertakings	-	26,013	-	29,452
Income from Group undertaking	-	11	-	12
Assets				
Loans to related company	-	4,071,147	-	5,470,289
Interest receivable on loans to related company	-	1,792	-	1,658
Cash and cash equivalents	60	-	51	-
Liabilities				
Notes held by LBG and subsidiary undertakings	-	2,520,000	-	2,520,000
Interest payable on Notes held by LBG and subsidiary undertakings	-	1,195	-	903

The key management personnel during the year were the directors, as set out in the Directors' Report.

13. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncements are not applicable for the year ending 31 December 2017 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company.

With the exception of certain minor amendments to other accounting standards mentioned below, as at 26 April 2018 these pronouncements have been endorsed by the EU.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The Company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.

Classification and measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment

IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

The Company has conducted an analysis of these changes and does not consider there to be any significant impact of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for annual periods beginning on or after 1 January 2018. The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The Company's current accounting policy is materially consistent with the requirements of IFRS 15 and, accordingly, no transition adjustments are required.

13. FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2018 (including IFRS 2 Share-based Payment and IAS 40 Investment Property) and effective 1 January 2019 (including IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments). These revised requirements are not expected to have a significant impact on the Company.

14. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of Penarth Asset Securitisation Holdings Limited, a company registered in England and Wales. The shares of Penarth Asset Securitisation Holdings Limited are held by Intertrust Corporate Services Limited, who holds the share capital on a discretionary trust basis for the benefit of certain charities.

The immediate parent undertaking is Penarth Asset Securitisation Holdings Limited. The ultimate controlling party is LBG a public limited company incorporated in the United Kingdom. LBG is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2017. BOS is the parent undertaking of the smallest of such group of undertakings. The consolidated financial statements of BOS and LBG are available from Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

APPENDIX C
FINANCIAL STATEMENTS OF THE ISSUER FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2016

Registered Number : 6615304

PENARTH MASTER ISSUER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

PENARTH MASTER ISSUER PLC
DIRECTORS AND COMPANY INFORMATION

DIRECTORS

Jeremy Richard Hugh Bradley
Intertrust Directors 1 Limited (formerly SFM Directors Limited)
Intertrust Directors 2 Limited (formerly SFM Directors (No.2) Limited)

COMPANY SECRETARY

Intertrust Corporate Services Limited (formerly SFM Corporate Services Limited)

REGISTERED OFFICE

35 Great St Helen’s
London
EC3A 6AP

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

The directors present their Strategic Report and the audited financial statements of Penarth Master Issuer plc (the "Company") for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is the investment of the proceeds of the issue of publicly listed floating rate asset-backed global loan notes, which are denominated in US Dollars and Sterling (the "Notes"), in the international capital markets. The Notes have been designated Class A, Class B, Class C or Class D in accordance with the relevant Note series to which such Notes relate. These proceeds have been invested in loans to a related undertaking. No future changes in activity are envisaged.

The activities of the Company and its immediate parent company, Penarth Asset Securitisation Holdings Limited, are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure (the “Penarth Transaction”) has been established as a means of raising finance for Bank of Scotland plc ("BOS"), and subsequently Lloyds Banking Group plc ("LBG"). The Programme Documentation sets out the workings of the transaction and the principal risks to the holders of the Notes. As such, these have not been reproduced in full in the financial statements. BOS and Lloyds Bank plc (“Lloyds”) are also originators of the underlying credit card receivables (the “Originators”).

The Company is a wholly owned subsidiary of Penarth Asset Securitisation Holdings Limited, a company registered in England and Wales. The shares of Penarth Asset Securitisation Holdings Limited are held on a discretionary trust basis by Intertrust Corporate Services Limited.

Penarth Asset Securitisation Holdings Limited holds 49,998 quarter paid £1 ordinary shares and two fully paid £1 ordinary shares. Intertrust Nominees Limited (formerly SFM Nominees Limited) also holds one £1 fully paid ordinary share in the Company as a nominee shareholder for the benefit of Penarth Asset Securitisation Holdings Limited. These shares comprise the entire issued share capital of the Company.

As at 31 December 2016 the Penarth Asset Securitisation Holdings Limited Group (the “Group”) comprised the Company, Penarth Asset Securitisation Holdings Limited, Penarth Funding 2 Limited, Penarth Receivables Trustee Limited and Penarth Funding 1 Limited.

Business Review

The results for the year are set out on page 12. The loss for the year amounted to £525,000 (2015: £953,000). The directors do not recommend the payment of a dividend this year (2015: £nil).

As required under International Financial Reporting Standards (“IFRSs”), the loss for the year includes a fair value loss on financial instruments of £396,000 (2015: fair value gain £995,000) which reflects the movement in the market value of the derivatives. The Notes issued are effectively hedged using derivative contracts and so gains or losses are expected to reverse in the future.

Profits on a cashflow basis are pre-determined under the Programme Documentation. Under the terms of the intercompany loans with Penarth Funding 1 Limited, the Company has the right to a profit before tax of the lesser of one-twelfth of (i) £12,000 and (ii) the aggregate of £1,200 per Series of Notes outstanding during the course of the previous 11 monthly periods from available revenue receipts per month.

Business Review (continued)

On 18 March 2016, the Company repaid £150,000,000 of the Series 2014-1 A1 notes on the scheduled redemption date; the debt securities in issue and the loans receivable from Penarth Funding 1 Limited were decreased by the same value. On 19 April 2016, the Company issued $500,000,000 (hedged at £351,148,254) of the Series 2016-1 A1 notes to the external markets; the debt securities in issue and the loans receivable from Penarth Funding 1 Limited were increased by the same value.

Additions of further receivables to the Trust have been made during the year in line with Programme Documentation in order to support current and future issuance plans.

Since the year end, Penarth Master Issuer plc has made loan note repayments of $750,000,000 (hedged at £506,141,000). No further Notes have been issued

The Company will continue to issue Notes and invest the proceeds as intercompany loans to Penarth Funding 1 Limited. The directors anticipate that the Company will be profitable over its lifetime.

Key performance indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation and published as a monthly Investor Report. An extract of these is shown in note 11(a).

The KPIs include the excess spread on the Penarth Receivables Trust (“the Trust”) assets available as the first line of credit enhancement to the Notes, the losses that have occurred and the level of arrears in the underlying credit cards, the rate of repayment of the receivables within the Trust and an analysis of the characteristics of the underlying credit cards in the Trust.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows against planned cash flows. During the year, all payments were made as expected including necessary payments on the Notes in accordance with the scheduled repayment dates for the year ended 31 December 2016.

At the time of issue each series and class of Notes is assigned a credit rating which reflects the likelihood of full and timely payment to the holders of the Notes of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Trust's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the Company. No downgrade in credit ratings has been applied to the Company's Notes in the year under review and subsequently up to the date of approval of these financial statements.

Taxation

The Company’s tax charge is based on the permanent tax regime for securitisation companies. All fair value adjustments on derivative contracts are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company.

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise intercompany loans to Penarth Funding 1 Limited, Notes issued in the capital markets, derivatives ("swaps"), various other receivables and payables and cash and liquid resources.

The principal risks and uncertainties for the Company arise from the Company's financial instruments. These are credit risk, liquidity risk, interest rate risk and currency risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies is provided in note 11.

Credit risk

The intercompany loans are ultimately secured against a beneficial interest in a credit card portfolio held in the Trust for Penarth Funding 1 Limited. The performance of the credit card receivables is influenced by the economic background.

To mitigate this risk a series of subordinated loan notes is held internally within the Group to act as credit enhancement to ensure Penarth Funding 1 Limited can meet its obligations under the intercompany loan agreements to the Company.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with Penarth Funding 1 Limited. Penarth Funding 1 Limited is only obliged to pay interest and principal to the Company to the extent that it has such amounts available to it. The Company has recourse to the other assets of Penarth Funding 1 Limited for any shortfall in receipts due under the intercompany loan agreement.

The Company has received all necessary payments on the intercompany loans with Penarth Funding 1 Limited, in accordance with the scheduled repayment dates for the year ended 31 December 2016.

Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency’s London Interbank Offered Rate (LIBOR), and all assets are at floating rate. No interest rate swap has been applied to mitigate the mismatch in profiles as management are able to re-price the assets at their discretion and hence mitigate the interest rate risk arising.

Currency risk

The Company has issued certain Notes denominated in US Dollars ("Currency Notes"). All the Company's assets and its other liabilities are denominated in Sterling. The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Currency Notes. The cross currency swap provider is Wells Fargo Bank, N.A., which was rated Aa2/AA-/AA (Long Term Moody's/S&P/Fitch) as at 31 December 2016.

Operational risks

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. Intertrust Management Limited (formerly Structured Finance Management Limited) has been appointed to provide corporate services in accordance with a corporate services agreement. Other third parties who have agreed to provide services with respect to the Notes include the paying agents, issuing entity swap counterparty and the agent bank. BOS has been appointed to act as account bank and cash manager on behalf of the Company.

Business risks

The principal business risks of the Company are set out in a number of asset and non-asset trigger events in the Programme Documentation. Non-asset triggers include: Minimum Seller share below that required, Insolvency of seller (BOS), Termination of servicer (BOS) not replaced within 60 days and Minimum trust size breached. The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities. There have been no such trigger events since inception of the Programme.

On Behalf of the Board

Helena Whitaker
Intertrust Directors 1 Limited
As Director

DATE: 26 April 2017

The directors present their annual report and the audited financial statements for the Company for the year ended 31 December 2016.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards ("IFRSs") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors and directors' interests

The directors who served during the year up to the date of signing the financial statements were as follows:

Intertrust Directors 1 ("ID1") Limited, Intertrust Directors 2 ("ID2") Limited, Jeremy Richard Hugh Bradley.

The above directors are also directors of Penarth Asset Securitisation Holdings Limited while Jeremy Richard Hugh Bradley is in addition also a director of Penarth Funding 1 Limited, Penarth Funding 2 Limited and Penarth Receivables Trustee Limited.

During the year under review, the directors did not receive any remuneration or emoluments from the Company in respect of qualifying services provided to the Company (2015: £nil).

Disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, in the case of each director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the directors' report and financial statements. Jeremy Richard Hugh Bradley, ID1 Limited and ID2 Limited are also directors of other companies within the Group. None of the directors has any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest in any material contract or arrangement with the Company either during or at the end of the year.

Employees

The Company did not have any employees during the year (2015: none).

Corporate Governance

The directors have been charged with governance in accordance with the programme documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been listed, the Company is largely exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules 7.1 *Audit Committees* and 7.2 *Corporate Governance Statements* (save for the rule 7.2.5 requiring descriptions of the features of the internal control and risk management systems), which would otherwise require the Company to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement. Financial risk management is detailed on page 4 of the Strategic Report.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

Statement of going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. Although the Company is in a net liabilities position as at 31 December 2016, this is driven by fair value volatility on derivative contracts. This fair value will reverse over the life of the derivative contracts to nil. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

The financial statements on pages 12 to 35 were approved by the Board of Directors on 26 April 2017 and signed on its behalf by

Helena Whitaker
Intertrust Directors 1 Limited
as Director

DATE: 26 April 2017

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Penarth Master Issuer Plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page [6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 ~~26~~ April 2017

PENARTH MASTER ISSUER PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016 £'000**	**2015 £'000**
Interest receivable and similar income	2	54,395	57,349
Interest payable and similar charges	3	(54,539)	(57,312)
Net interest (expense)/income		(144)	37
Fair value loss	4	(396)	(995)
Income from group undertaking	5	12	12
Loss before tax		(528)	(946)
Taxation	6	3	(7)
Loss for the year and total comprehensive expense		(525)	(953)

The loss shown above is derived from continuing operations. The Company operates a single business and all of the Company's activities are in the UK.

There was no income or expense recognised directly in equity in the current year or preceding year.

The accompanying notes on pages 16 to 35 are an integral part of the financial statements.

PENARTH MASTER ISSUER PLC
BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Assets			
Loans to related company	7	5,471,947	5,271,203
Derivative assets	8	253,655	10,503
Cash and cash equivalents		51	187
Total assets		5,725,653	5,281,893
Equity and liabilities			
Debt securities in issue	9	5,727,615	5,283,322
Tax liability		2	10
Total liabilities		5,727,617	5,283,332
Share capital	10	13	13
Accumulated losses		(1,977)	(1,452)
Total equity		(1,964)	(1,439)
Total equity and liabilities		5,725,653	5,281,893

The accompanying notes on pages 16 to 35 are an integral part of the financial statements.

The financial statements on pages 12 to 35 were approved by the board of directors on 26 April 2017.

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Helena Whitaker
Intertrust Directors 1 Limited
as Director

PENARTH MASTER ISSUER PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2016	13	(1,452)	(1,439)
Loss for the year and total comprehensive expense	-	(525)	(525)
Balance at 31 December 2016	13	(1,977)	(1,964)

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2015	13	(499)	(486)
Loss for the year and total comprehensive expense	-	(953)	(953)
Balance at 31 December 2015	13	(1,452)	(1,439)

The accompanying notes on pages 16 to 35 are an integral part of the financial statements.

PENARTH MASTER ISSUER PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £'000	2015 £'000
Operating activities		
Income received from related company	54,814	57,139
Interest paid to note holders	(54,945)	(57,114)
Tax paid	(5)	(17)
Net cash flows (used in) / generated from operating activities	(136)	8
Investing activities		
New principal issued as loan to related company	(351,148)	(1,599,141)
Principal receipts from loan to related company	150,000	591,534
Net cash flows used in investing activities	(201,148)	(1,007,607)
Financing activities		
New debt securities issued	351,148	1,599,141
Principal repayments on debt securities in issue	(150,000)	(591,534)
Net cash flows generated from financing activities	201,148	1,007,607
Net (decrease) / increase in cash and cash equivalents		
(Decrease) / increase in cash and cash equivalents	(136)	8
Cash and cash equivalents at start of year	187	179
Cash and cash equivalents at end of year	51	187

The cash flow statement is presented using the direct method.

The accompanying notes on pages 16 to 35 are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is a public limited company domiciled and incorporated in England and Wales.

(a) Basis of preparation

The financial statements for the year ended 31 December 2016 have been prepared using the going concern basis and in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the "IFRSs" Interpretations Committee ("IFRSs" IC) as adopted by the European Union. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board of Directors and signed on its behalf by ID1 Limited. All accounting policies have been consistently applied in the financial statements.

There are no new or amended accounting standards that have required a change to accounting policies for the 2016 financial year.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2016 and which have not been applied in preparing these financial statements are given in note 13.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006 as applicable to companies using "IFRSs". The financial statements are presented in sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis (except that derivative financial instruments are stated at their fair value) and on a going concern basis.

(b) Interest income and interest payable

Interest receivable and similar income and interest payable and similar charges have been calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

(c) Accrued interest

Accrued interest has been incorporated within the loans to related company and within the outstanding balance of debt securities in issue on the Balance Sheet. A split between principal and accrued interest can be found in note 7 and note 9 respectively.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxation

Current tax which is payable on taxable profits is recognised as an expense or credit in the period in which the profits or losses arise.

Tax on the profit or loss for the year is recognised in the Statement of Comprehensive Income within Taxation and comprises only current tax. No provision for deferred tax is required under IAS 12 “Income Taxes” as no timing differences have arisen which would result in deferred tax on assets and liabilities.

(e) Financial instruments

The Company’s financial instruments comprise intercompany loans to Penarth Funding 1 Limited, Notes issued in the capital markets, derivatives ("swaps"), other receivables and payables and cash and liquid resources. The main purpose of these financial instruments is to raise finance for BOS and LBG. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

(e)(i) Loans to related company

Loans to related company comprise intercompany loans to Penarth Funding 1 Limited, classified as "loans and receivables". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method.

(e)(ii) Derivative financial instruments

Derivative financial instruments comprise foreign currency swaps held with external counterparties. All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the income statement.

The fair value of derivative contracts is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current exchange rates.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(e)(iii) Cash and cash equivalents

The Company holds a transaction bank account. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with banks and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash. This bank account is classified within "loans and receivables" in accordance with IAS 39 and income is being recorded using the effective interest method.

(e)(iv) Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the intercompany loans to related company have become impaired.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger an impairment as long as they do not exceed the credit enhancement granted by the Originators. If there is objective evidence that an impairment loss has been incurred, an allowance account is established which is calculated as the difference between the balance sheet carrying value of the intercompany loan asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at that loan's original effective interest rate.

(e)(v) Debt securities in issue

Debt securities in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(e)(vi) Foreign currency translation

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

(g) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

(g)(i) Effective interest rate method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

For the purpose of the effective yield calculation, it has been assumed, based on the payment experience to date, that the average expected life of the Notes issued by the Company will end at the scheduled redemption date (unless specified earlier in the Programme Documentation, in which case the earlier date will be used). This may not be the case in practice.

(g)(ii) Fair value calculations

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based where available on quoted market prices and upon cash flow models which use, wherever possible, independently sourced market parameters such as interest rate yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Critical accounting estimates and judgements (continued)

(g)(iii) Impairment of intercompany loans

The Company's accounting policy for losses arising on the intercompany loans classified as loans and receivables is described in note 1(e)(iv). The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the balance sheet date. Impairment allowances are established to recognise incurred impairment losses in the Company's loan portfolios carried at amortised cost. In determining whether impairment has occurred at the balance sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

At 31 December 2016, impairment allowances against the intercompany totalled £nil (2015: £nil).

(h) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(i) Income from group undertaking

Under the terms of the intercompany loan agreement with Penarth Funding 1 Limited, the Company has the right to receive a fee for the provision of the intercompany loans. This fee includes an amount equal to £100 per month, per loan note in issuance from available revenue receipts per month, subject to a maximum fee of £1,000 in any calendar month.

(j) Capital disclosures

The Company is not subject to externally imposed capital requirements in the current and prior year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

(k) Going concern

The directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound. Although the Company is in a net liabilities position as at 31 December 2016, this is driven by fair value volatility on derivative contracts. This fair value will reverse over the life of the derivative contracts to nil. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable from loans to related company	54,391	57,335
Bank interest receivable	4	14
	54,395	57,349

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on debt securities in issue	54,539	57,312

4. FAIR VALUE LOSS

	2016 £'000	2015 £'000
(Loss) / Gain on retranslation of US$ loan notes to Sterling	(243,548)	2,488
Fair value movement on US$ currency swap	243,152	(3,483)
Fair value loss	(396)	(995)

Movements have arisen on the fair value of currency swaps and the revaluation of loan notes into Sterling using exchange rates as at the Balance Sheet date.

5. INCOME FROM GROUP UNDERTAKING

	2016 £'000	2015 £'000
Fee from Penarth Funding 1 Limited	12	12

This fee is not included in determining the effective interest rate arising on the intercompany loans that are held at amortised cost.

The Company has no employees (2015: nil). The Corporate Services Provider fees are paid and borne by Penarth Funding 1 Limited.

There are no fees payable to the auditors and their associates for services other than the statutory audit. The audit fees for the Company are paid for by Penarth Funding 1 Limited. The fee for the current year was £12,000 (2015: £12,000).

6. TAXATION

	2016 £'000	2015 £'000
a) Analysis of charge for the year		
UK corporation tax		
- Current tax on taxable loss for the year	2	10
- Adjustments in respect of prior years	(5)	(3)
Current tax (credit) / charge for the year	(3)	7

Corporation tax is calculated at a rate of 20.00% (2015: 20.25%) of the taxable profit for the year.

6. TAXATION (CONTINUED)

b) Factors affecting the tax credit for the year

A reconciliation of the charge that would result from applying the standard United Kingdom tax rate to the loss before tax to the actual tax charge for the year is given below:

	2016 £'000	2015 £'000
Loss before tax	(528)	(946)
Tax credit thereon at UK corporation tax rate of 20.00% (2015: 20.25%)	(106)	(191)
Factors affecting charge:		
Non-taxable items	108	201
Adjustments in respect of prior years	(5)	(3)
Total tax (credit) / charge in the Statement of comprehensive income	(3)	7

The effective tax rate for the year is 0.6% (2015: 0.7%).

The Finance Act 2013, which was substantively enacted on 2 July 2013, reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015, which was substantively enacted on 26 October 2015, reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020.

The Finance Act 2016, which was substantively enacted on 6 September 2016, further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

7. LOANS TO RELATED COMPANY

	2016 £'000	2015 £'000
Non current - amounts due after one year		
Principal	2,771,148	5,119,141
Current - amounts due within one year		
Principal	2,699,141	150,000
Interest	1,658	2,062
	5,471,947	5,271,203

7. LOANS TO RELATED COMPANY (CONTINUED)

The intercompany loans to Penarth Funding 1 Limited are all denominated in Sterling and are at variable rates of interest, based on LIBOR for one month Sterling deposits. Such loans have ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

Penarth Funding 1 Limited's ability to pay amounts due on the intercompany loans will depend mainly upon it receiving sufficient revenue receipts and principal from the credit card portfolio and amounts available in any applicable reserve funds. In the case of a shortfall, holders of the Notes may, subject to what other sources of funds are available to the Company, receive less than the full interest and/or principal than would otherwise be due on the Notes. The repayment of the intercompany loans will coincide with the repayment of the Notes.

8. DERIVATIVE ASSETS

The principal derivatives used by the Company are exchange rate contracts (foreign currency swaps).

Currency swaps generally involve the exchange of interest payment obligations denominated in different currencies.

The principal amount of the contract does not represent the Company's real exposure to credit risk which is limited to the current cost of replacing contracts with a positive value to the Company should the counterparty default. To reduce credit risk the Company only deals with highly rated counterparties and uses credit enhancement techniques such as collateralisation, where security is provided against the exposure. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate (see note 4).

The notional principal amount and fair value of instruments entered into was:

Exchange rate contracts:	**2016 £’000**	**2015 £’000**
Notional principal amount	1,250,289	899,141
Fair value		
Assets	253,655	10,503

9. DEBT SECURITIES IN ISSUE

	2016 £'000	2015 £'000
Non current - amounts due after one year		
Principal		
GBP – priced against 1 month GBP LIBOR Weighted average margin +0.63% (2015: +0.62%)	2,420,000	4,220,000
USD – priced against 1 month USD LIBOR Weighted average margin +0.45% (2015: +0.40%)	407,027	911,260
	2,827,027	5,131,260
Current - amounts due within one year		
Principal		
GBP – priced against 1 month GBP LIBOR Weighted average margin +0.63% (2015: +0.62%)	1,800,000	150,000
USD – priced against 1 month USD LIBOR Weighted average margin +0.45% (2015: +0.40%)	1,098,930	-
	2,898,930	150,000
Interest		
Interest payable on debt securities	1,658	2,062
	5,727,615	5,283,322

Debt securities in issue at 31 December 2016 comprise the floating rate Notes issued by the Company in connection with the securitisation of credit cards originated within BOS and Lloyds and are shown net of exchange rate adjustments. For more information about the Company's exposure to risk, see note 11. There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the current or prior year.

10. SHARE CAPITAL

	2016 £	2015 £
Authorised		
50,000 (2015: 50,000) Ordinary shares of £1 each	50,000	50,000
Allotted and paid up		
Issued Share capital comprises:		
2 (2015: 2) ordinary shares of £1 each (fully paid)	2	2
49,998 (2015: 49,998) ordinary shares of £1 each (one quarter paid)	12,500	12,500
	12,502	12,502

11. MANAGEMENT OF RISK

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. However, considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The directors do not consider there to be a capital management risk as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction. In addition, derivative contracts are entered into as part of the securitisation transaction to hedge all currency risk arising in the transaction including the obligations under the Notes.

The derivative counterparties are selected as highly rated, regulated financial institutions and this reduces the risk of default and loss for the Company. Additional protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

11(a) Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company.

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received under the intercompany loans held with Penarth Funding 1 Limited. The primary credit risk of the Company therefore relates to the default on the unlisted security with Penarth Funding 1 Limited. The primary credit risk of Penarth Funding 1 Limited relates to the credit risk associated with the securitised pool of credit cards originated within BOS and Lloyds.

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The likelihood of defaults in the credit card pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in that of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the credit card pool.

To mitigate this risk, credit enhancement is provided to the transaction within Penarth Funding 1 Limited in the form of excess spread and subordinated loan notes. Penarth Funding 1 Limited's share of the income on the credit card pool is expected to exceed the interest payable on the loan from the Company, related expenses and charge offs. This excess income (excess spread) is available to make good any reduction in the principal balance of the credit card pool as a result of defaults by customers. An example of this excess spread calculated by reference to KPIs (Yield, Losses) and other measures is shown below along with monthly payment rate KPI and relevant definitions:

	% for Dec 2016	% for Dec 2015
Yield (defined as the gross yield rate)	19.33	16.90
Losses (defined as the charge off rate)	(1.99)	(2.22)
Expenses (defined as the expense rate)	(1.83)	(2.07)
Excess spread (defined as the excess available funds rate)	15.51	12.61
Monthly payment rate	22.35	21.59

Definition	Numerator	Denominator
Gross yield rate	Interest, fees, insurance, post charge off recoveries, interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance
Charge off rate	Principal balances charged off during the month (recoveries excluded)	Beginning of period principal receivables balance
Expense rate	Interest on notes, servicing fee paid by investor, other sundry structural costs	Investor share of principal receivables
Excess available funds rate	Yield rate less charge off rate less expense rate	
Monthly payment rate	All customer payments received (principal and revenue), interchange, forex fees, card protection insurance and bank account interest	Beginning of period principal and revenue receivables balance

The Company has a concentration of risk in the Originators. The underlying credit card assets of the securitisation are all in the UK market. The nature of the credit card portfolio means that there is no significant counterparty credit risk in relation to the underlying credit card pool.

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

In the event that a swap counterparty is downgraded by a rating agency below the rating(s) specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with sufficient rating, or taking such other action as it may agree with the relevant rating agency.

	Counterparty	Long Term Rating as at 31 Dec 2016 (Moody's / S&P/ Fitch)	Long Term Rating as at date of approval of financial statements (Moody's / S&P/ Fitch)
Bank account provider	Bank of Scotland plc	A1/A/A+	A1/A/A+
Currency swap provider	Wells Fargo Bank, NA	Aa2/AA-/AA	Aa2 /AA-/AA

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value. At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

	2016 £'000	2015 £'000
Assets held at amortised cost		
Loans to related company	5,471,947	5,271,203
Cash and cash equivalents	51	187
Assets held at fair value		
Derivative assets	253,655	10,503
	5,725,653	5,281,893

11. MANAGEMENT OF RISK (CONTINUED)

11(a) Credit risk (continued)

The Company meets its obligation on the Notes issued from the cash flows it receives from Penarth Funding 1 Limited. These represent the only recourse for the Company. As a consequence, the credit quality of the credit card receivables indicates the capacity of the Company to service its payments, although the credit cards remain on the balance sheets of BOS and Lloyds and the structure of the securitisation provides for other credit enhancements.

Securitised credit card assets

Securitised credit card receivables can be analysed according to the rating systems used by the Company and Originators when assessing customers and counterparties. The total credit card trust portfolio balance against which intercompany loans are ultimately secured has been analysed below. This balance has also been used in part as security against other issuances made by the Group.

For the purposes of the Company's disclosures regarding credit quality, securitised credit card receivables subject to credit risk have been analysed as follows:

	2016 £'000	2015 £'000
Neither past due nor impaired	7,469,389	7,166,123
Past due but not impaired	92,621	98,982
Impaired	1,338,049	1,480,642
	8,900,059	8,745,747

Securitised credit card receivables which are past due but not impaired, as disclosed in the monthly 'Public' Investor Report available on www.lloydsbankinggroup.com, are shown below:

	2016 £'000	2015 £'000
1-30 days	69,062	75,531
31-60 days	23,559	23,451
	92,621	98,982

A financial asset is 'past due' if a counterparty has failed to make a payment when contractually due. Impaired loans are those which are two months or more in arrears (or certain cases where the borrower is bankrupt or is in possession).

The number and value of credit card receivables currently in arrears will have a bearing on the receipt of cash by the Company. As at 31 December 2016 19,308 accounts were in arrears by two or more months which represented 0.63% of the credit card pool (2015: 19,387 accounts, 0.64%).

11. MANAGEMENT OF RISK (CONTINUED)

11(b) Interest rate risk

Interest rate risk arises where there is a mismatch between the interest profile of the securitised assets and that of the issued notes, for example where floating rate notes are backed by fixed rate assets. In the case of the Penarth structure, the interest rates on the issued notes are linked to the relevant currency's London Interbank Offered Rate (LIBOR), and all assets are at floating rate. No interest rate swap has been applied to mitigate the mismatch in profiles as LBG are able to re-price the assets at their discretion and hence mitigate the interest rate risk arising.

11(c) Foreign currency risk

The Company's assets are denominated in sterling. However, during the year, the Company had Notes denominated in Sterling and also US Dollars on a floating rate basis. It is therefore exposed to currency risk as the value of the Notes will fluctuate due to changes in foreign currency exchange rates and in US LIBOR rates.

The Company's policy is to eliminate all exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the Currency Notes.

The effect of currency movements has no bearing on the results of the Company due to the use of the swaps, however, the Company is exposed to a small amount of volatility on the margin on the cross currency swap which is shown below. This is a fair value adjustment which will reverse over the life of the swap to nil. All interest received on the intercompany loans is paid to the paying agent and the swap provider covers any movement on exchange rates to the Note holders.

11. MANAGEMENT OF RISK (CONTINUED)

11(c) Foreign currency risk (continued)

The Company's elimination of foreign currency risk is as follows:

2016	US Dollar £'000	Sterling £'000	Total £'000
Debt securities in issue	1,250,289	4,220,000	5,470,289
Derivatives			
Net fair value of cross currency contracts	253,655	-	253,655
Notional cross currency at contracted rate	(255,667)	-	(255,667)
Cumulative mark to market volatility	(2,012)	-	(2,012)

2015	US Dollar £'000	Sterling £'000	Total £'000
Debt securities in issue	899,141	4,370,000	5,269,141
Derivatives			
Net fair value of cross currency contracts	10,503	-	10,503
Notional cross currency at contracted rate	(12,119)	-	(12,119)
Cumulative mark to market volatility	(1,616)	-	(1,616)
Mark to market volatility 2016	(396)	-	(396)

11. MANAGEMENT OF RISK (CONTINUED)

11(d) Liquidity risk

The Company's ability to meet payments on the Notes as they fall due is dependent on the timely receipt of funds under the intercompany loan agreement with Penarth Funding 1 Limited which may be delayed due to the level of repayment on the underlying credit card portfolio. If insufficient funds are received by Penarth Funding 1 Limited to repay the intercompany loans, then the Notes may not be paid in full and a part of the Notes may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Programme Documentation. Variations in the rate of prepayment of principal on the loans may affect each series and class of Notes differently.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the step-up date as defined in the Programme Documentation (unless it is known that a Note will be repaid prior to this date when the earlier date will be used). The step-up date is the earliest date on which the Company could be required to repay the liability and commercially the most likely.

It is anticipated that the interest and principal received on the intercompany loans will be sufficient to allow repayment of the Notes by the step-up date and thereby avoid the increase in the interest rate margin payable on the Notes.

2016	**Carrying Value**	**Contractual repayment value**	**<1 Month**	**1-3 Months**	**3 Months – 1 Year**	**1-5 Years**	**> 5 Years**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Principal							
Notes in issue	5,725,957	5,470,289	-	506,141	2,193,000	2,771,148	-
Interest payable							
Interest payable on Notes in issue	1,658	108,334	3,553	7,071	26,578	71,132	-
	5,727,615	5,578,623	3,553	513,212	2,219,578	2,842,280	-

2015	**Carrying Value**	**Contractual repayment value**	**<1 Month**	**1-3 Months**	**3 Months – 1 Year**	**1-5 Years**	**> 5 Years**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Principal							
Notes in issue	5,281,260	5,269,141	-	150,000	-	3,899,141	1,220,000
Interest payable							
Interest payable on Notes in issue	2,062	398,513	5,242	10,822	56,464	281,722	44,263
	5,283,322	5,667,654	5,242	160,822	56,464	4,180,863	1,264,263

11. MANAGEMENT OF RISK (CONTINUED)

11(e) Fair values

(i) Definition of fair value levels

Per “IFRSs 13 Fair Value Measurement” the different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(ii) Financial instruments held at amortised cost

Loans to related company

The carrying value of the variable rate loans is assumed to be their fair value. The loans to related company are all denominated in Sterling and are at variable rates of interest, based on LIBOR for three-month Sterling deposits. Therefore these loans are considered to be a close approximation to fair value. This loan has ultimately been secured against a beneficial interest in a credit card portfolio held in trust on behalf of the Group.

Debt securities in issue

The fair value as at 31 December 2016 was £5,691,069,000 (2015: £5,269,405,000).

The Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions. However, notes held within LBG cannot be valued in this way using observable inputs. For this reason, in accordance with "IFRS 7 Financial Instruments: Disclosures" and “IFRS 13 Fair Value Measurement”, the debt securities in issue are considered to be Level 3 in the Fair Value Hierarchy.

(iii) Derivatives

The Company has currency swaps in place with a total notional principal value of £1,250,289,000 hedging the liability to make payments of interest and principal on the Currency Notes in Sterling from a Sterling income stream of collections from customer payments (2015: £899,141,000).

The swaps which have been purchased to hedge currency risks arising on the Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions, and by using valuation techniques including discounted cash flow and options pricing models. The valuation method is consistent with commonly used market techniques. For this reason, in accordance with "IFRS 7 Financial Instruments: Disclosures" and “IFRS 13 Fair Value Measurement”, the derivatives are considered to be Level 2 in the Fair Value Hierarchy. The change in fair value that has been calculated using this valuation technique has been recognised in the statement of comprehensive income for the year ended 31 December 2016.

The fair value of the swaps is expected to unwind to £nil over the life of the Notes and is recorded in the balance sheet as an asset of £253,655,000 (2015: £10,503,000).

12. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties as part of the Company's normal business.

The related parties are BOS, LBG, Lloyds and Intertrust Corporate Services Limited by virtue of their various roles and inputs into securitisation arrangements to which the Company is a party.

BOS provides cash management services defined under the Programme Documentation. Fees for these services are paid on behalf of the Company by Penarth Funding 1 Limited, a company which is part of the Penarth Asset Securitisation Holdings Limited Group, which amounted to £53,405,000 in the year (2015: £50,766,130).

Intertrust Management Limited provides corporate services pursuant to a corporate services agreement with the Company and was paid £21,966 for services provided in the year (2015: £16,000). These fees are paid on behalf of the Company by Penarth Funding 1 Limited.

During the year, the Company undertook the following transactions with BOS (the “Parent”) and other related parties within LBG:

	Parent	**Other related parties**	**Parent**	**Other related parties**
At 31 December or for the year then ended	**2016**	**2016**	**2015**	**2015**
	£’000	**£’000**	**£’000**	**£’000**
Interest receivable and similar income				
Interest on loans to related company	-	54,391	-	57,335
Bank Interest	4	-	14	-
Interest payable and similar charges				
Interest payable on Notes held by LBG and subsidiary undertakings	-	29,452	-	31,411
Income from Group undertaking	-	12	-	12
Assets				
Loans to related company	-	5,470,289	-	5,269,141
Interest receivable on loans to related company	-	1,658	-	2,062
Cash and cash equivalents	51	-	187	-
Liabilities				
Notes held by LBG and subsidiary undertakings	-	2,520,000	-	2,520,000
Interest payable on Notes held by LBG and subsidiary undertakings	-	903	-	1,118

The key management personnel during the year were the directors, as set out in the Directors’ Report.

13. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncements are not applicable for the year ended 31 December 2016 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Company.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories; fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. These changes are not expected to have a significant impact on the Company.

IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. This change in approach is not expected to have a significant impact on the Company.

The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach than IAS 39. The revised requirements are not expected to have a significant impact on the Company.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. This standard was endorsed in November 2016.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Financial instruments, leases and insurance contracts are out of scope and so this standard is not expected to have a significant impact on the Company.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. As at March 2017, this standard is awaiting EU endorsement.

14. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a wholly owned subsidiary of Penarth Asset Securitisation Holdings Limited, a company registered in England and Wales. The shares of Penarth Asset Securitisation Holdings Limited are held by Intertrust Corporate Services Limited, who holds the share capital on a discretionary trust basis for the benefit of certain charities.

The immediate parent undertaking is Penarth Asset Securitisation Holdings Limited. The ultimate controlling party is LBG a public limited company incorporated in the United Kingdom. LBG is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2016. BOS was the parent undertaking of the smallest of such group of undertakings. The consolidated financial statements of BOS and LBG are available from Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

APPENDIX D
STATISTICAL INFORMATION

BANK PORTFOLIO INFORMATION AS AT 28 FEBRUARY 2019

The following tables show information relating to the historic performance of Eligible Accounts originated using Bank of Scotland plc's and Lloyds Bank plc's underwriting criteria, respectively as at 28 February 2019. The Receivables from certain Eligible Accounts will ultimately back the notes and comprise the Receivables Trust (the "**Securitised Portfolio**"). As mentioned in the Base Prospectus, a member of Lloyds Banking Group may accede to the RSD as an Additional Transferor subject to certain conditions being satisfied.

Receivables Yield Considerations

The following tables set forth the gross revenues from finance charges and fees billed to Accounts in the Bank Portfolio of Bank of Scotland and Lloyds Bank for each of the years ended 31 December 2014, 2015, 2016, 2017, 2018 and the 2 months to 28 February 2019. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on an accrual basis. Collections of Receivables included in Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience shown in the following tables. For further detail, please see page 1845 of the Base Prospectus. Historical yield experience of the Bank Portfolio may not be indicative of future performance of the Bank Portfolio or the Securitised Portfolio.

Combined Bank of Scotland and Lloyds Bank Portfolio Yield

	Bank Portfolio Yield						
	As at end Feb 2019	2018	2017	2016	2015	2014	Notes
Average Monthly Accrued Finance Charges and Fees	£83,680,576	£90,236,296	£94,615,019	£101,984,120	£98,983,306	£99,099,985	1
Average Receivables Outstanding.....	£9,664,100,849	£9,881,151,360	£9,710,213,396	£9,352,430,011	£8,969,270,042	£8,560,584,480	2
Yield from Charges and Fees............	10.4%	11.0%	11.7%	13.1%	13.2%	13.9%	3,4
Yield from Interchange.	0.8%	0.8%	0.8%	0.7%	1.4%	1.6%	4
Yield from Charges, Fees and Interchange...............	11.2%	11.8%	12.5%	13.8%	14.6%	15.5%	4,5

NOTES:
(1) Finance Charges and Fees are comprised of Monthly Periodic charges and other credit card fees - this is the average accrued monthly amount
(2) Average receivables outstanding includes principal and finance charges, and excludes receivables charged off
(3) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.
(4) All ratios are annualised.
(5) Yield from interchange has reduced from November 2015 onwards as a result of the adoption of EU Interchange Fee Regulation.

Delinquency and Loss Experience

The following tables set forth the delinquency and loss experience for each of the periods shown for the Bank Portfolio of credit card accounts. The Bank Portfolio's delinquency and loss experience is comprised of segments which may, when taken individually, have delinquency and loss characteristics different from those of the overall Bank Portfolio of credit card accounts. Because the Securitised Portfolio is only a portion of the Bank Portfolio, actual delinquency and loss experience with respect to the Receivables comprised therein may be different from that set forth below for the Bank Portfolio. There can be no assurance that the delinquency and loss experience for the Securitised Portfolio in the future will be similar to the historical experience of the Bank Portfolio set forth below. For further detail, please see the Base Prospectus.

DELINQUENCY EXPERIENCE

Combined Bank of Scotland and Lloyds Bank Portfolio

	Delinquency Experience											
	As at end Feb 2019	**%**	**2018**	**%**	**2017**	**%**	**2016**	**%**	**2015**	**%**	**2014**	**%**
Receivables Outstanding[(1) (2)]....	£9,618,167,219		£9,707,374,097		£9,890,273,534		£9,625,819,243		£9,234,029,808		£8,783,521,093	
Receivables Delinquent...........												
5-29	£85,434,616	0.9%	£79,417,342	0.8%	£103,732,616	1.0%	£97,657,550	1.0%	£104,730,436	1.1%	£120,862,675	1.4%
30-59................	£29,552,899	0.3%	£29,826,375	0.3%	£31,898,212	0.3%	£33,645,286	0.3%	£32,779,641	0.4%	£37,335,286	0.4%
60-89................	£20,367,864	0.2%	£23,600,856	0.2%	£21,476,690	0.2%	£26,283,514	0.3%	£24,598,127	0.3%	£28,026,244	0.3%
90+..................	£58,424,275	0.6%	£55,593,722	0.6%	£45,510,020	0.5%	£48,840,705	0.5%	£45,583,791	0.5%	£48,341,230	0.6%
Total...............	**£193,779,654**	**2.0%**	**£188,438,295**	**1.9%**	**£202,617,538**	**2.0%**	**£206,427,055**	**2.1%**	**£207,691,995**	**2.2%**	**£234,565,435**	**2.7%**

Notes:
(1) Receivables outstanding represent end of period receivables.
(2) Receivables outstanding includes principal and finance charges, and excludes receivables charged off.

GROSS CHARGE-OFF EXPERIENCE

Combined Bank of Scotland and Lloyds Bank Portfolio

	Gross Charge-off Experience						
	As at end Feb 2019	**2018**	**2017**	**2016**	**2015**	**2014**	**Notes**
Average Receivables Outstanding...........	£9,664,100,849	£9,881,151,360	£9,710,213,396	£9,352,430,011	£8,969,270,042	£8,560,584,480	1
Total gross charge-offs........................	£44,940,661	£259,473,140	£254,955,707	£237,263,656	£248,776,502	£323,802,108	
Total gross charge-offs as % of receivables	2.9%	2.6%	2.6%	2.5%	2.8%	3.8%	2

Notes:
(1) Average receivables outstanding includes principal and finance charges, and excludes receivables charged off.
(2) All ratios are annualised.

Maturity Assumptions

The following tables set forth the highest and lowest cardholder monthly payment rates for the Bank Portfolio during any month in the periods shown and the average cardholder monthly payment rates for all months during the periods shown, in each case calculated as a percentage of total opening monthly account balances during the periods shown. Payment rates shown in the table are based on amounts which would be deemed payments of Principal Receivables and Finance Charge Receivables with respect to the related credit card accounts.

CARDHOLDER MONTHLY PAYMENTS RATES

Combined Bank of Scotland and Lloyds Bank Portfolio

	Cardholder Monthly Payment Rates						
	As at end Feb 2019	**2018**	**2017**	**2016**	**2015**	**2014**	**Notes**
Lowest Month	21.4%	20.3%	19.5%	18.5%	17.7%	18.5%	1
Highest Month.......	23.9%	23.4%	21.5%	20.9%	20.1%	20.3%	1
Monthly Average ..	22.7%	22.3%	20.7%	20.1%	19.2%	19.3%	1

Notes:
(1) Payment % = (Total Payments in calendar month/ Total Opening Receivables Outstandings at start of calendar month)*100.

For further detail, please see the Base Prospectus.

SECURITISED PORTFOLIO RECEIVABLES INFORMATION

As at 28 February 2019

The following tables summarise the Securitised Portfolio by various criteria as at the end of the day on 28 February 2019. Because the future composition of the Securitised Portfolio may change over time, these tables are not necessarily indicative of the composition of the Securitised Portfolio at any time subsequent to 28 February 2019.

Recent Lump Additions and Removals

Bank of Scotland may from time to time transfer Receivables to the Penarth Receivables Trust in lump additions by designating additional accounts to the Penarth Receivables Trust. Since 1 January 2013, Bank of Scotland has made the following lump additions of accounts to the Penarth Receivables Trust: on 1 July 2013, 1 June 2014, 1 November 2014, 1 June 2015, 1 November 2015, 1 March 2016, 1 November 2016, 1 November 2017, 1 June 2018 and 1 November 2018 the amounts of £682,802,110, £592,574,309, £635,657,464, £653,410,229, £687,026,190, £909,068,819, £545,751,827, £1,041,736,637, £783,362,155 and £751,311,493 respectively. The lump additions made since 8 November 2010 include Receivables transferred by Lloyds Bank to Bank of Scotland and subsequently transferred by Bank of Scotland to the Receivables Trustee.

On 26 February 2016, there was a redesignation and removal of certain credit card accounts in the amount of £170,930,762 from the Penarth Receivables Trust, which the Transferor selected after undertaking a review of the Designated Accounts in the Securitised Portfolio by reference to the definition of LCR Credit Impaired Accounts and LCR Defaulted Accounts in the LCR Regulations.

Receivables Yield Considerations

The following tables set forth the gross revenues from finance charges and fees billed to accounts in the Securitised Portfolio for the period from the year ended 31 December 2014, the year ended 31 December 2015, the year ended 31 December 2016, the year ended 31 December 2017, the year ended 31 December 2018 and the two months to 28 February 2019. Each table has been provided by Bank of Scotland. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on an accrual basis. Collections of Receivables included in the Penarth Receivables Trust will be on a cash basis and may not reflect the historical yield experience in the table. For further detail, please see the Base Prospectus.

Securitised Portfolio Yield

(non percentage amounts are expressed in Sterling)

	Year Ended 31 December						
Revenue Experience	**As at end Feb 2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**Notes**
Average Principal Receivables Outstanding	£7,965,680,023	£7,745,048,122	£7,276,772,762	£7,465,777,756	£6,799,653,813	£6,254,850,829	1
Average Finance Charges, Fees and Interchange	£85,701,406	£86,076,213	£84,145,695	£88,002,163	£93,062,132	£95,376,264	2,3
Yield from Finance Charges, Fees and Interchange	12.9%	13.3%	13.9%	14.1%	16.4%	18.3%	2,3,4

Notes:
(1) Average principal receivables outstanding is the average of the opening receivables balance for the period indicated.
(2) Finance Charges and Fees are comprised of monthly periodic charges and other credit card fees net of adjustments made pursuant to Bank of Scotland.
(3) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.
(4) All ratios are annualised.

Principal Payment Rate	Year Ended 31 December					
	As at end Feb 2019	**2018**	**2017**	**2016**	**2015**	**2014**
Lowest Month[(1)]	22.0%	21.2%	19.9%	19.8%	18.9%	19.0%
Highest Month[(1)]................	25.3%	27.4%	24.7%	22.8%	22.6%	22.6%
Average Month[(1)]..............	23.7%	24.4%	22.6%	21.4%	21.0%	21.3%

Notes:
(1) Payment rate calculated as principal collections in the calendar month over opening principal receivables

Securitised Portfolio Performance

	As at 28 February 2019			As at 31 December														
	2019			2018			2017			2016			2015			2014		
Delinquency Experience	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables	Number of Accounts	Principal Receivables	Percentage of Total Principal Receivables
Principal Receivables Outstanding [(1)]................	7,120,735	£7,783,087,643		£7,231,490	8,060,259,319		6,895,779	£7,701,054,954		6,904,122	£7,609,942,653		7,179,132	£7,311,898,934		6,839,904	£6,773,264,754	
Number of Days Delinquent:....................																		
5 to 29 Days	33,108	£66,016,701	0.85%	31,817	£61,332,706	0.76%	40,216	£74,166,386	0.96%	40,878	£69,062,263	0.91%	43,992	£75,530,506	1.03%	47,220	£86,737,340	1.28%
30 to 59 Days.................	9,011	£22,699,696	0.29%	9,488	£23,513,014	0.29%	10,372	£23,140,718	0.30%	10,224	£23,558,307	0.31%	10,480	£23,451,939	0.32%	11,590	£26,285,586	0.39%
60 to 89 Days.................	6,083	£15,695,932	0.20%	6,764	£17,845,306	0.22%	5,737	£14,416,317	0.19%	6,715	£18,197,209	0.24%	6,848	£17,132,508	0.23%	7,376	£19,456,361	0.29%
90 or more Days	15,635	£41,678,918	0.54%	14,750	£39,673,647	0.49%	11,508	£28,683,659	0.37%	12,593	£29,735,838	0.39%	12,539	£29,661,476	0.41%	13,822	£31,673,348	0.47%
Total	63,837	£146,091,248	1.88%	62,819	£142,364,672	1.77%	67,833	£140,407,080	1.82%	70,410	£140,553,616	1.85%	73,859	£145,776,429	1.99%	80,008	£164,152,636	2.42%

Notes:
(1) Principal Receivables outstanding represent the closing receivables at the period end.
(2) Delinquencies represent delinquent principal receivables at the period end.

Loss Experience

Loss Experience	**Period Ended 28 Feb**	**Year Ended 31 December**					
	28 Feb 2019	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2014**	**Notes**
Average Principal Receivables Outstanding....................................	£7,965,680,023	£7,745,048,122	£7,276,772,762	£7,465,777,756	£6,799,653,813	£6,254,850,829	1
Average Gross Losses..	£16,875,605	£14,595,739	£13,998,201	£10,927,256	£13,361,458	£18,192,668	2
Average Recoveries..	£4,011,964	£9,999,419	£9,445,420	£11,434,864	£11,818,366	£13,403,188	3
Average Net Losses..	£12,863,641	£4,596,320	£4,644,612	-£507,608	£1,543,092	£4,789,480	4,6
Gross Losses as a percentage of Principal Receivables Outstanding.	2.5%	2.3%	2.3%	1.8%	2.4%	3.5%	5
Net Losses as a percentage of Principal Receivables Outstanding	1.9%	0.7%	0.8%	-0.1%	0.3%	0.9%	5,6

Notes:
(1) Average principal receivables outstanding is the average of the opening receivables balance for the period indicated.
(2) Gross Losses are charged-off principal receivables.
(3) Recoveries are amounts received on previously charged-off principal receivables.
(4) Net Losses are Gross Losses minus Recoveries.
(5) All ratios are annualised.
(6) Average net losses and net losses as a % of principal receivables outstanding are negative in 2016, resulting from lower gross losses and relatively higher recoveries due to a debt sale in December 2016.

All ratios are annualised by multiplying by the following ratio: 365 divided by the number of days in the reported period.

COMPOSITION BY ACCOUNT BALANCE

Securitised Portfolio

Account Balance Range	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Credit Balance	543,808	7.6%	-£34,013,868	-0.4%
No Balance	2,288,550	32.1%	£0	0.0%
£0.01 - £5,000.00	3,849,558	54.1%	£4,771,257,080	58.9%
£5,000.01 - £10,000.00	370,393	5.2%	£2,529,345,041	31.2%
£10,000.01 - £15,000.00	66,234	0.9%	£795,604,838	9.8%
£15,000.01 - £20,000.00	1,898	0.0%	£31,181,205	0.4%
£20,000.01 or more	294	0.0%	£7,903,273	0.1%
Total	7,120,735	100.0%	£8,101,277,569	100.0%

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY CREDIT LIMIT

Securitised Portfolio

Credit Limit Range	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Less than £5,000.00	3,866,668	54.3%	£2,344,779,073	28.9%
£5,000.01 - £10,000.00	2,357,777	33.1%	£3,414,155,633	42.1%
£10,000.01 - £15,000.00	866,480	12.2%	£2,243,820,818	27.7%
£15,000.01 - £20,000.00	26,666	0.4%	£81,883,502	1.0%
£20,000.01 or more	3,144	0.0%	£16,638,544	0.2%
Total	7,120,735	100.0%	£8,101,277,569	100.0%

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY PERIOD OF DELINQUENCY

Securitised Portfolio

Period of Delinquency (Days contractually Delinquent)	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Not Delinquent	7,056,898	99.1%	£7,933,537,898	97.9%
5 - 29 Days	33,108	0.5%	£75,654,043	0.9%
30 - 59 Days	9,011	0.1%	£26,114,629	0.3%
60 - 89 Days	6,083	0.1%	£18,158,086	0.2%
90 or More Days	15,635	0.2%	£47,812,913	0.6%
Total	7,120,735	100.0%	£8,101,277,569	100.0%

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

COMPOSITION BY ACCOUNT AGE

Securitised Portfolio

Account Age	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
Not More Than 6 Months	-	0.0%	£0	0.0%
Over 6 Months to 12 Months	243,797	3.4%	£370,757,539	4.6%
Over 12 Months to 24 Months	704,264	9.9%	£1,074,016,662	13.3%
Over 24 Months to 36 Months	679,451	9.5%	£735,527,292	9.1%
Over 36 Months to 48 Months	587,493	8.3%	£578,220,679	7.1%
Over 48 Months to 60 Months	548,543	7.7%	£527,642,057	6.5%
Over 60 Months to 72 Months	447,940	6.3%	£429,194,482	5.3%
Over 72 Months	3,909,247	54.9%	£4,385,918,859	54.1%
Total	7,120,735	100.0%	£8,101,277,569	100.0%

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

GEOGRAPHIC DISTRIBUTION OF ACCOUNTS

Securitised Portfolio

Region	Total Number of Accounts	Percentage of Total Number of Accounts	Total Receivables[(1)]	Percentage of Total Receivables
East Anglia	840,396	11.8%	£1,005,717,837	12.4%
London	492,028	6.9%	£606,030,457	7.5%
Midlands	914,784	12.8%	£989,927,231	12.2%
North East England	922,253	13.0%	£989,712,874	12.2%
North West England	833,960	11.7%	£918,560,425	11.3%
Scotland	665,661	9.3%	£726,498,906	9.0%
South Central England	745,844	10.5%	£912,216,824	11.3%
South East England	676,677	9.5%	£848,398,808	10.5%
South West England	698,963	9.8%	£749,545,262	9.3%
Wales	299,642	4.2%	£334,249,829	4.1%
Other	30,527	0.4%	£20,419,117	0.3%
Total	7,120,735	100.0%	£8,101,277,569	100.0%

Notes:
(1) Total Receivables include Principal Receivables and Finance Charge Receivables.

SECURITISED PORTFOLIO YIELD AND SECURITISED PORTFOLIO PERFORMANCE ON A MONTHLY BASIS

	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014
Principal Receivables Outstanding[1]	£6,288,866,659	£6,143,351,530	£5,993,656,722	£5,858,841,586	£5,867,653,003	£6,374,844,071	£6,344,395,506	£6,286,649,064	£6,262,946,788	£6,201,226,999	£6,717,823,118	£6,717,954,901
Total Receivables Outstanding[1]	£6,710,924,802	£6,567,607,531	£6,418,248,794	£6,268,503,562	£6,282,376,248	£6,792,915,618	£6,761,884,664	£6,698,669,512	£6,680,514,273	£6,614,254,603	£7,129,000,357	£7,137,012,451
Net Losses as % of Principal Receivables Outstanding[2]	0.3%	2.5%	2.7%	2.5%	0.7%	2.1%	-3.49%	-0.63%	1.54%	1.67%	1.07%	0.75%
Percentage of Total Receivables Delinquent 30+ Days[3]	1.68%	1.73%	1.67%	1.62%	1.50%	1.38%	1.35%	1.38%	1.32%	1.31%	1.20%	1.14%
Yield from Finance Charges, Fees and Interchange[4]	18.6%	19.6%	19.9%	18.3%	19.5%	18.3%	18.23%	16.66%	19.05%	19.30%	15.51%	17.62%
Receivables Principal Payment Rate[5]	22.4%	19.6%	21.9%	20.1%	21.8%	21.1%	22.04%	20.07%	22.15%	22.38%	18.97%	22.55%
Percentage of accounts making minimum monthly payment	8.7%	8.5%	8.7%	8.4%	8.6%	8.8%	8.9%	8.8%	8.7%	8.6%	8.8%	9.0%
Percentage of accounts paying full balance	25.4%	24.9%	24.3%	24.4%	24.7%	24.0%	24.5%	24.3%	24.4%	24.4%	24.3%	24.3%

	Jan-2015	Feb-2015	Mar-2015	Apr-2015	May-2015	Jun-2015	Jul-2015	Aug-2015	Sep-2015	Oct-2015	Nov-2015	Dec-2015
Principal Receivables Outstanding[1]	£6,773,264,754	£6,573,707,083	£6,494,521,040	£6,396,650,659	£6,383,167,655	£6,968,878,034	£6,930,131,895	£6,828,292,290	£6,892,339,707	£6,743,261,511	£7,298,676,788	£7,312,954,336
Total Receivables Outstanding[1]	£7,183,707,404	£6,984,591,663	£6,911,735,528	£6,797,615,728	£6,787,266,695	£7,378,594,775	£7,336,946,851	£7,227,438,619	£7,299,221,456	£7,146,753,454	£7,702,530,874	£7,716,414,625
Net Losses as % of Principal Receivables Outstanding[2]	0.8%	1.0%	1.1%	0.8%	0.7%	1.1%	-5.54%	0.81%	0.89%	0.68%	0.82%	0.30%
Percentage of Total Receivables Delinquent 30+ Days[3]	1.18%	1.20%	1.18%	1.20%	1.18%	1.05%	1.06%	1.06%	1.05%	1.09%	0.97%	0.96%
Yield from Finance Charges, Fees and Interchange[4]	16.8%	16.8%	19.0%	17.0%	16.2%	16.6%	17.18%	14.65%	17.13%	16.26%	15.48%	14.92%
Receivables Principal Payment Rate[5]	21.5%	18.9%	22.6%	20.3%	20.5%	21.6%	22.17%	19.33%	22.00%	21.63%	20.64%	21.35%
Percentage of accounts making minimum monthly payment	9.1%	8.8%	8.8%	8.6%	8.7%	9.2%	9.2%	9.1%	9.1%	9.0%	9.4%	9.5%
Percentage of accounts paying full balance	24.0%	23.9%	23.7%	23.6%	24.2%	24.1%	24.3%	24.1%	24.3%	24.4%	24.3%	24.3%

	Jan-2016	Feb-2016	Mar-2016	Apr-2016	May-2016	Jun-2016	Jul-2016	Aug-2016	Sep-2016	Oct-2016	Nov-2016	Dec-2016
Principal Receivables Outstanding[1]	£7,311,898,934	£7,128,435,356	£7,751,844,135	£7,630,646,227	£7,560,545,874	£7,501,977,101	£7,427,510,161	£7,350,010,623	£7,338,045,125	£7,232,945,547	£7,666,877,140	£7,688,596,848
Total Receivables Outstanding[1]	£7,711,930,446	£7,533,341,967	£8,138,965,676	£8,011,120,387	£7,946,893,776	£7,884,313,306	£7,812,425,234	£7,734,823,578	£7,719,684,317	£7,611,691,944	£8,041,636,797	£8,064,501,269
Net Losses as % of Principal Receivables Outstanding[2]	0.7%	0.7%	-0.5%	-0.3%	0.0%	0.4%	0.90%	-1.86%	0.86%	1.00%	1.15%	-3.77%
Percentage of Total Receivables Delinquent 30+ Days[3]	1.03%	0.57%	0.63%	0.74%	0.80%	0.86%	0.88%	0.87%	0.95%	1.00%	0.92%	0.94%
Yield from Finance Charges, Fees and Interchange[4]	13.3%	15.4%	14.4%	13.1%	14.2%	14.0%	13.63%	14.36%	15.73%	14.88%	13.48%	13.55%
Receivables Principal Payment Rate[5]	20.6%	21.3%	21.2%	19.8%	21.7%	21.0%	20.89%	22.83%	22.11%	22.57%	21.02%	21.80%
Percentage of accounts making minimum monthly payment	9.6%	9.2%	9.9%	9.7%	9.7%	9.6%	9.6%	9.7%	9.7%	9.6%	9.9%	10.1%
Percentage of accounts paying full balance	25.2%	25.5%	25.4%	24.9%	24.3%	24.4%	24.7%	24.0%	24.5%	24.3%	24.4%	24.4%

	Jan-2017	Feb-2017	Mar-2017	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017
Principal Receivables Outstanding(1)	£7,609,942,653	£7,421,520,590	£7,326,986,902	£7,179,239,539	£7,190,217,236	£7,122,974,530	£7,051,709,650	£7,022,991,887	£6,988,404,042	£6,896,911,862	£7,757,011,360	£7,753,362,896
Total Receivables Outstanding(1)	£7,979,943,227	£7,788,573,272	£7,698,089,247	£7,534,862,508	£7,552,789,664	£7,476,248,496	£7,403,847,053	£7,369,812,659	£7,333,364,603	£7,243,797,120	£8,100,077,398	£8,097,040,122
Net Losses as % of Principal Receivables Outstanding(2)	1.3%	2.2%	0.5%	-1.7%	1.6%	1.1%	-2.25%	1.22%	1.26%	1.52%	1.24%	0.99%
Percentage of Total Receivables Delinquent 30+ Days(3)	0.96%	0.90%	0.96%	0.90%	0.83%	0.85%	0.84%	0.86%	0.88%	0.88%	0.79%	0.86%
Yield from Finance Charges, Fees and Interchange(4)	13.8%	14.2%	15.1%	12.6%	14.6%	14.5%	14.30%	13.92%	13.73%	14.66%	13.24%	12.05%
Receivables Principal Payment Rate(5)	23.4%	20.1%	24.0%	19.9%	24.0%	22.7%	23.52%	23.30%	22.15%	24.68%	22.37%	21.38%
Percentage of accounts making minimum monthly payment	10.0%	9.6%	9.6%	9.4%	9.7%	9.7%	9.7%	9.6%	9.6%	9.6%	9.9%	10.1%
Percentage of accounts paying full balance	25.0%	24.8%	24.6%	25.0%	25.7%	25.8%	26.1%	26.3%	26.5%	26.7%	26.0%	26.0%

	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018	Jul-2018	Aug-2018	Sep-2018	Oct-2018	Nov-2018	Dec-2018
Principal Receivables Outstanding(1)	£7,701,054,954	£7,544,913,964	£7,443,391,685	£7,280,585,189	£7,228,527,868	£7,966,457,910	£7,945,310,391	£7,841,111,474	£7,789,015,706	£7,726,574,489	£8,294,821,722	£8,178,812,106
Total Receivables Outstanding(1)	£8,045,733,155	£7,887,066,085	£7,791,118,529	£7,616,904,458	£7,564,884,728	£8,304,227,209	£8,287,842,418	£8,175,027,606	£8,120,282,390	£8,063,057,638	£8,622,162,030	£8,499,341,362
Net Losses as % of Principal Receivables Outstanding(2)	1.8%	1.8%	1.0%	0.7%	1.1%	1.1%	-0.8%	1.8%	0.5%	1.7%	2.3%	-3.9%
Percentage of Total Receivables Delinquent 30+ Days(3)	0.88%	0.91%	1.00%	1.12%	1.15%	1.08%	1.04%	1.04%	1.04%	1.06%	0.96%	1.01%
Yield from Finance Charges, Fees and Interchange(4)	13.4%	13.7%	14.0%	13.8%	14.0%	12.3%	13.5%	13.3%	12.4%	14.5%	13.2%	12.4%
Receivables Principal Payment Rate(5)	24.9%	21.2%	24.1%	24.6%	25.4%	22.8%	25.9%	25.1%	22.5%	27.4%	24.2%	24.2%
Percentage of accounts making minimum monthly payment	10.1%	9.7%	9.7%	9.5%	9.5%	9.8%	9.8%	9.7%	9.7%	9.3%	9.6%	9.7%
Percentage of accounts paying full balance	25.7%	25.7%	25.6%	25.6%	26.5%	25.7%	26.1%	26.4%	26.5%	26.5%	25.5%	25.6%

	Jan-2018	Feb-2018
Principal Receivables Outstanding(1)	£8,060,259,319	£7,871,100,726
Total Receivables Outstanding(1)	£8,374,600,509	£8,184,487,445
Net Losses as % of Principal Receivables Outstanding(2)	2.1%	1.8%
Percentage of Total Receivables Delinquent 30+ Days(3)	1.01%	1.03%
Yield from Finance Charges, Fees and Interchange(4)	12.7%	13.1%
Receivables Principal Payment Rate(5)	25.3%	22.0%
Percentage of accounts making minimum monthly payment	9.6%	9.3%
Percentage of accounts paying full balance	24.9%	24.5%

Notes:

(1) Principal Receivables and total Receivables outstanding are at the beginning of the period.

(2) Net losses includes recoveries from previously charged off accounts.

(3) Delinquencies represent delinquent Principal Receivables.

(4) Yield from charges and fees include interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards.

(5) Payment rate calculated as principal collections in the calendar month over opening Principal Receivables.

STATIC POOL DATA

The following tables present yield, net charge off, delinquencies, principal payment rate, total payment rate, Principal Receivables balance and total Receivables balance for Receivables included in the Securitised Portfolio since January 2014. In each case, the information is organised by calendar year of account origination ("**Year of Account Origination**") for each monthly period.

The data reflects the combined Bank of Scotland and Lloyds Bank Receivables in the Penarth Receivables Trust.

Yield from finance charges, fees and interchange

Year of Account Origination	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014
Pre-2007	20.09%	21.15%	21.41%	19.47%	20.78%	20.69%	20.50%	18.55%	21.17%	20.88%	18.25%	20.84%
2007.................	18.75%	19.88%	20.23%	18.39%	19.29%	19.51%	19.24%	17.67%	20.03%	19.39%	17.51%	19.36%
2008.................	20.02%	21.05%	20.88%	19.40%	20.34%	20.58%	20.19%	18.51%	21.00%	20.56%	18.24%	20.53%
2009.................	18.92%	19.63%	19.82%	18.05%	19.29%	19.28%	18.88%	17.33%	19.84%	19.30%	16.92%	19.06%
2010.................	17.00%	17.52%	17.95%	16.44%	17.44%	17.55%	17.46%	15.96%	18.09%	17.61%	15.42%	17.52%
2011.................	16.32%	16.89%	16.67%	15.42%	16.40%	16.78%	16.63%	15.12%	17.11%	16.64%	14.78%	16.28%
2012.................	11.69%	13.22%	14.39%	14.15%	15.59%	16.32%	16.44%	15.04%	16.86%	16.13%	14.32%	15.51%
2013.................	6.02%	6.48%	7.18%	7.41%	8.61%	5.49%	5.97%	6.06%	7.67%	8.16%	7.49%	9.02%
2014.................						3.37%	2.69%	2.50%	3.02%	3.20%	3.29%	3.52%
2015.................												
2016.................												

Year of Account Origination	Jan-2015	Feb-2015	Mar-2015	Apr-2015	May-2015	Jun-2015	Jul-2015	Aug-2015	Sep-2015	Oct-2015	Nov-2015	Dec-2015
Pre-2007	19.32%	19.47%	21.24%	19.37%	18.40%	20.10%	20.56%	17.36%	19.54%	19.11%	19.21%	18.59%
2007.................	18.28%	18.44%	20.09%	18.24%	17.17%	18.69%	19.24%	16.38%	18.25%	17.52%	18.09%	17.02%
2008.................	19.28%	19.33%	21.01%	19.11%	18.17%	19.75%	20.41%	17.38%	19.33%	18.77%	19.06%	17.97%
2009.................	18.34%	17.99%	19.79%	18.00%	17.18%	18.71%	19.02%	15.97%	18.14%	17.72%	17.99%	16.99%
2010.................	16.81%	16.34%	18.21%	16.61%	15.67%	17.23%	17.82%	15.09%	16.88%	16.39%	16.79%	15.84%
2011.................	15.88%	15.61%	17.00%	15.63%	14.62%	16.09%	16.78%	14.33%	15.92%	15.43%	15.91%	14.96%
2012.................	15.31%	14.57%	15.85%	14.28%	13.46%	14.86%	15.29%	13.00%	14.52%	14.18%	14.50%	13.62%
2013.................	9.90%	10.38%	12.32%	11.75%	11.41%	12.74%	13.76%	11.98%	13.82%	13.89%	14.42%	13.84%
2014.................	3.85%	3.77%	4.56%	4.70%	4.75%	4.77%	5.78%	5.35%	6.54%	6.76%	7.18%	7.17%
2015.................						2.17%	2.38%	2.17%	2.69%	2.72%	2.88%	2.81%
2016.................												

Year of Account Origination	Jan-2016	Feb-2016	Mar-2016	Apr-2016	May-2016	Jun-2016	Jul-2016	Aug-2016	Sep-2016	Oct-2016	Nov-2016	Dec-2016
Pre-2007	16.27%	18.85%	19.28%	17.31%	18.45%	17.92%	17.42%	18.38%	19.62%	18.46%		
2007.................	15.00%	17.49%	17.51%	16.04%	16.80%	16.33%	15.78%	16.55%	17.80%	16.77%		
2008.................	16.18%	18.61%	18.75%	17.19%	18.27%	17.68%	17.14%	17.86%	19.19%	18.02%		
2009.................	15.07%	17.25%	17.64%	16.08%	17.19%	16.58%	15.98%	16.88%	18.08%	17.03%		
2010.................	13.60%	15.96%	16.32%	14.64%	15.82%	15.47%	14.82%	15.61%	16.81%	15.72%		
Pre-2011											16.95%	16.84%
2011.................	13.19%	15.08%	15.39%	13.95%	14.94%	14.58%	13.93%	14.34%	15.52%	14.59%	14.19%	14.08%
2012.................	12.19%	13.88%	14.02%	12.65%	13.69%	13.51%	12.86%	13.19%	14.40%	13.75%	13.32%	13.03%
2013.................	12.64%	14.52%	14.74%	13.26%	14.36%	14.10%	13.21%	13.57%	15.05%	13.99%	13.29%	13.27%
2014.................	6.78%	8.09%	8.73%	8.25%	9.56%	9.87%	9.77%	10.35%	11.90%	11.34%	11.02%	11.29%
2015.................	2.53%	3.19%	3.23%	2.88%	3.60%	3.91%	4.14%	4.41%	5.98%	5.82%	5.98%	6.39%
2016.................											2.93%	3.09%

Year of Account Origination	Jan-2017	Feb-2017	Mar-2017	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017
Pre-2007												
2007.................												
2008.................												
2009.................												
2010.................												
Pre-2011	16.81%	17.22%	18.26%	14.99%	17.40%	17.05%	16.68%	16.12%	15.82%	16.83%	17.33%	15.09%
2011.................	14.36%	14.79%	15.28%	13.04%	14.89%	14.77%	14.43%	13.87%	13.85%	14.52%	14.43%	13.23%
2012.................	13.47%	13.65%	14.29%	12.10%	13.70%	13.81%	13.44%	13.02%	12.83%	13.65%	13.55%	12.53%
2013.................	13.61%	13.78%	14.47%	12.10%	13.89%	13.66%	13.38%	13.03%	12.68%	13.56%	13.01%	12.29%
2014.................	11.94%	12.29%	13.30%	11.42%	13.26%	13.30%	13.05%	12.71%	12.46%	13.25%	12.50%	12.10%
2015.................	7.00%	7.27%	7.89%	6.80%	8.11%	8.48%	8.68%	8.81%	9.02%	9.84%	9.30%	9.63%
2016.................	3.43%	3.75%	4.34%	3.96%	4.83%	5.17%	5.29%	5.39%	5.53%	6.02%	4.93%	5.23%
2017.................											2.14%	2.16%

Year of Account Origination	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018	Jul-2018	Aug-2018	Sep-2018	Oct-2018	Nov-2018	Dec-2018
Pre-2007												
2007..................												
2008..................												
2009..................												
2010..................												
Pre-2011	16.46%	16.75%	16.81%	16.57%	16.68%	15.57%	17.05%	16.67%	15.42%	17.91%	17.41%	16.19%
2011..................	14.59%	14.92%	14.67%	14.66%	14.79%	13.85%	15.00%	14.81%	13.61%	15.72%	15.39%	14.26%
2012..................	13.82%	14.10%	13.94%	14.07%	14.31%	13.51%	14.54%	14.28%	13.21%	15.16%	14.84%	14.01%
2013..................	13.84%	13.88%	13.93%	14.03%	14.22%	13.23%	14.47%	14.19%	13.10%	15.00%	14.76%	13.94%
2014..................	13.51%	13.60%	13.57%	13.66%	13.77%	12.86%	14.02%	13.80%	12.70%	14.64%	14.39%	13.57%
2015..................	11.18%	11.64%	11.86%	12.26%	12.63%	12.03%	13.27%	13.18%	12.17%	14.15%	14.05%	13.17%
2016..................	6.22%	6.58%	6.86%	7.22%	7.72%	7.45%	8.52%	8.84%	8.58%	10.29%	10.77%	10.45%
2017..................	2.56%	2.91%	3.11%	3.42%	3.72%	3.23%	3.62%	3.74%	3.58%	4.15%	4.31%	4.07%
2018..................											2.59%	2.13%

Year of Account Origination	Jan-2019	Feb-2019
Pre-2007		
2007..................		
2008..................		
2009..................		
2010..................		
Pre-2011	16.32%	16.90%
2011..................	14.64%	15.14%
2012..................	14.33%	14.78%
2013..................	14.50%	14.77%
2014..................	14.05%	14.40%
2015..................	13.67%	13.99%
2016..................	11.26%	11.73%
2017..................	4.38%	4.63%
2018..................	2.20%	2.37%

Yield from finance charges and fees includes interest income, late fees, forex fees, credit insurance, card protection insurance, overlimit fees, cash advance fees, ATM fees, Balance Transfer fees and other fees related to credit cards. The yield percentage for each monthly period is calculated by dividing the sum of finance charges, fees and interchange during each monthly period by the Principal Receivables balance as of the beginning of the monthly period, then annualised by dividing the result by the number of days in each monthly period and multiplying by the number of days in the calendar year.

Volatility in the yield percentage is driven primarily by variations in the number of collection days during the performance period; the more collection days there are, the higher the value of payments received, and the higher the reported yield.

Pre-2004 the operating environment in the UK for credit cards issuers was less competitive, and Lloyds Banking Group's acquisition strategy for the Lloyds portfolio had initial APRs at account origination which were typically higher; accordingly, the pre-2004 vintages have a slightly higher yield compared with the post-2004 vintages.

In July 2007, Lloyds launched the Airmiles Duo card, taking over the Airmiles relationship from National Westminster Bank plc ("**NatWest**"). This product rewarded credit card spend with Airmiles, and attracted a higher proportion of convenience users who were less likely to revolve a balance on an account and attract interest charges. Yield on the Lloyds originated accounts from 2007 is therefore lower than accounts originated in years prior to 2007. The Airmile Duo product was rebranded to Duo Avios in November 2011 and was moved to a new Avios rewards product in November 2013.

Yield on accounts acquired since 2010 is lower than for previous years as a result of an improvement in the quality of new accounts acquired in these years compared to previous years driven by a combination of management actions to improve underwriting, a higher concentration of full payers acquired on the reward products offered by Lloyds and a general improvement in the macro environment.

From 2014 onwards both Balance Transfers as a percentage of the portfolio and the length of Balance Transfer promotion periods have increased in line with wider market trends, resulting in some dilution of yield.

In addition yield from interchange has reduced from November 2015 onwards as a result of the adoption of EU Interchange Fee Regulation.

Net Charge Off

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	0.17%	2.16%	2.51%	2.27%	0.77%	2.10%	-3.51%	-0.59%	1.42%	1.43%	0.35%	0.05%
2007...	0.41%	2.32%	3.21%	2.66%	0.93%	2.40%	-3.80%	-0.72%	1.78%	1.55%	1.07%	0.22%
2008...	1.04%	3.46%	3.25%	2.91%	0.79%	2.59%	-4.39%	-0.89%	1.87%	1.90%	1.75%	0.92%
2009...	1.05%	2.53%	2.80%	3.02%	0.41%	2.53%	-3.61%	-0.80%	1.86%	1.72%	1.97%	1.02%
2010...	0.50%	2.98%	2.75%	2.59%	0.02%	2.23%	-3.80%	-0.71%	1.77%	1.63%	2.14%	1.64%
2011...	1.10%	3.27%	3.11%	2.98%	0.89%	2.49%	-4.59%	-0.77%	1.97%	2.03%	3.26%	2.58%
2012...	-0.16%	2.90%	2.81%	3.14%	0.89%	2.56%	-4.15%	-0.87%	2.07%	2.18%	2.99%	3.40%
2013...	-2.16%	0.38%	0.44%	0.26%	-1.08%	0.36%	-0.99%	-0.21%	0.80%	0.97%	1.06%	1.43%
2014...						0.03%	-0.12%	-0.02%	0.14%	0.38%	0.17%	0.33%
2015...												
2016...												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	0.21%	0.24%	0.38%	0.01%	-0.14%	0.29%	-10.67%	0.01%	0.07%	-0.22%	0.13%	-0.51%
2007...	0.62%	1.01%	0.88%	0.51%	0.77%	0.99%	-7.60%	0.78%	0.70%	0.85%	0.30%	0.00%
2008...	1.43%	1.45%	1.22%	1.58%	0.89%	1.80%	-6.02%	1.09%	1.13%	0.86%	0.88%	-0.01%
2009...	1.18%	1.14%	1.59%	0.95%	1.13%	1.62%	-4.58%	1.00%	1.50%	0.92%	0.86%	-0.10%
2010...	1.80%	1.82%	2.06%	1.33%	1.37%	1.98%	-1.55%	1.61%	1.12%	0.95%	1.21%	0.56%
2011...	2.44%	2.57%	2.97%	2.94%	2.69%	2.69%	0.31%	2.46%	2.31%	2.05%	2.36%	1.44%
2012...	2.70%	3.10%	3.18%	2.72%	2.46%	3.16%	2.23%	2.38%	2.65%	2.64%	2.85%	1.89%
2013...	1.32%	1.75%	1.93%	2.02%	2.18%	2.34%	2.24%	2.31%	2.33%	2.23%	2.47%	2.38%
2014...	0.31%	0.49%	0.70%	1.03%	1.23%	0.83%	0.75%	0.85%	1.04%	1.17%	1.12%	1.21%
2015...						0.03%	0.07%	0.12%	0.27%	0.39%	0.24%	0.25%
2016...												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2016											
Pre-2007	-0.14%	-0.07%	-1.49%	-1.28%	-0.77%	-0.52%	-0.09%	-4.05%	-0.17%	0.04%		
2007..	0.09%	0.01%	-1.13%	-1.10%	-0.39%	0.08%	-0.01%	-4.15%	0.21%	0.13%		
2008..	0.60%	0.88%	-0.85%	-0.61%	-0.40%	0.00%	0.64%	-3.87%	0.34%	0.90%		
2009..	0.89%	0.60%	-0.76%	-0.26%	-0.48%	0.34%	1.01%	-3.08%	0.57%	1.17%		
2010..	1.40%	1.00%	-0.29%	0.15%	0.15%	0.39%	1.18%	-2.14%	1.31%	1.04%		
Pre-2011											0.62%	-7.22%
2011..	2.19%	2.09%	0.10%	0.49%	1.16%	1.16%	1.96%	-1.13%	1.78%	1.60%	1.82%	-3.13%
2012..	2.10%	2.32%	0.14%	0.92%	1.18%	1.59%	2.42%	-0.63%	1.68%	1.69%	2.00%	-1.80%
2013..	2.60%	2.49%	0.87%	1.24%	1.49%	2.46%	2.68%	1.52%	2.61%	2.53%	2.49%	1.17%
2014..	1.34%	1.55%	0.63%	1.02%	1.10%	1.70%	2.36%	2.05%	2.55%	2.60%	2.47%	2.14%
2015..	0.31%	0.44%	0.30%	0.30%	0.45%	0.71%	1.12%	1.15%	1.41%	1.61%	1.82%	1.87%
2016..											0.14%	0.14%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2017											
Pre-2007												
2007..												
2008..												
2009..												
2010..												
Pre-2011	0.68%	1.66%	-0.23%	-4.56%	0.87%	0.43%	-4.54%	0.47%	0.51%	0.75%	0.51%	0.52%
2011..	2.23%	3.08%	0.57%	-0.24%	2.12%	1.46%	-2.22%	1.68%	1.83%	1.65%	1.91%	1.31%
2012..	2.11%	3.37%	1.00%	1.32%	2.55%	1.71%	-1.67%	1.95%	2.10%	1.83%	2.04%	1.21%
2013..	2.79%	2.89%	1.77%	2.63%	2.77%	2.19%	0.20%	2.32%	2.12%	2.46%	2.22%	1.87%
2014..	2.87%	4.10%	2.18%	3.69%	2.97%	2.75%	2.29%	2.72%	2.94%	3.11%	3.10%	2.23%
2015..	2.16%	2.82%	1.72%	2.84%	2.70%	2.10%	2.30%	2.49%	2.39%	3.27%	3.02%	2.53%
2016..	0.28%	0.75%	0.64%	1.18%	1.53%	1.67%	1.91%	1.95%	2.00%	2.40%	1.31%	1.10%
2017..											0.47%	0.09%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre-2007												
2007												
2008												
2009												
2010												
Pre-2011	1.11%	0.96%	0.32%	0.04%	0.43%	0.34%	-3.46%	1.02%	-0.99%	0.76%	1.38%	-8.91%
2011	2.15%	2.01%	1.44%	0.79%	1.48%	1.31%	-0.34%	1.96%	1.33%	1.63%	3.00%	-3.93%
2012	2.55%	2.64%	1.59%	1.31%	1.54%	2.01%	0.24%	2.37%	0.86%	2.16%	3.15%	-3.75%
2013	3.48%	3.28%	2.06%	1.89%	1.56%	2.04%	0.70%	2.69%	1.85%	2.66%	3.43%	-1.89%
2014	3.81%	3.69%	2.40%	2.02%	2.39%	2.57%	2.41%	3.29%	2.53%	3.08%	4.39%	0.02%
2015	3.85%	4.24%	2.23%	1.93%	2.89%	2.94%	3.19%	3.96%	3.44%	3.64%	5.01%	1.01%
2016	1.86%	2.20%	1.31%	1.30%	1.90%	1.86%	2.81%	2.85%	2.39%	2.88%	4.23%	1.94%
2017	0.33%	0.53%	0.43%	0.42%	0.85%	0.49%	1.18%	0.92%	1.11%	1.16%	1.86%	1.40%
2018											0.12%	0.24%

Year of Account Origination	Jan	Feb
	2019	
Pre-2007		
2007		
2008		
2009		
2010		
Pre-2011	1.30%	0.96%
2011	2.27%	1.50%
2012	2.97%	2.57%
2013	2.90%	2.52%
2014	3.46%	2.87%
2015	4.14%	3.37%
2016	4.28%	4.02%
2017	1.90%	1.76%
2018	0.47%	0.54%

Net losses for a performance period is calculated as Principal Receivables charged off during the performance period less recoveries received on previously charged off accounts during the performance period, all divided by the Principal Receivables balance as of the beginning of the performance period, then annualised by dividing the result by the number of days in the performance period and multiplying by the number of days in the calendar year.

In 2008 during the economic market dislocation, there was an industry-wide deterioration in the quality of business acquired. Lloyds Banking Group undertook significant de-risking in response, with tighter cutoffs reducing volume and lower initial credit lines. This activity was undertaken in the second half of 2008 and into 2009. This has resulted in a significant improvement in the credit quality of accounts originated since 2009.

Net charge offs in August 2013, January 2014, May 2014, July 2014, August 2014, May 2015, July 2015, December 2015, August 2016, December 2016, April 2017 and July 2017 are negative for some vintages and below trend for others. This is due to the sale of previously charged off accounts to a third party whereby the proceeds from the sale were recorded as recoveries in the month.

On the 26 February 2016 approximately £193.5 million of receivables were removed on accounts selected by reference to the LCR Regulation which resulted in a reduction in net charge offs in March 2016.

30+days Delinquencies

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	1.87%	1.93%	1.85%	1.78%	1.63%	1.59%	1.55%	1.57%	1.51%	1.49%	1.50%	1.40%
2007......................	2.09%	2.17%	2.00%	1.95%	1.77%	1.73%	1.65%	1.69%	1.56%	1.52%	1.51%	1.42%
2008......................	2.23%	2.25%	2.18%	2.13%	2.05%	2.02%	1.92%	1.94%	1.79%	1.75%	1.72%	1.61%
2009......................	2.05%	2.10%	2.02%	1.91%	1.84%	1.81%	1.84%	1.88%	1.73%	1.66%	1.60%	1.55%
2010......................	1.89%	1.87%	1.79%	1.81%	1.73%	1.70%	1.67%	1.71%	1.62%	1.62%	1.58%	1.48%
2011......................	2.12%	2.14%	2.11%	2.09%	2.01%	1.97%	1.92%	1.98%	1.87%	1.83%	1.80%	1.71%
2012......................	1.68%	1.85%	1.94%	1.98%	1.97%	1.93%	1.97%	2.00%	1.88%	1.84%	1.77%	1.68%
2013......................	0.77%	0.89%	0.96%	1.08%	1.16%	0.53%	0.63%	0.75%	0.79%	0.83%	0.64%	0.73%
2014......................						0.15%	0.19%	0.31%	0.38%	0.43%	0.09%	0.21%
2015......................												
2016......................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	1.41%	1.43%	1.38%	1.38%	1.33%	1.29%	1.25%	1.26%	1.23%	1.25%	1.23%	1.18%
2007......................	1.48%	1.46%	1.41%	1.45%	1.44%	1.46%	1.46%	1.40%	1.37%	1.39%	1.30%	1.20%
2008......................	1.68%	1.67%	1.65%	1.65%	1.63%	1.57%	1.58%	1.55%	1.54%	1.52%	1.46%	1.38%
2009......................	1.58%	1.59%	1.53%	1.58%	1.49%	1.48%	1.47%	1.49%	1.40%	1.44%	1.40%	1.37%
2010......................	1.46%	1.47%	1.42%	1.45%	1.40%	1.35%	1.34%	1.31%	1.31%	1.35%	1.33%	1.26%
2011......................	1.76%	1.79%	1.72%	1.72%	1.66%	1.59%	1.61%	1.57%	1.50%	1.57%	1.55%	1.47%
2012......................	1.77%	1.76%	1.71%	1.72%	1.68%	1.62%	1.65%	1.64%	1.61%	1.56%	1.47%	1.45%
2013......................	0.85%	0.96%	1.03%	1.15%	1.21%	1.07%	1.12%	1.14%	1.21%	1.27%	1.23%	1.26%
2014......................	0.31%	0.41%	0.49%	0.59%	0.69%	0.35%	0.43%	0.54%	0.62%	0.70%	0.61%	0.71%
2015......................							0.09%	0.17%	0.29%	0.39%	0.10%	0.21%
2016......................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	1.23%	0.65%	0.81%	0.92%	0.96%	1.02%	1.02%	1.01%	1.13%	1.22%		
2007......................	1.27%	0.68%	0.85%	0.96%	1.00%	1.01%	1.06%	1.03%	1.13%	1.19%		
2008......................	1.46%	0.80%	0.94%	1.07%	1.19%	1.24%	1.23%	1.23%	1.38%	1.41%		
2009......................	1.46%	0.71%	0.98%	1.03%	1.09%	1.14%	1.15%	1.13%	1.26%	1.25%		
2010......................	1.32%	0.72%	0.84%	0.93%	0.98%	1.08%	1.07%	1.07%	1.12%	1.20%		
Pre-2011											1.21%	1.20%
2011......................	1.52%	0.82%	0.97%	1.12%	1.18%	1.24%	1.25%	1.15%	1.18%	1.23%	1.21%	1.23%
2012......................	1.50%	0.79%	1.04%	1.20%	1.29%	1.28%	1.24%	1.17%	1.21%	1.23%	1.22%	1.26%
2013......................	1.38%	0.76%	0.91%	1.06%	1.19%	1.21%	1.27%	1.23%	1.21%	1.21%	1.17%	1.17%
2014......................	0.84%	0.50%	0.60%	0.76%	0.90%	1.01%	1.06%	1.09%	1.12%	1.14%	1.17%	1.21%
2015......................	0.32%	0.29%	0.17%	0.29%	0.38%	0.50%	0.58%	0.66%	0.73%	0.78%	0.81%	0.85%
2016......................											0.00%	0.15%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2017						
Pre-2007												
2007......................												
2008......................												
2009......................												
2010......................												
Pre-2011	1.18%	1.07%	1.10%	1.02%	0.93%	0.93%	0.92%	0.92%	0.93%	0.93%	0.95%	0.99%
2011......................	1.24%	1.16%	1.24%	1.11%	1.00%	1.06%	1.04%	1.05%	1.05%	1.03%	1.02%	1.08%
2012......................	1.27%	1.21%	1.29%	1.19%	1.06%	1.09%	1.07%	1.08%	1.04%	1.09%	1.04%	1.15%
2013......................	1.18%	1.15%	1.21%	1.15%	1.07%	1.05%	1.08%	1.08%	1.11%	1.13%	1.12%	1.20%
2014......................	1.25%	1.25%	1.34%	1.27%	1.21%	1.25%	1.19%	1.21%	1.24%	1.25%	1.30%	1.45%
2015......................	0.92%	0.92%	1.02%	1.02%	0.98%	1.05%	1.06%	1.13%	1.23%	1.25%	1.29%	1.45%
2016......................	0.29%	0.40%	0.55%	0.65%	0.68%	0.73%	0.77%	0.80%	0.83%	0.85%	0.45%	0.62%
2017......................											0.00%	0.14%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre-2007												
2007.....................												
2008.....................												
2009.....................												
2010.....................												
Pre-2011	0.98%	0.99%	1.07%	1.16%	1.13%	1.16%	1.09%	1.06%	1.04%	1.04%	1.06%	1.07%
2011.....................	1.11%	1.14%	1.21%	1.36%	1.42%	1.45%	1.32%	1.29%	1.23%	1.26%	1.27%	1.31%
2012.....................	1.13%	1.16%	1.27%	1.39%	1.45%	1.46%	1.36%	1.36%	1.34%	1.38%	1.31%	1.36%
2013.....................	1.17%	1.18%	1.27%	1.38%	1.45%	1.55%	1.45%	1.42%	1.42%	1.39%	1.35%	1.40%
2014.....................	1.39%	1.43%	1.55%	1.70%	1.76%	1.81%	1.69%	1.64%	1.58%	1.53%	1.46%	1.49%
2015.....................	1.50%	1.51%	1.69%	1.90%	1.95%	1.99%	1.88%	1.84%	1.81%	1.78%	1.74%	1.80%
2016.....................	0.75%	0.87%	1.08%	1.34%	1.46%	1.19%	1.18%	1.26%	1.34%	1.45%	1.41%	1.51%
2017.....................	0.28%	0.38%	0.49%	0.66%	0.76%	0.40%	0.46%	0.57%	0.64%	0.72%	0.66%	0.72%
2018.....................											0.00%	0.11%

Year of Account Origination	Jan	Feb
	2019	
Pre-2007		
2007.....................		
2008.....................		
2009.....................		
2010.....................		
Pre-2011	1.07%	1.08%
2011.....................	1.26%	1.30%
2012.....................	1.31%	1.29%
2013.....................	1.32%	1.30%
2014.....................	1.48%	1.48%
2015.....................	1.74%	1.77%
2016.....................	1.53%	1.57%
2017.....................	0.76%	0.81%
2017.....................	0.21%	0.30%

Delinquencies include both Principal Receivables and Finance Charge Receivables. The 30+ days delinquency percentage for a performance period is calculated as total receivables 30 days or more past due divided by total Principal Receivables and Finance Charge Receivables as of the last day of the performance period.

In 2008 in response to the deteriorating economic environment, Lloyds Banking Group undertook significant de-risking of its portfolio, with credit lines of higher risk customers reduced and tighter cutoffs and lower initial credit lines improving the quality of new account acquisitions. This activity was undertaken in 2008 and into 2009.

In 2012 Lloyds Banking Group changed its charge off policy for accounts in financial difficulty where the account holder does not meet the criteria to enter a temporary reduced repayment plan. The charge off of these accounts was accelerated from standard 180 days to 120 days in arrears. This resulted in a drop in the level of delinquencies at 120 to 180 days and thus total 30+ days delinquencies.

From 2013 onwards delinquencies continued to improve. A combination of the established accelerated charge off policy, robust selection criteria and the seasonal impact of Principal Receivables added to the Trust, as set out under the Recent Lump Additions and Removals, resulting in lower delinquencies across all vintage years.

On the 26 February 2016 approximately £193.5 million of receivables were removed on accounts selected by reference to the LCR Regulation which resulted in a reduction in delinquencies in February 2016.

Principal Payment Rate

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	21.06%	18.46%	20.46%	18.95%	20.58%	20.23%	21.13%	19.20%	21.12%	21.36%	18.51%	22.35%
2007......................	25.98%	22.77%	25.30%	23.26%	25.40%	24.94%	25.89%	23.71%	25.86%	26.02%	22.92%	27.28%
2008......................	21.89%	19.16%	21.52%	19.86%	21.20%	21.02%	21.96%	19.76%	21.99%	22.03%	19.21%	22.60%
2009......................	22.17%	18.81%	21.94%	19.33%	21.59%	21.29%	22.13%	20.09%	21.96%	22.25%	18.90%	23.18%
2010......................	26.07%	22.82%	26.01%	23.48%	25.98%	25.43%	26.49%	24.13%	26.58%	26.79%	23.01%	27.56%
2011......................	25.82%	23.11%	25.41%	23.51%	25.28%	25.33%	26.33%	23.90%	26.51%	26.46%	22.99%	26.50%
2012......................	23.50%	21.02%	23.09%	21.34%	21.90%	23.10%	23.58%	20.89%	22.76%	22.34%	19.82%	22.44%
2013......................	16.68%	15.54%	17.95%	17.10%	17.81%	16.19%	17.83%	16.91%	19.45%	20.34%	17.86%	20.39%
2014......................						12.01%	12.34%	11.51%	13.03%	13.46%	11.99%	13.79%
2015......................												
2016......................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	20.78%	18.11%	21.68%	19.44%	19.74%	21.47%	21.87%	18.93%	21.41%	20.98%	20.53%	21.59%
2007......................	25.75%	22.50%	26.61%	23.91%	24.20%	26.24%	26.75%	23.36%	26.02%	25.77%	25.57%	26.28%
2008......................	21.48%	18.90%	22.48%	20.07%	20.26%	22.10%	22.48%	19.55%	21.97%	21.54%	21.39%	21.92%
2009......................	21.71%	18.87%	22.76%	20.33%	20.54%	22.29%	22.68%	19.13%	22.12%	21.93%	21.61%	22.17%
2010......................	25.93%	22.85%	27.35%	24.54%	24.70%	26.69%	27.46%	23.44%	26.72%	26.63%	26.22%	26.73%
2011......................	25.32%	22.79%	26.67%	24.20%	24.20%	26.22%	26.85%	23.51%	26.47%	25.85%	25.52%	25.97%
2012......................	21.68%	19.18%	22.39%	20.15%	19.99%	22.12%	22.53%	19.65%	22.41%	21.96%	21.48%	21.80%
2013......................	21.46%	19.65%	22.80%	20.36%	20.27%	22.10%	22.95%	20.49%	23.89%	23.39%	22.83%	23.03%
2014......................	14.20%	13.21%	16.43%	15.44%	16.10%	15.91%	16.69%	15.13%	17.64%	17.24%	16.93%	17.16%
2015......................						10.88%	11.22%	10.05%	11.54%	11.90%	12.49%	12.89%
2016......................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	20.59%	20.86%	21.75%	20.29%	22.08%	21.28%	21.15%	23.06%	22.15%	22.59%		
2007.....................	25.48%	26.09%	26.74%	25.11%	27.21%	25.93%	25.92%	27.80%	26.76%	27.32%		
2008.....................	21.01%	21,85%	22.56%	20.97%	22.77%	21.96%	21.68%	23.49%	22.52%	22.91%		
2009.....................	21.21%	21.97%	22.43%	20.89%	22.71%	21.67%	21.72%	23.61%	22.62%	23.17%		
2010.....................	25.41%	26.50%	27.16%	25.27%	27.60%	26.56%	26.40%	28.58%	27.39%	28.21%		
Pre-2011											22.62%	23.63%
2011.....................	24.73%	25.72%	26.70%	24.71%	27.21%	25.99%	25.74%	27.86%	26.73%	27.28%	25.40%	25.99%
2012.....................	20.92%	21.94%	22.51%	20.78%	22.78%	22.10%	21.72%	23.94%	22.74%	23.27%	21.74%	22.21%
2013.....................	22.23%	23.29%	23.92%	21.78%	23.61%	22.48%	22.10%	24.21%	23.42%	23.44%	21.81%	22.21%
2014.....................	17.36%	18.74%	19.61%	18.46%	20.30%	19.82%	19.64%	21.61%	21.13%	21.30%	20.40%	20.79%
2015.....................	13.18%	14.15%	14.05%	13.25%	14.64%	14.48%	14.68%	16.29%	16.42%	16.91%	16.53%	16.76%
2016.....................											13.27%	13.88%

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
						2017						
Pre-2007												
2007.....................												
2008.....................												
2009.....................												
2010.....................												
Pre-2011	25.15%	21.29%	25.45%	21.03%	25.44%	23.99%	24.64%	24.26%	22.97%	25.62%	24.15%	23.86%
2011.....................	27.57%	23.77%	27.99%	23.34%	27.92%	26.21%	27.24%	26.90%	25.38%	28.05%	25.93%	25.30%
2012.....................	23.80%	20.51%	24.15%	20.06%	23.96%	22.67%	23.60%	23.32%	22.22%	24.62%	23.23%	21.98%
2013.....................	23.61%	20.66%	24.30%	20.23%	23.94%	22.75%	23.63%	23.49%	22.19%	24.64%	22.98%	21.83%
2014.....................	23.10%	20.45%	24.07%	19.81%	23.36%	22.29%	23.16%	23.02%	21.78%	23.74%	22.27%	20.95%
2015.....................	18.41%	16.16%	19.12%	16.07%	19.75%	18.98%	20.03%	20.27%	19.73%	22.24%	21.46%	19.77%
2016.....................	15.44%	13.71%	16.35%	13.73%	16.44%	15.74%	16.58%	16.64%	16.17%	18.15%	17.73%	15.59%
2017.....................											15.06%	11.63%

Year of Account Origination	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre-2007												
2007......................												
2008......................												
2009......................												
2010......................												
Pre-2011	27.51%	23.11%	26.28%	26.58%	27.60%	25.79%	29.11%	27.83%	24.83%	30.51%	28.18%	28.47%
2011......................	29.27%	24.88%	28.10%	28.68%	29.59%	27.22%	31.02%	30.02%	26.88%	32.27%	29.52%	29.45%
2012......................	25.71%	21.79%	24.36%	25.11%	25.90%	24.10%	27.48%	26.60%	23.76%	28.72%	25.98%	25.89%
2013......................	25.60%	21.86%	24.73%	25.37%	25.95%	24.04%	27.36%	26.71%	23.96%	28.59%	26.19%	26.25%
2014......................	24.28%	20.94%	23.57%	24.25%	24.91%	23.00%	26.22%	25.55%	22.97%	27.82%	25.31%	25.13%
2015......................	23.58%	20.56%	23.09%	23.90%	24.28%	22.88%	26.02%	25.23%	22.57%	27.23%	24.81%	24.54%
2016......................	18.68%	16.42%	18.99%	19.95%	20.43%	18.97%	22.08%	21.90%	20.00%	24.18%	22.05%	21.62%
2017......................	13.76%	12.09%	13.84%	14.11%	14.47%	13.04%	15.02%	14.84%	13.50%	16.19%	14.65%	14.44%
2018......................											12.91%	12.37%

Year of Account Origination	Jan	Feb
	2019	
Pre-2007		
2007......................		
2008......................		
2009......................		
2010......................		
Pre-2011	29.59%	25.46%
2011......................	30.42%	26.76%
2012......................	27.10%	23.76%
2013......................	27.56%	23.86%
2014......................	26.45%	23.02%
2015......................	25.70%	22.30%
2016......................	23.03%	19.90%
2017......................	15.75%	14.10%
2018......................	13.16%	11.81%

Principal payment rate for a performance period is calculated as Principal Collections received from cardholders during the performance period divided by Principal Receivables at the beginning of the performance period.

For the Bank of Scotland portfolio, pre-2004 account originations typically received higher spending rewards and attracted a higher percentage of convenience users. As a result, payment rates for this segment tend to be stronger for the pre-2004 vintage. From 2005 onwards, Bank of Scotland products have typically targeted the borrower population with more attractive lower introductory APRs instead of rewards. This strategy has reduced the average payment rate on Bank of Scotland's credit card receivables originated since 2005.

In July 2007, Lloyds launched the Airmiles Duo card, taking over the Airmiles relationship from NatWest. This product rewards credit card spend with Airmiles, and attracts a higher proportion of convenience users who pay down their balance in full each month. Payment rates for this product on the Lloyds portfolio increased not only for originations from 2007, but also for the pre-2007 vintages as some existing customers switched to the new product and changed their spending and payment behaviours to benefit from the Airmiles rewards. The Airmiles Duo product was rebranded to Duo Avios in November 2011 and was moved to a new Avios rewards product in November 2013.

From 2014 total principal payment rate has remained broadly consistent, with a marginal increase observed on more seasoned accounts.

Total Payment Rate

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	21.44%	18.73%	20.74%	19.17%	21.00%	20.42%	21.73%	19.52%	21.30%	21.57%	18.72%	22.58%
2007......................	26.09%	22.80%	25.30%	23.24%	25.53%	24.87%	26.26%	23.84%	25.81%	25.96%	22.90%	27.23%
2008......................	22.23%	19.40%	21.69%	20.02%	21.55%	21.16%	22.61%	20.16%	22.13%	22.20%	19.34%	22.77%
2009......................	22.58%	19.13%	22.19%	19.59%	22.01%	21.50%	22.74%	20.50%	22.20%	22.48%	19.09%	23.36%
2010......................	26.35%	22.96%	26.12%	23.58%	26.23%	25.47%	26.99%	24.37%	26.64%	26.84%	22.98%	27.52%
2011......................	26.36%	23.47%	25.75%	23.81%	25.78%	25.63%	27.22%	24.39%	26.82%	26.80%	23.17%	26.70%
2012......................	24.25%	21.59%	23.73%	21.95%	22.76%	23.73%	24.75%	21.74%	23.43%	23.02%	20.25%	22.90%
2013......................	17.33%	15.97%	18.44%	17.59%	18.55%	16.51%	18.31%	17.32%	19.90%	20.83%	18.22%	20.81%
2014......................						12.23%	12.54%	11.69%	13.23%	13.70%	12.20%	14.01%
2015......................												
2016......................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	21.01%	18.34%	21.94%	19.70%	19.95%	21.63%	22.95%	19.13%	21.61%	21.17%	20.71%	21.77%
2007......................	25.72%	22.48%	26.58%	23.93%	24.14%	26.12%	27.36%	23.33%	25.98%	25.67%	25.50%	26.22%
2008......................	21.61%	19.04%	22.63%	20.23%	20.38%	22.15%	23.20%	19.68%	22.08%	21.63%	21.49%	22.04%
2009......................	21.91%	19.03%	22.95%	20.52%	20.70%	22.39%	23.28%	19.28%	22.24%	22.02%	21.71%	22.30%
2010......................	25.92%	22.81%	27.29%	24.52%	24.63%	26.56%	27.64%	23.41%	26.64%	26.51%	26.11%	26.65%
2011......................	25.54%	22.94%	26.86%	24.38%	24.32%	26.32%	27.19%	23.65%	26.61%	25.95%	25.65%	26.12%
2012......................	22.16%	19.56%	22.84%	20.55%	20.36%	22.46%	22.98%	20.00%	22.76%	22.28%	21.81%	22.15%
2013......................	21.91%	20.05%	23.31%	20.83%	20.71%	22.55%	23.48%	20.92%	24.33%	23.81%	23.26%	23.45%
2014......................	14.44%	13.41%	16.69%	15.70%	16.35%	16.16%	17.03%	15.42%	17.98%	17.58%	17.29%	17.52%
2015......................						11.02%	11.38%	10.19%	11.72%	12.07%	12.67%	13.07%
2016......................												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	20.62%	20.93%	21.94%	20.41%	22.19%	21.38%	21.23%	23.43%	22.33%	22.70%		
2007.....................	25.25%	25.88%	26.65%	24.99%	27.03%	25.77%	25.74%	27.94%	26.68%	27.18%		
2008.....................	20.98%	21.84%	22.64%	21.01%	22.80%	21.98%	21.70%	23.82%	22.62%	22.94%		
2009.....................	21.19%	21.95%	22.54%	20.95%	22.76%	21.70%	21.72%	23.90%	22.74%	23.20%		
2010.....................	25.15%	26.25%	27.03%	25.08%	27.39%	26.36%	26.17%	28.56%	27.26%	27.98%		
Pre-2011											22.62%	24.22%
2011.....................	24.73%	25.70%	26.79%	24.74%	27.22%	26.00%	25.73%	28.05%	26.77%	27.26%	25.40%	26.36%
2012.....................	21.13%	22.13%	22.81%	21.00%	23.01%	22.31%	21.91%	24.29%	22.98%	23.46%	21.94%	22.69%
2013.....................	22.54%	23.59%	24.31%	22.08%	23.93%	22.78%	22.36%	24.50%	23.73%	23.70%	22.04%	22.56%
2014.....................	17.67%	19.06%	19.19%	18.79%	20.68%	20.20%	20.00%	21.97%	21.56%	21.68%	20.74%	21.16%
2015.....................	13.32%	14.31%	14.24%	13.41%	14.85%	14.69%	14.90%	16.51%	16.74%	17.21%	16.81%	17.07%
2016.....................											13.44%	14.07%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2017						
Pre-2007												
2007.....................												
2008.....................												
2009.....................												
2010.....................												
Pre-2011	25.07%	21.33%	25.44%	21.52%	25.39%	23.99%	25.01%	24.23%	22.95%	25.56%	24.18%	23.80%
2011.....................	27.53%	23.80%	27.96%	23.57%	27.87%	26.22%	27.54%	26.86%	25.37%	28.01%	25.94%	25.29%
2012.....................	23.95%	20.70%	24.33%	20.37%	24.10%	22.85%	24.02%	23.44%	22.35%	24.72%	23.35%	22.12%
2013.....................	23.83%	20.90%	24.53%	20.49%	24.15%	22.96%	24.00%	23.66%	22.36%	24.79%	23.14%	22.02%
2014.....................	23.43%	20.76%	24.42%	20.15%	23.70%	22.64%	23.55%	23.31%	22.05%	24.02%	22.52%	21.24%
2015.....................	18.73%	16.46%	19.47%	16.35%	20.08%	19.32%	20.37%	20.60%	20.05%	22.57%	21.74%	20.11%
2016.....................	15.64%	13.91%	16.58%	13.94%	16.69%	16.00%	16.85%	16.91%	16.43%	18.42%	17.94%	15.84%
2017.....................											15.19%	11.77%

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre-2007												
2007.....................												
2008.....................												
2009.....................												
2010.....................												
Pre-2011	27.35%	23.08%	26.17%	26.45%	27.46%	25.63%	29.30%	27.70%	24.87%	30.32%	28.06%	29.07%
2011.....................	29.18%	24.88%	28.02%	28.56%	29.48%	27.10%	31.10%	29.92%	26.87%	32.13%	29.46%	29.80%
2012.....................	25.77%	21.92%	24.44%	25.15%	25.96%	24.14%	27.72%	26.65%	23.90%	28.74%	26.07%	26.40%
2013.....................	25.72%	22.03%	24.85%	25.46%	26.06%	24.12%	27.66%	26.81%	24.10%	28.67%	26.32%	26.68%
2014.....................	24.53%	21.20%	23.81%	24.45%	25.12%	23.18%	26.55%	25.76%	23.19%	28.00%	25.54%	25.53%
2015.....................	23.91%	20.90%	23.42%	24.21%	24.61%	23.16%	26.46%	25.55%	22.87%	27.52%	25.14%	25.01%
2016.....................	18.97%	16.69%	19.27%	20.22%	20.73%	19.26%	22.45%	22.23%	20.32%	24.54%	22.45%	22.07%
2017.....................	13.92%	12.26%	14.03%	14.31%	14.69%	13.23%	15.24%	15.06%	13.70%	16.42%	14.89%	14.69%
2018.....................											13.08%	12.52%

Year of Account Origination	Jan	Feb
	2019	
Pre-2007		
2007.....................		
2008.....................		
2009.....................		
2010.....................		
Pre-2011	29.39%	25.37%
2011.....................	30.33%	26.73%
2012.....................	27.15%	23.87%
2013.....................	27.67%	24.01%
2014.....................	26.65%	23.26%
2015.....................	26.01%	22.62%
2016.....................	23.46%	20.32%
2017.....................	16.00%	14.35%
2018.....................	13.30%	11.95%

Total payment rate is calculated as Principal Receivables and Finance Charge Collections received from cardholders during the performance period divided by Principal Receivables and Finance Charge Collections at the beginning of the performance period.

Opening Principal Receivables

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2014						
Pre-2007	3,412,355,668	3,343,284,268	3,278,333,031	3,224,055,827	3,232,384,411	3,226,255,600	3,218,124,331	3,193,834,862	3,183,384,743	3,159,131,114	3,130,910,657	3,145,706,953
2007	524,253,225	513,166,944	500,895,689	491,703,365	494,944,691	491,966,090	490,434,526	487,639,586	486,424,520	483,937,850	479,350,099	482,121,117
2008	531,689,065	522,632,497	511,791,091	501,320,795	503,024,283	503,201,499	502,667,446	499,306,121	498,872,633	494,719,117	489,734,298	491,597,182
2009	422,304,407	416,212,381	408,756,307	397,994,491	401,580,267	396,948,610	396,011,633	394,353,797	393,455,902	391,511,151	385,930,693	389,660,199
2010	425,962,403	419,766,566	412,106,938	402,381,772	406,747,855	400,591,592	401,472,262	399,656,535	400,612,222	398,939,034	392,087,748	395,014,018
2011	400,744,681	398,261,700	389,257,128	382,433,765	385,871,039	386,093,885	388,239,795	389,288,455	393,176,427	392,135,535	387,020,868	388,474,383
2012	459,562,249	424,375,411	392,245,898	364,749,758	353,404,041	366,354,308	363,760,933	363,757,709	367,614,583	367,553,567	377,208,517	380,297,485
2013	111,994,960	105,651,762	100,270,640	94,201,814	89,696,417	509,345,830	489,677,707	465,945,918	447,423,376	423,332,635	597,134,007	571,476,617
2014						94,086,657	94,006,874	92,866,080	91,982,381	89,966,996	478,446,229	473,606,949
2015												
2016												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2015						
Pre-2007	3,182,195,299	3,097,050,643	3,075,277,388	3,043,045,364	3,049,267,480	3,035,684,170	3,028,293,887	2,994,662,461	3,029,833,867	2,976,025,533	2,943,247,235	2,974,147,700
2007	488,709,896	473,648,229	469,691,280	465,394,516	467,499,412	465,396,166	465,930,295	460,965,594	467,941,759	460,048,308	454,088,240	460,202,701
2008	499,232,932	487,888,094	483,544,881	478,374,715	479,873,306	479,337,738	479,047,202	475,212,168	481,150,647	472,995,948	468,280,410	472,775,670
2009	394,313,268	385,642,299	383,200,729	377,586,889	378,398,710	376,583,786	376,636,234	373,137,213	380,564,118	374,219,479	368,405,251	372,879,946
2010	400,740,097	390,021,769	387,888,570	383,184,239	384,357,137	382,295,041	384,523,295	380,962,111	390,076,834	383,212,327	375,996,440	380,532,760
2011	396,714,977	388,205,890	384,443,911	380,645,240	381,875,696	380,803,504	383,017,266	380,385,518	389,121,548	381,669,855	375,413,323	379,120,722
2012	388,403,500	384,445,272	382,937,957	380,753,593	383,156,438	390,334,712	393,537,583	391,688,114	399,258,661	392,827,488	390,624,656	393,844,404
2013	553,265,029	513,715,331	487,845,950	465,507,035	451,117,174	502,677,118	490,400,390	475,009,786	473,737,436	458,078,188	476,461,149	469,741,830
2014	469,689,756	453,089,556	439,690,374	422,159,068	407,622,302	805,430,482	779,186,398	748,549,232	732,870,018	699,227,831	865,020,217	837,018,524
2015						150,335,316	149,559,345	147,720,093	147,784,819	144,956,554	581,139,866	572,690,080
2016												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	2,987,341,956	2,920,106,125	2,809,772,425	2,783,186,959	2,775,627,970	2,772,637,641	2,759,142,491	2,741,533,867	2,741,289,681	2,712,965,406		
2007.........................	465,768,839	453,176,294	435,518,766	431,972,764	431,468,477	432,090,626	431,458,751	429,006,686	430,963,340	428,302,569		
2008.........................	476,007,392	467,873,761	449,551,130	445,401,435	444,732,936	445,294,573	443,628,784	442,404,443	444,500,664	441,172,389		
2009.........................	376,810,143	370,054,218	356,194,267	353,221,728	352,020,593	352,813,683	352,833,132	351,627,460	352,463,007	349,390,644		
2010.........................	384,393,259	376,812,098	363,385,391	360,099,584	360,205,041	361,769,372	362,138,535	360,820,924	363,790,538	360,553,613		
Pre-2011											4,254,791,859	4,309,688,384
2011.........................	383,127,408	375,603,856	363,215,649	360,153,993	360,523,403	361,539,182	362,466,717	363,079,091	368,778,635	365,585,244	360,725,715	365,110,857
2012.........................	396,483,930	390,502,694	378,579,495	374,773,719	374,484,440	375,390,349	374,771,622	374,910,536	378,902,962	376,385,746	372,481,160	376,286,512
2013.........................	466,084,338	454,628,691	459,933,644	455,401,292	453,790,331	452,933,382	452,496,576	452,093,096	459,184,653	458,610,067	459,171,071	463,320,776
2014.........................	813,205,237	776,390,079	832,276,921	799,237,673	772,267,878	746,119,837	723,092,596	704,721,851	697,695,130	681,529,695	670,487,735	661,870,680
2015.........................	562,676,432	543,287,539	1,303,416,447	1,267,197,082	1,235,424,806	1,201,388,456	1,165,480,957	1,129,812,669	1,100,476,516	1,058,450,174	1,030,439,565	999,586,682
2016.........................											518,780,036	512,732,957

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2017						
Pre-2007												
2007.........................												
2008.........................												
2009.........................												
2010.........................												
Pre-2011	4,293,234,068	4,196,219,072	4,162,943,657	4,097,699,081	4,124,995,686	4,108,929,358	4,081,296,941	4,077,360,532	4,061,238,231	4,028,547,276	3,946,710,816	3,989,464,879
2011.........................	364,047,877	358,455,903	356,767,228	351,138,576	354,927,809	354,700,691	354,258,670	355,169,044	356,824,577	354,340,355	343,135,963	348,593,544
2012.........................	374,583,464	369,441,851	366,828,210	361,523,361	363,772,626	362,270,606	361,651,233	361,364,863	361,248,301	356,910,219	346,247,129	348,864,991
2013.........................	461,679,276	456,689,190	454,664,430	449,909,889	452,740,527	451,194,912	449,767,867	450,969,025	452,487,586	448,066,512	439,698,713	438,958,384
2014.........................	649,073,573	629,298,407	615,285,932	598,952,490	596,962,859	588,576,145	581,985,727	580,866,665	581,186,536	571,817,785	561,584,098	557,764,526
2015.........................	966,200,345	927,238,729	899,273,815	865,748,478	850,615,885	822,418,307	798,018,186	780,107,934	764,107,993	738,183,292	711,621,767	688,442,213
2016.........................	501,124,051	484,177,438	471,223,629	454,267,664	446,201,845	434,884,511	424,731,025	417,153,826	411,310,818	399,046,422	823,528,166	800,857,450
2017.........................											584,484,708	580,416,909

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre-2007												
2007...................												
2008...................												
2009...................												
2010...................												
Pre-2011	3,983,849,867	3,906,257,184	3,874,651,346	3,813,954,818	3,810,429,216	3,807,917,093	3,808,573,658	3,766,745,224	3,749,558,541	3,738,088,383	3,660,262,063	3,637,843,546
2011...................	347,730,188	343,887,385	341,100,692	335,618,220	335,887,393	335,786,705	338,651,808	336,994,782	336,789,159	335,730,181	329,295,309	326,300,743
2012...................	347,658,842	342,651,565	338,776,385	332,871,959	332,343,570	332,151,744	333,486,047	331,161,951	330,943,212	330,502,633	324,458,959	320,693,059
2013...................	437,272,898	431,441,073	426,547,356	417,562,167	416,031,027	417,760,915	419,976,000	418,115,017	417,644,438	415,016,909	406,797,974	400,152,914
2014...................	554,196,792	548,552,853	542,687,568	531,355,057	529,656,607	533,838,382	536,688,774	534,140,865	536,292,414	534,042,417	524,546,579	512,621,437
2015...................	674,346,083	654,649,793	636,698,711	614,806,076	603,227,381	600,503,376	597,315,443	588,058,719	585,897,368	580,973,913	569,578,162	554,244,948
2016...................	781,682,627	754,392,676	730,369,062	697,689,231	673,861,280	845,725,897	827,274,985	800,483,220	781,336,553	759,866,963	768,673,910	740,775,772
2017...................	574,317,657	563,081,435	552,560,567	536,727,660	527,091,393	1,092,773,798	1,083,343,676	1,065,411,696	1,050,554,021	1,032,353,092	1,137,207,227	1,114,715,852
2018...................											574,001,539	571,463,836

Year of Account Origination	Jan	Feb
	2019	
Pre-2007		
2007...................		
2008...................		
2009...................		
2010...................		
Pre-2011	3,598,823,880	3,502,569,770
2011...................	322,871,740	316,980,430
2012...................	316,501,070	311,353,673
2013...................	393,818,649	386,902,816
2014...................	503,467,671	496,057,650
2015...................	542,336,339	534,204,643
2016...................	721,327,254	699,626,476
2017...................	1,094,182,478	1,064,822,529
2018...................	566,930,238	558,582,739

Opening principal receivables represents principal receivables at the start of the first day of the performance period.

Opening Total Receivables

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							2014					
Pre-2007	3,675,752,246	3,607,094,517	3,541,741,857	3,477,961,036	3,488,586,103	3,481,628,436	3,472,124,839	3,443,446,822	3,435,381,507	3,407,953,746	3,375,604,235	3,394,138,477
2007............	560,549,621	549,649,985	537,392,622	526,819,685	530,386,793	527,328,313	525,593,718	522,310,453	521,428,046	518,411,253	513,245,898	516,395,564
2008............	572,268,252	563,341,905	552,439,423	540,649,409	542,686,180	543,037,418	542,347,353	538,476,363	538,420,226	533,754,912	528,168,584	530,564,224
2009............	450,729,906	444,804,321	437,355,027	425,571,822	429,583,955	424,668,935	423,710,842	421,794,624	421,227,127	418,935,750	412,825,335	417,068,407
2010............	449,927,486	443,984,815	436,483,032	425,909,398	430,693,333	424,329,670	425,350,845	423,297,557	424,633,379	422,733,853	415,456,647	418,946,160
2011............	418,410,901	416,314,976	407,404,538	399,983,032	403,877,639	404,170,953	406,513,695	407,460,274	411,830,706	410,689,128	405,289,323	407,218,823
2012............	470,150,668	435,566,104	403,851,347	376,108,196	365,464,295	379,318,875	377,212,613	377,434,292	381,893,347	381,828,337	391,732,193	395,422,475
2013............	113,135,723	106,850,908	101,580,947	95,500,982	91,097,951	513,934,624	494,667,230	471,217,033	453,296,779	429,516,934	605,796,143	581,051,044
2014............						94,498,393	94,363,529	93,232,093	92,403,157	90,430,691	480,882,000	476,207,276
2015............												
2016............												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
							2015					
Pre-2007	3,424,497,016	3,338,774,855	3,319,590,073	3,277,473,649	3,284,477,600	3,270,543,362	3,260,461,536	3,221,613,531	3,259,913,555	3,203,216,936	3,167,091,092	3,196,968,177
2007............	522,173,097	507,027,570	503,357,624	497,635,740	499,903,009	497,708,501	497,884,230	492,226,854	499,623,594	491,287,377	484,935,219	490,852,802
2008............	537,318,339	525,925,668	521,983,998	515,341,893	517,003,777	516,504,846	515,900,109	511,262,483	517,661,972	509,039,966	503,903,833	508,246,028
2009............	421,190,071	412,519,723	410,512,445	403,831,147	404,841,613	403,002,904	402,812,772	398,881,249	406,841,328	400,242,254	394,027,714	398,458,630
2010............	424,276,204	413,608,421	411,963,827	406,324,221	407,751,564	405,747,857	407,869,202	403,932,605	413,478,596	406,425,063	398,906,363	403,453,158
2011............	415,211,496	406,835,826	403,464,690	398,898,992	400,388,062	399,459,083	401,651,340	398,746,458	407,938,011	400,372,353	393,916,368	397,621,222
2012............	403,418,100	399,657,772	398,631,521	395,843,010	398,652,415	406,301,395	409,561,036	407,490,914	415,609,447	409,171,763	406,963,926	410,208,861
2013............	563,159,479	524,121,359	499,138,306	476,587,186	462,767,061	516,189,246	504,180,932	488,743,780	488,249,860	472,902,068	492,295,884	485,756,507
2014............	472,463,601	456,120,470	443,093,043	425,679,890	411,481,592	812,273,059	786,543,635	756,254,316	741,450,182	708,376,349	876,617,157	849,212,996
2015............						150,864,521	150,082,058	148,286,429	148,454,912	145,719,325	583,873,318	575,636,244
2016............												

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2016						
Pre-2007	3,207,066,237	3,141,471,552	3,017,909,047	2,986,316,854	2,980,243,712	2,973,863,543	2,960,317,883	2,941,093,961	2,937,373,469	2,905,837,818		
2007............	496,081,540	483,684,804	463,907,192	459,816,433	459,530,033	459,767,037	459,207,997	456,633,308	458,238,168	455,274,686		
2008............	511,169,481	503,316,990	482,451,684	477,729,185	477,371,967	477,480,700	475,912,121	474,520,036	476,251,892	472,577,662		
2009............	402,183,173	395,671,291	380,190,868	376,838,880	375,874,590	376,403,159	376,501,036	375,248,611	375,788,737	372,479,416		
2010............	407,153,435	399,893,018	385,051,323	381,450,173	381,893,372	383,266,139	383,744,777	382,397,609	385,142,237	381,699,353		
Pre-2011											4,543,259,573	4,597,063,954
2011............	401,535,604	394,268,279	380,714,331	377,423,613	378,149,602	379,046,830	380,168,858	380,872,719	386,581,294	383,412,663	378,369,957	382,906,379
2012............	412,805,618	407,113,695	394,325,332	390,359,951	390,511,931	391,381,642	390,960,081	391,199,210	395,270,169	392,825,505	388,747,787	392,684,434
2013............	482,239,366	471,327,030	476,647,620	472,081,691	471,105,579	470,224,436	470,104,290	469,981,326	477,297,917	476,891,467	477,388,454	481,851,621
2014............	825,845,203	789,788,782	847,100,129	814,338,306	788,358,106	762,468,554	740,112,879	722,298,808	715,685,097	699,924,653	689,056,427	681,014,410
2015............	565,850,789	546,806,526	1,310,668,151	1,274,765,301	1,243,854,886	1,210,411,268	1,175,395,311	1,140,577,991	1,112,055,339	1,070,768,721	1,043,438,248	1,013,412,406
2016............											521,376,351	515,568,066

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						2017						
Pre-2007												
2007...........												
2008...........												
2009...........												
2010...........												
Pre-2011	4,574,562,607	4,473,797,358	4,441,578,550	4,363,700,404	4,394,392,786	4,370,408,771	4,340,600,096	4,331,684,490	4,313,048,369	4,280,580,310	4,190,767,624	4,232,718,047
2011...........	381,659,197	376,007,307	374,566,898	368,308,156	372,460,978	371,844,756	371,410,659	372,106,341	373,751,338	371,384,296	359,599,926	365,242,274
2012...........	390,848,745	385,685,326	383,366,614	377,481,512	380,117,452	378,337,456	377,753,375	377,282,612	377,150,169	372,963,783	361,842,934	364,570,721
2013...........	480,106,101	475,172,570	473,602,027	468,171,316	471,539,147	469,590,311	468,251,895	469,309,975	470,822,580	466,672,125	457,888,418	457,226,547
2014...........	668,247,696	648,670,545	635,379,073	618,416,607	617,295,568	608,584,094	602,238,952	601,019,641	601,491,012	592,525,159	581,980,078	578,334,366
2015...........	980,348,634	941,793,163	914,655,521	880,728,075	866,539,441	838,207,505	814,203,456	796,433,218	780,744,850	755,332,939	728,729,263	705,820,958
2016...........	504,170,246	487,447,004	474,940,563	458,056,438	450,444,291	439,275,602	429,388,619	421,976,383	416,356,285	404,338,508	832,834,183	810,596,194
2017...........											586,434,972	582,524,967

Year of Account Origination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	2018											
Pre-2007												
2007...........												
2008...........												
2009...........												
2010...........												
Pre-2011	4,226,178,032	4,145,407,719	4,116,124,996	4,046,892,644	4,042,174,866	4,035,852,082	4,038,209,068	3,989,990,470	3,970,229,342	3,960,778,012	3,873,891,389	3,846,859,922
2011...........	364,436,792	360,478,395	357,924,909	351,916,692	352,213,866	351,900,228	354,960,039	352,878,945	352,525,636	351,706,254	344,662,556	341,350,542
2012...........	363,433,745	358,363,433	354,737,235	348,347,699	347,850,075	347,464,161	348,951,893	346,252,960	345,906,701	345,713,384	339,122,872	335,071,160
2013...........	455,727,005	449,804,898	445,290,894	435,710,800	434,222,182	435,811,888	438,342,741	435,975,048	435,311,013	432,973,673	424,071,217	417,045,466
2014...........	575,075,326	569,432,998	564,108,182	552,092,261	550,536,193	554,698,159	557,999,865	554,904,045	556,915,948	555,086,434	544,839,060	532,394,911
2015...........	692,252,506	672,829,356	655,601,398	633,218,290	622,027,432	619,464,319	616,923,101	607,276,072	605,148,604	600,884,864	588,871,709	573,051,869
2016...........	791,956,469	765,049,675	741,760,340	708,897,646	685,440,249	860,199,626	842,503,867	815,607,665	796,741,108	776,142,961	785,501,060	757,487,115
2017...........	576,673,279	565,699,610	555,570,574	539,828,425	530,419,865	1,098,836,746	1,089,951,844	1,072,142,399	1,057,504,039	1,039,772,056	1,145,420,652	1,122,960,744
2018...........											575,781,516	573,119,634

Year of Account Origination	Jan	Feb
	2019	
Pre-2007		
2007...........		
2008...........		
2009...........		
2010...........		
Pre-2011	3,803,248,264	3,705,321,292
2011...........	337,639,750	331,674,540
2012...........	330,581,290	325,385,941
2013...........	410,374,390	403,394,329
2014...........	522,842,665	515,442,351
2015...........	560,842,137	552,881,246
2016...........	738,048,442	716,672,672
2017...........	1,102,468,703	1,073,380,997
2018...........	568,554,869	560,334,077

Opening total receivables represents principal and finance charge receivables at the start of the first day of the performance period.

INDEX OF DEFINED TERMS

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United Kingdom

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London EC3A 6AP

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Penarth Receivables Trustee Limited
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London EC3A 6AP

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