

IMPORTANT NOTICE

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

IMPORTANT: YOU MUST READ THE FOLLOWING BEFORE CONTINUING. THE FOLLOWING APPLIES TO THE PROSPECTUS FOLLOWING THIS PAGE, AND YOU ARE THEREFORE ADVISED TO READ THIS CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS. IN ACCESSING THE PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS, INCLUDING ANY MODIFICATIONS TO THEM ANY TIME YOU RECEIVE ANY INFORMATION FROM US AS A RESULT OF SUCH ACCESS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS PROSPECTUS HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THIS PROSPECTUS MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED. BY ACCESSING THE PROSPECTUS, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT (A) YOU HAVE UNDERSTOOD AND AGREE TO THE TERMS SET OUT HEREIN, (B) YOU CONSENT TO DELIVERY OF THE PROSPECTUS BY ELECTRONIC TRANSMISSION, (C) YOU ARE NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS EMAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Cambric Finance Number One PLC, Platform Funding Limited (**PFL**), Western Mortgage Services Limited (**WMS**), HSBC Bank plc (**HSBC**) nor Morgan Stanley & Co. International plc (**Morgan Stanley**) nor any person who controls any such person nor any director, officer, employee nor agent of any such person or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from HSBC and/or Morgan Stanley.

CAMBRIC FINANCE NUMBER ONE PLC

(Incorporated in England and Wales with limited liability, registered number 8218885)

Class of Notes	Initial Principal Amount	Issue Price	Interest rate (payable before the Step-Up Date)	Interest Rate (payable from and including the Step-Up Date)	Ratings (Fitch/Moody's)	Final Maturity Date
Class A	£1,448,500,000	100%	1.25% margin above Three Month Sterling LIBOR	2.50% margin above Three Month Sterling LIBOR	AAAsf/Aaa(sf)	December 2055
Class B1 VFN	£300,000,000	100%	0.21% margin above Three Month Sterling LIBOR	0.21% margin above Three Month Sterling LIBOR	Not Rated	December 2055
Class B2 VFN	£150,000,000	100%	0.21% margin above Three Month Sterling LIBOR	0.21% margin above Three Month Sterling LIBOR	Not Rated	December 2055
Class C VFN	£150,000,000	100%	0.21% margin above Three Month Sterling LIBOR	0.21% margin above Three Month Sterling LIBOR	Not Rated	December 2055

Issue Date The Issuer will issue the Notes in the classes set out above on or about 12 December 2012 (the **Closing Date**).

Stand alone/programme issuance Stand alone issuance.

Underlying Assets The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Platform Funding Limited (the **Seller** or **PFL**) and secured over residential properties located in England and Wales (the **Portfolio**) which will be purchased by the Issuer on the Closing Date.

See the sections entitled "*Transaction Overview – Portfolio and Servicing*", "*The Loans*" and "*Characteristics of the Portfolio*" for further details.

Credit Enhancement In the case of the Class A Notes only:

- the subordination of the Class B VFN and the Class C VFN;
- General Reserve Fund; and
- excess Available Revenue Receipts.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details.

Liquidity Support

- The availability of the General Reserve Fund, as funded by the Class C VFN on the Closing Date and, following the date on which the Co-operative Bank ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of BBB, the availability of the Liquidity Reserve Fund.
- The application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.
- Interest due and payable on the Class A Notes outstanding will not be deferred. Interest due and payable on the other classes of Notes may be deferred in accordance with the Conditions.

See the sections entitled "*Transaction Overview – Credit Structure and Cashflow*" and "*Credit Structure*" for further details.

Redemption Provisions

Information on any optional and mandatory redemption of the Class A Notes is summarised on page 55 (*Transaction Overview – Summary of the Terms and Conditions of the Notes*) and set out in full in Condition 7 (**Redemption**) of the terms and conditions of the Class A Notes (the **Conditions**).

Credit Rating Agencies

Fitch Ratings Ltd. (**Fitch**) and Moody's Investors Service Limited (**Moody's** and, together with Fitch, the **Rating Agencies**). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**).

Credit Ratings

Ratings are expected to be assigned to the Class A Notes as set out above on or before the Closing Date. **The Class B VFN and the Class C VFN will not be rated. The assignment of a rating to the Class A Notes is not a recommendation to invest in the Class A Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.**

Listing

This document comprises a prospectus (the **Prospectus**) for the purpose of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**) and its relevant implementing measures in England and Wales. This Prospectus has been approved by the Financial Services Authority (the **FSA**) as competent authority under the Prospectus Directive.

Application has been made to the Financial Services Authority (the **FSA**) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Class A Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Class A Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). Neither Class B VFN nor the Class C VFN will be admitted to the

Official List of the UK Listing Authority nor will they be admitted to trading on the London Stock Exchange's Regulated Market.

Obligations

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity named in the Prospectus.

Retention Undertaking

On the Closing Date, the Co-operative Bank will undertake to the Issuer that it will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (**Article 122a**) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction), referred to as the Capital Requirements Directive (**CRD**). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors, in this case retention of the Class B VFN and the Class C VFN, as required by Article 122a.

Significant Investor

The Co-operative Bank will on the Closing Date purchase 100 per cent. of the Class A Notes, 100 percent. of the Class B VFN and 100 per cent. of the Class C VFN.

THE "RISK FACTORS" SECTION 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 IN THE SECTION.

JOINT ARRANGERS

HSBC

Morgan Stanley

The date of this Prospectus is 10 December 2012

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE FIXED RATE SWAP PROVIDER, THE JOINT ARRANGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE CORPORATE SERVICES PROVIDER, THE BACK-UP SERVICER FACILITATOR, THE BACK-UP CASH MANAGER FACILITATOR, THE AGENT BANK, THE REGISTRAR, THE VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE FIXED RATE SWAP PROVIDER, THE JOINT ARRANGERS, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANKS, THE BACK-UP SERVICER FACILITATOR, THE BACK-UP CASH MANAGER FACILITATOR, THE AGENT BANK, THE VFN REGISTRAR, THE REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.

The Class A Notes will be represented on issue by a global note certificate in registered form (a **Global Note**). The Class B1 VFN, the Class B2 VFN and the Class C VFN will each be issued in dematerialised registered form and no certificate evidencing entitlement to the Class B VFN or the Class C VFN will be issued. The Class A Notes may be issued in definitive registered form under certain circumstances.

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

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE JOINT ARRANGERS THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE UK LISTING AUTHORITY, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE JOINT ARRANGERS WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE JOINT ARRANGERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

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

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

NONE OF THE ISSUER, THE JOINT ARRANGERS, THE NOTE TRUSTEE OR THE SECURITY TRUSTEE MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. ANY INFORMATION SOURCED FROM THIRD PARTIES CONTAINED IN THIS PROSPECTUS HAS BEEN ACCURATELY REPRODUCED (AND IS CLEARLY SOURCED WHERE IT APPEARS IN THIS PROSPECTUS) AND, AS FAR AS THE ISSUER IS AWARE AND IS ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE CO-OPERATIVE BANK P.L.C. ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE*", "*THE CO-OPERATIVE BANK P.L.C.*", "*THE LOANS*", "*CHARACTERISTICS OF THE PORTFOLIO*" AND "*CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET*". TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CO-OPERATIVE BANK P.L.C. (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE SECTIONS REFERRED TO IN THIS PARAGRAPH IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE CO-OPERATIVE BANK AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS (OTHER THAN IN THE SECTIONS REFERRED TO ABOVE) OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION

CONTAINED IN THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE NOTES OR THEIR DISTRIBUTION.

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

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

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

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

Forward-Looking Statements

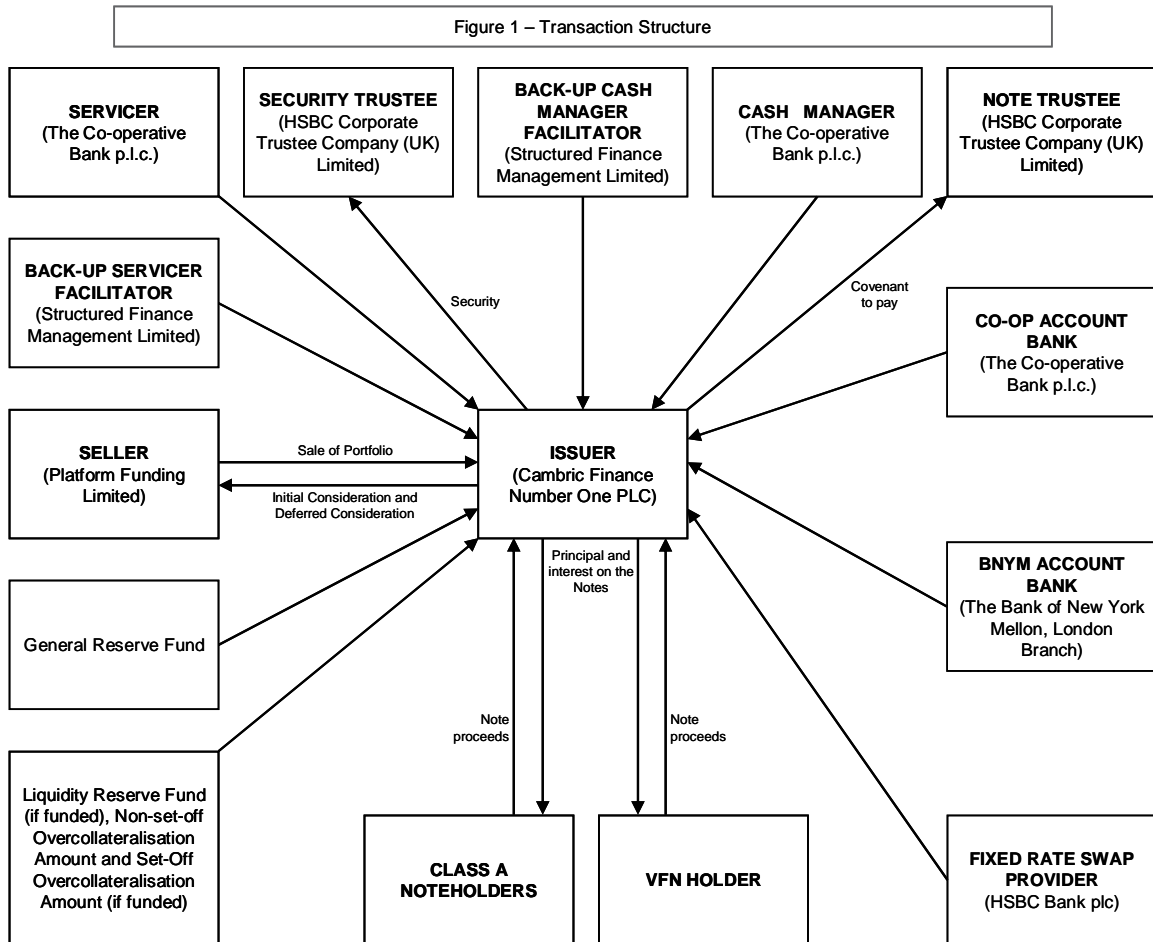
Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Note Trustee, the Security Trustee nor the Joint Arrangers has attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Note Trustee, the Security Trustee or the Joint Arrangers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

TABLE OF CONTENTS

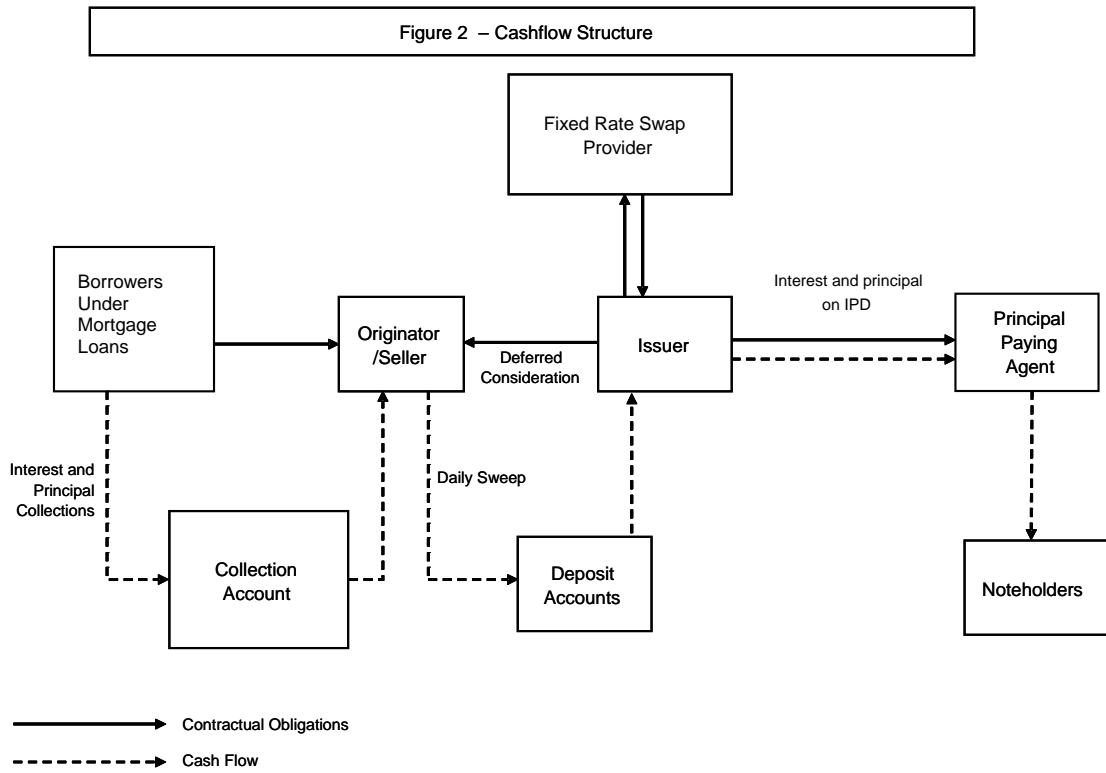
Structure Diagrams	6
Transaction Overview – Transaction Parties	9
Risk Factors	12
Transaction Overview – Portfolio and Servicing	49
Transaction Overview – Summary of the Terms and Conditions of the Notes	55
Transaction Overview – Credit Structure and Cashflow	66
Transaction Overview – Triggers Tables	76
Transaction Overview – Fees	81
Article 122A of the Capital Requirements Directive	83
Weighted Average Lives of the Class A Notes	84
Use of Proceeds	86
Ratings	87
The Issuer	88
Holdings	90
The Co-operative Bank p.l.c.	92
Platform Funding Limited	98
Platform Home Loans Limited	99
The Loans	100
Characteristics of the Portfolio	112
Characteristics of the United Kingdom Residential Mortgage Market	134
The Note Trustee and Security Trustee	139
The Fixed Rate Swap Provider	140
The Corporate Services Provider	141
Western Mortgage Services Limited	142
Summary of the Key Transaction Documents	143
Credit Structure	172
Cashflows	181
Description of the Global Notes and the Variable Funding Notes	195
Terms and Conditions of the Notes	200
United Kingdom Taxation	231
Subscription and Sale	234
Transfer Restrictions and Investor Representations	236
General Information	238
Index of Terms	240

STRUCTURE DIAGRAMS

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOWS



OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

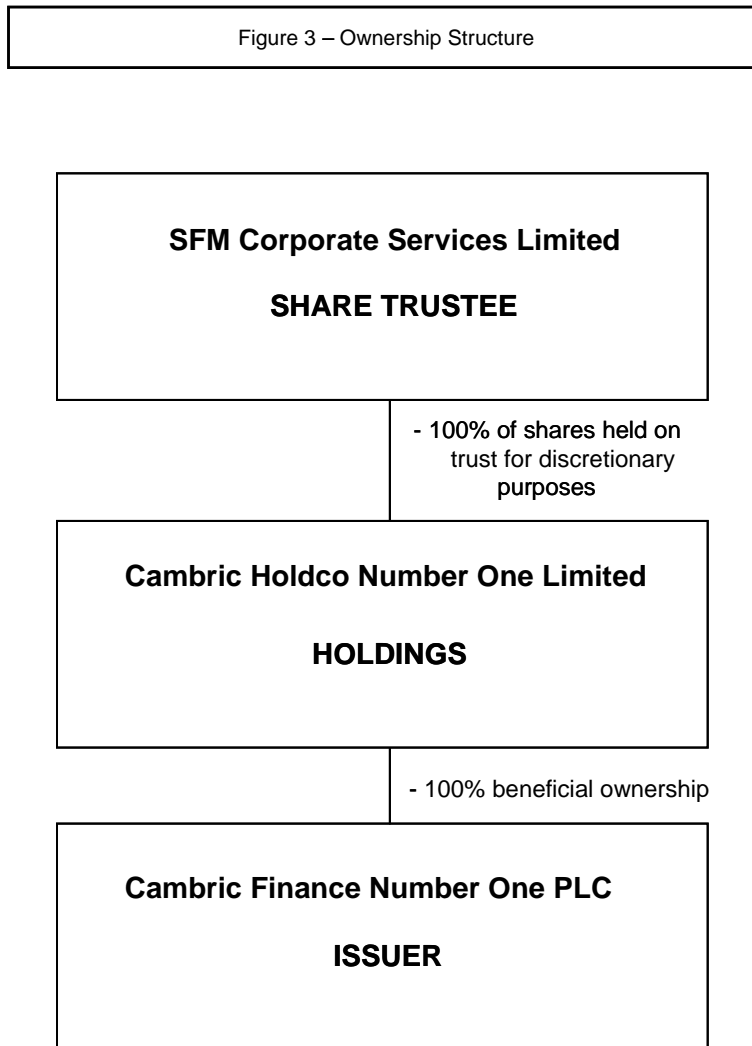


Figure 3 illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly owned subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a trust the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings and the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

TRANSACTION OVERVIEW – TRANSACTION PARTIES

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

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

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

Party	Name	Address	Document under which appointed/Further Information
Issuer	Cambric Finance Number One PLC	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>The Issuer</i> " for further information.
Holdings	Cambric Holdco Number One Limited	35 Great St. Helen's, London EC3A 6AP	See the section entitled " <i>Holdings</i> " for further information.
Seller	Platform Funding Limited	Newton House, Cheadle Road, Leek, Staffordshire ST13 5SJ	See the section entitled " <i>Platform Funding Limited</i> " for further information.
Servicer	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester M60 4EP	Servicing Agreement by the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
Sub-Servicer	Western Mortgage Services Limited	MoneyCentre, Drake Circus, Plymouth, Devon PL1 1QJ	Sub-Servicing Agreement by the Servicer. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " for further information.
Cash Manager	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester M60 4EP	Cash Management Agreement by, <i>inter alios</i> , the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.

VFN Holder	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester M60 4EP	See the section entitled " <i>Transaction Summary – Summary of the Terms and Conditions of the Notes – Variable Funding Notes</i> " and " <i>The Terms and Conditions of the Notes</i> " for further information.
Fixed Rate Swap Provider	HSBC Bank plc	8 Canada Square, London E14 5HQ	Fixed Rate Swap Agreement by the Issuer. See the section entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Fixed Rate Swap Agreement</i> " for further information.
Account Banks	The Co-operative Bank p.l.c. (the Co-op Account Bank)	1 Balloon Street, Manchester M60 4EP	The Co-op Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The Co-op Bank Account Agreement</i> " for further information.
	The Bank of New York Mellon, London branch (the BNYM Account Bank)	40th Floor, One Canada Square, London E14 5AL	The BNYM Bank Account Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – The BNYM Bank Account Agreement</i> " for further information.
Security Trustee	HSBC Corporate Trustee Company (UK) Limited	8 Canada Square, London E14 5HQ	Deed of Charge. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Note Trustee	HSBC Corporate Trustee Company (UK) Limited	8 Canada Square, London E14 5HQ	Trust Deed. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Principal Paying Agent and Agent Bank	HSBC Bank plc	8 Canada Square, London E14 5HQ	Agency Agreement by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Back-Up Servicer Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Servicing Agreement by, <i>inter alios</i> , the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing</i> "

			<i>Agreement</i> " for further information.
Back-Up Cash Manager Facilitator	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Cash Management Agreement by, <i>inter alios</i> , the Issuer, the Seller and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " for further information.
VFN Registrar	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester M60 4EP	Agency Agreement by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Registrar	HSBC Bank plc	8 Canada Square, London E14 5HQ	In respect of the Class A Notes, the Agency Agreement, by the Issuer. See the " <i>Terms and Conditions of the Notes</i> " for further information.
Corporate Services Provider	Structured Finance Management Limited	35 Great St. Helen's, London, EC3A 6AP	Corporate Services Agreement by the Issuer and Holdings.
Share Trustee	SFM Corporate Services Limited	35 Great St. Helen's, London EC3A 6AP	Share Trust Deed by the Share Trustee
Collection Account Bank	National Westminster Bank Plc (the NatWest Collection Account Bank)	135 Bishopsgate, London EC2M 3UR	From the Closing Date, the obligations of the Collection Account Bank may be transferred from the NatWest Collection Account Bank to The Co-operative Bank.
Joint Arrangers	HSBC Bank plc	8 Canada Square, London E14 5HQ	Note Purchase Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
	Morgan Stanley & Co. International plc.	25 Cabot Square, Canary Wharf, London E14 4QA	Note Purchase Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.
Initial Class A Note Purchaser	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester M60 4EP	Note Purchase Agreement. See the section entitled " <i>Subscription and Sale</i> " for further information.

RISK FACTORS

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

An investment in the Class A Notes is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to suffer any potential loss stemming therefrom.

The Issuer believes that the risks described below are the material risks inherent in the transaction for Class A Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Class A Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks relating to the Class A Notes are exhaustive. Additional risks or uncertainties not presently known to the Issuer or that the Issuer currently considers immaterial may also have an adverse effect on the Issuer's ability to pay interest, principal or other amounts in respect of the Class A Notes. Prospective Class A Noteholders should read the detailed information set out in this document and reach their own views, together with their own professional advisers, prior to making any investment decision.

Credit Structure

Liabilities Under the Notes

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Co-operative Bank, the Fixed Rate Swap Provider, the Joint Arrangers, the Servicer, the Cash Manager, the Co-op Account Bank, the BNYM Account Bank, the Swap Collateral Account Bank (if applicable), the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Deposit Accounts, the General Reserve Fund, the Liquidity Reserve Fund (if funded), and the receipts under the Fixed Rate Swap Agreement. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

Limited recourse

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio (b) payments (if any) due from the Fixed Rate Swap Provider, (c) interest income on the Deposit Accounts, (d) funds available in the Liquidity Reserve Fund (if funded) and the General Reserve Fund. Other than the foregoing, the Issuer is not expected

to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the Security by the Security Trustee, if:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes,

then the Secured Creditors (which include the Noteholders) shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid (principally payments of principal and interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and the Issuer's payment obligations shall be deemed to cease.

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

Deferral of Interest Payments on the Class B VFN and the Class C VFN

If, on any Interest Payment Date whilst any of the Class A Notes remains outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class B VFN, and/or the Class C VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 17 (**Subordination by Deferral**) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class B VFN and/or the Class C VFN becomes immediately due and repayable in accordance with the Conditions. This will not constitute an Event of Default.

Failure to pay interest on the Class A Notes shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Credit risk

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

Liquidity risk

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers (if, for example such payment is made after the end of the Collection Period immediately preceding the Interest Payment Date). This risk is addressed in respect of the

Class A Notes by the provision of liquidity from alternative sources as described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Class A Noteholders from all risk of loss.

Subordination of the Class B VFN and the Class C VFN

The Class B VFN is subordinated in right of payment of interest and principal to the Class A Notes at all times; the Class C VFN is subordinated in right of payment of interest to the Class A Notes and the Class B VFN at all times, all as set out in "*Cashflows — Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflows — Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer*". There is no assurance that these subordination rules will protect the holders of Class A Notes from all risk of loss.

Revenue and Principal Deficiency

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class A Notes, amounts ranking in priority to the payment of interest on the Class A Notes and amounts necessary to eliminate any debit balances on the Principal Deficiency Ledger (excluding the Class B Principal Deficiency Sub-Ledger), there is a Revenue Deficiency, then subject to certain conditions set out in "*Credit Structure*", the Issuer may apply the amounts standing to the credit of the General Reserve Fund. If following application of the General Reserve Fund, there remains a Revenue Deficiency, then (again subject to certain conditions) the Issuer may apply Principal Receipts (if any) to cure such Revenue Deficiency. In this event, the consequences set out in the following paragraph may result.

Application of any Principal Receipts to meet any Revenue Deficiency (in addition to any Losses) will be recorded first on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B VFN then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts and, other than in respect of the Class B VFN, amounts standing to the credit of the General Reserve Fund. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Acceleration Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger and second the Class B Principal Deficiency Sub-Ledger. Amounts standing to the credit of the General Reserve Fund will be applied, after meeting prior ranking obligations as further described in "*Credit Structure*", to credit the Class A Principal Deficiency Sub-Ledger.

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

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

Interest Rate Risk

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

To hedge its interest rate exposure, the Issuer will enter into the Fixed Rate Swap Transaction pursuant to the Fixed Rate Swap Agreement on the Closing Date with the Fixed Rate Swap Provider (see "*Credit Structure — Interest Rate Risk for the Notes*" below).

A failure by the Fixed Rate Swap Provider to make timely payments of amounts due under the Fixed Rate Swap Transaction will constitute a default under the Fixed Rate Swap Agreement. The Fixed Rate Swap Agreement provides that the Sterling amounts owed by the Fixed Rate Swap Provider on any payment date under the Fixed Rate Swap Transaction (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date under the Fixed Rate Swap Transaction. Accordingly, if the amounts owed by the Issuer to the Fixed Rate Swap Provider on a payment date in respect of the Fixed Rate Swap Transaction are greater than the amounts owed by the Fixed Rate Swap Provider to the Issuer on the same payment date under the Fixed Rate Swap Transaction, then the Issuer will pay the difference to the Fixed Rate Swap Provider on such payment date in respect of the Fixed Rate Swap Transaction; if the amounts owed by the Fixed Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Fixed Rate Swap Provider on the same payment date in respect of the Fixed Rate Swap Transaction, then the Fixed Rate Swap Provider will pay the difference to the Issuer on such payment date; and if the amounts owed by both parties are equal on a payment date in respect of the Fixed Rate Swap Transaction, neither party will make a payment to the other on such payment date in respect of the Fixed Rate Swap Transaction. To the extent that the Fixed Rate Swap Provider defaults in its obligations under the Fixed Rate Swap Agreement to make payments to the Issuer in Sterling, on any payment date (which corresponds to an Interest Payment Date), under the Fixed Rate Swap Transaction the Issuer will be exposed to the possible variance between various fixed rates payable on the Loans in the Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement fixed rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

As at the date of this Prospectus, the Issuer has not entered into any interest rate swap or other hedging transaction in relation to Loans other than Fixed Rate Loans, and as a result there is no hedge in respect of the risk of any variances in the Base Rate charged on any Loans which in turn may result in insufficient funds being made available to the Issuer for the Issuer to meet its obligations to the Noteholders and the Secured Creditors.

The Issuer pays a fixed rate under the Fixed Rate Swap Transaction. This fixed rate is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Loans that pay fixed rates in the Portfolio. As such, there may be circumstances in which the rate payable by the Issuer under the relevant Fixed Rate Swap Transaction exceeds the amount that the Issuer receives in respect of the Loans that pay fixed rates in the Portfolio.

Termination payments under the Fixed Rate Swap Transaction

Subject to the following, the Fixed Rate Swap Agreement will provide that, upon the occurrence of certain events, the Fixed Rate Swap Transaction may terminate and a termination payment by either the Issuer or the Fixed Rate Swap Provider may be payable, the amount of such payment will depend on, among other things, the terms of the Fixed Rate Swap Transaction and the cost of entering into a replacement transaction at the time. Any termination payment due by the Issuer (other than (where applicable) the Fixed Rate Swap Excluded Termination Amount) to the extent such termination payment is not satisfied by any applicable Replacement Swap Premium which shall be paid directly by the Issuer to the Fixed Rate Swap Provider, will rank prior to payments in respect of the Class A Notes. If any termination amount is payable, payment of such termination amounts may affect amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of the Fixed Rate Swap Transaction (including any extra costs incurred in entering into a replacement fixed rate swap or swaps) will also rank prior to payments in respect of the Class A Notes. This may affect amounts available to pay interest on the Class A Notes and, following service of a Note Acceleration Notice on the Issuer (which has not been revoked), interest and principal on the Notes.

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

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

The yield to maturity on the Class A Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Class A Notes. Prepayments on the Loans may result from refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under any applicable insurance policies. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreement in certain circumstances will have the same effect as a prepayment of such Loans. The yield to maturity of the Class A Notes may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

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

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Class A Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (to the extent not used to credit the Retained Principal Receipts Ledger and the Liquidity Reserve Fund (if funded)) (see "*Cashflows*" below).

At any time on or after the Interest Payment Date (a) falling in March 2017 or (b) on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Class A Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Fixed Rate Swap Provider being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Class A Notes.

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

Ratings of the Class A Notes

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

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

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

Rating agencies other than the Rating Agencies could seek to rate the Class A Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Class A Notes by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value of the Class A Notes. For the avoidance of doubt and unless the context otherwise requires, any reference to **ratings** or **rating** in this Prospectus is to the ratings assigned by the specified Rating Agencies only.

As highlighted above, the ratings assigned to the Class A Notes by each Rating Agency are based on, amongst other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Fixed Rate Swap Provider, the Servicer and the Account Banks. In the event one or more of these transaction parties are downgraded, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Class A Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Class A Notes and as a consequence, the resale price of the Class A Notes in the market and the prima facie eligibility of the Class A Notes for use in certain liquidity schemes established by the European Central Bank and the Bank of England.

Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Fitch and Moody's, each of which is a credit rating agency established in the European Community and registered under the CRA Regulation.

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

The terms of certain Transaction Documents require the Rating Agencies to confirm that certain actions proposed to be taken by the Issuer and the Note Trustee, or as the case may be, the Security Trustee will not have an adverse effect on the then current rating of the Class A Notes (a **Ratings Confirmation**).

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

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

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

The Note Trustee and the Security Trustee are not obliged to act in certain circumstances

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest thereon as provided in the Trust Deed.

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including the Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party or in respect of which (in the case of the Security Trustee) it holds security in respect of and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of a Note Acceleration Notice in accordance with Condition **10 (Events of Default)**) unless:

- (a) it shall have been directed to do so by an Extraordinary Resolution of the Class A Noteholders or it has been directed to do so in writing by the Class B VFN Holder or the Class C VFN Holder (in accordance with the priority described in paragraphs (i) and (ii) of the proviso below) or in writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A Notes then outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of:

- (i) the Class B VFN Holder as aforesaid so long as any Class A Notes are outstanding; or
- (ii) the Class C VFN Holder as aforesaid so long as any of the Class A Notes or Class B VFN are outstanding.

See further "*Terms and Conditions of the Notes – Condition 11 (Enforcement)*" below.

In addition, each of the Note Trustee and the Security Trustee benefit from indemnities given to them by the Issuer pursuant to the Transaction Documents which rank in priority to the payments of interest and principal on the Notes.

In relation to the covenant to be given by the Co-operative Bank to the Issuer in the Mortgage Sale Agreement in accordance with the text of Article 122a regarding the material net economic interest to be retained by the Co-operative Bank in the securitisation and certain requirements as to providing investor information in connection therewith, neither the Note Trustee nor the Security Trustee will be under any obligation to monitor the compliance by the Co-operative Bank with such covenant and will not be under any obligation to take any action in relation to non-compliance with such covenant.

Meetings of Noteholders, Modification and Waivers

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

The Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document), to (a) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the Notes or any of the Transaction Documents which is not, in the opinion of the Note Trustee, or as the case may be, the Security Trustee, materially prejudicial to the interests of the Noteholders or (b) any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error. In certain circumstances, a failure by the Issuer to obtain the consent of the Fixed Rate Swap Provider in respect of amendments to the Transaction Documents may result in the termination of the Fixed Rate Swap Agreement. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver and substitution)*" below.

The Conditions also provide that the Issuer, the Cash Manager (only so long as the Co-operative Bank is the sole Cash Manager) and/or the Fixed Rate Swap Provider (but, in the case of the Fixed Rate Swap Provider, only in respect of Transaction Amendments (as defined below) relating to a Transaction Document to which it is a party) (each a **Requesting Party**) may, at any time during the term of the Trust Deed, request that the Note Trustee and/or the Security Trustee agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect:

- (a) the appointment of a swap collateral account bank and the entry into of related documentation (including any swap collateral account bank agreement), in accordance with the terms of the Fixed Rate Swap Agreement; and/or
- (b) the closure of the NatWest Collection Account held with the NatWest Collection Account Bank, the appointment of the Co-operative Bank as the replacement collection account bank (the **Co-operative Collection Account Bank**), the opening of a replacement collection account with the Co-operative Collection Account Bank (the **Co-operative Collection Account**), the transfer of any monies from the NatWest Collection Account to the Co-operative Collection Account and the entry into of all related documentation (including any declaration of trust over the Co-operative Collection Account)

(together the **Transaction Amendments**),

irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (as the case may be) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the Amendment Conditions are satisfied. **Amendment Conditions**, means:

- (i) confirmation in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that such Requesting Party is of the opinion based on its discussions with the relevant Rating Agency or Rating Agencies that the credit ratings then assigned by them to the Class A Notes will not be adversely affected by such Transaction Amendments;
- (ii) confirmation in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that each of the Rating Agencies have been notified of such proposed Transaction Amendments and have not raised any objections thereto;
- (iii) confirmation in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that none of the Priority of Payments will be amended as a result of such Transaction Amendments; and
- (iv) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, impose any more onerous obligations on or create any additional liabilities for the Note Trustee or the Security Trustee or otherwise prejudice their interests.

For the avoidance of doubt and notwithstanding anything to the contrary in the other Transaction Documents, neither the Note Trustee nor the Security Trustee shall consider the interests of any other person in entering into (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely without further investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer, the Cash Manager (in its capacity as the Requesting Party, where applicable) or the Fixed Rate Swap Provider (as the case may be) is acting in a commercially reasonable manner, nor shall either of them be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer, the Cash Manager (in its capacity as the Requesting Party, where applicable) or the Fixed Rate Swap Provider (as the case may be).

There is no guarantee that any changes made to the Transaction Documents and/or the Conditions pursuant to the obligations imposed on the Note Trustee and the Security Trustee as described above, would not be prejudicial to Noteholders.

Rights of Noteholders and Secured Creditors

Conflict between Noteholders

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

If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on one hand and the interests of the Class B VFN Holder and/or the Class C VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class A Noteholders. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is or may be a conflict between the interests of the Class B VFN Holder (for so long as there Class B VFN is outstanding) on the one hand and the interests of the Class C VFN Holder on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class B VFN Holder.

If any of the Class A Notes are held by or on behalf of or for the benefit of the Co-operative Bank, the Issuer, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, those Class A Notes will be deemed not to remain outstanding, for, *inter alia* the purposes of determining a quorum at a meeting of Noteholders, unless, in the case of the Co-operative Bank only, it holds all of the Class A Notes then outstanding.

Conflict Between Noteholders and other Secured Creditors

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Condition 12.5.

The Co-operative Bank will subscribe for all of the Class A Notes, all of the Class B VFN and all of the Class C VFN on the Closing Date (see "*Subscription and Sale*" below).

Absence of secondary market

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

The Mortgages

Seller to Initially Retain Legal Title to the Loans and risks relating to set-off

The sale by the Seller to the Issuer of the Loans and their Related Security (until legal title is conveyed) takes effect in equity only (and subject to the CCA Trust). This means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents — Mortgage Sale*").

Agreement", below). Until such time, the assignment by the Seller to the Issuer of the Loans and their Related Security takes effect in equity only (and subject to the CCA Trust). The Issuer has not and will not apply to the Land Registry to register or record its equitable interest in the Mortgages.

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

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

Until notice of the assignment is given to Borrowers, the Issuer would not be able to enforce any Borrower's obligations under a Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer.

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected.

Once notice has been given to the Borrowers of the assignment of the Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Seller will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan such as a claim for damages under a Further Advance) will not be affected by that notice and will continue to exist.

For so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Loans and their Related Security and the Issuer will have power of attorney to act in the name of the Seller.

Notwithstanding the above, until the Issuer has confirmed that it has obtained the requisite licence under the Consumer Credit Act 1974 (the **CCA**), the Seller will hold the Loans and their Related Security on a bare trust absolutely for the Issuer. Following receipt by the Seller of such confirmation from the Issuer that it has obtained the requisite licence, such Loans and their Related Security will be automatically assigned to the Issuer. In the event of the occurrence of a perfection event prior to the Issuer obtaining its licence under the CCA, the Issuer will not make any of the notifications or registrations or recordings required pursuant to the Mortgage Sale Agreement to perfect its title to the Loans and their Related Security. However it shall instead send written notice to each Borrower, informing such Borrower of the interests of the Issuer in respect of such Borrower's Loan and its Related Security pursuant to the CCA Trust and will only perfect its title to the Loans and their Related Security once it has obtained its CCA licence. The Issuer is currently in the process of obtaining a CCA licence.

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

As described above, the sale by the Seller to the Issuer of Loans will be given effect by an assignment. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to "transaction set-off", being the direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to transactions made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment of the Loans.

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

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

The amount of any such claim against the Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds. The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

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

Product Switches and Further Advances

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, a Further Advance or a Product Switch from time to time. Any Loan which has been the subject of a Further Advance or a Product Switch following an application by the Borrower will remain in the Portfolio. If the Issuer subsequently determines that any Further Advance or Product Switch does not satisfy an Asset Condition, as at such Advance Date, Drawing Date or Switch Date (where applicable), and such default is not remedied in accordance with the Mortgage Sale Agreement the Seller will be required to repurchase the relevant Loan and its Related Security in accordance with the Mortgage Sale Agreement. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

It should be noted that any Loan Warranty made by the Seller in relation to a Further Advance and/or a Product Switch may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment (and for such purpose, the Security Trustee (a) may, but is not obliged to, have regard to any confirmation from each of the Rating Agencies that it will not downgrade, withdraw or qualify the ratings of the Class A Notes as a result of those amendments or (b) has received written notice from the Cash Manager to the Note Trustee and the Security Trustee certifying that such proposed action (i) is being taken solely to implement and reflect the then updated and published Rating Agency criteria of a Rating Agency, and (ii) the then current ratings of the Class A Notes will not be

downgraded or withdrawn by the Rating Agencies as a result of such action (upon which confirmation or certificate the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing)). Where the Seller is required to repurchase the relevant Loan and its Related Security because the warranties in respect of that Loan are not true as of the date they are made, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Class A Notes. The Co-operative Bank will however provide a performance guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement.

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

Further, there may be circumstances in which a Borrower might seek to argue that any Loan, Further Advance or Product Switch is wholly or partly unenforceable by virtue of non-compliance with the FSMA or the CCA as further discussed below.

If this were to occur, then this could adversely affect the Issuer's ability to make payments due on the Class A Notes or to redeem the Class A Notes.

Selection of the Portfolio

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at 30 September 2012 (the **Portfolio Reference Date**). The Portfolio as at the Portfolio Reference Date comprised of 13,734 Loans with a current balance of £1,725,687,113.51. The portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Portfolio as at the Portfolio Reference Date (the **Closing Date Portfolio**). The characteristics of the Closing Date Portfolio will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, the random reduction in the size of the Portfolio, repayments and redemptions of Loans and the removal of any Loans from the Portfolio that do not comply with the Loan Warranties as at 19 October 2012. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Portfolio between the Portfolio Reference Date and the Closing Date.

Servicing and Third Party Risk

Issuer Reliance on Other Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Co-op Account Bank has agreed to provide the Co-op Deposit Account to the Issuer pursuant to the Co-op Bank Account Agreement, the BNYM Account Bank has agreed to provide the BNYM Deposit Account to the Issuer pursuant to the BNYM Bank Account Agreement, (if applicable) the Swap Collateral Account Bank has agreed to provide the Swap Collateral Account to the Issuer pursuant to the applicable Swap Collateral Account Bank Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement and the Paying Agents, the Registrar, the VFN Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed without a sufficiently experienced substitute or any substitute being appointed in their place, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected.

The Servicer

The Co-operative Bank will be appointed by the Issuer as Servicer to service the Loans. The Servicer will be entitled to sub-delegate all or a portion of the servicing services under the Servicing Agreement to one or more counterparties, subject to the terms set out in the Servicing Agreement. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-servicer. The Servicer will delegate certain of its obligations to Western Mortgage Services Limited (**WMS**) on or about the Closing Date. See the sections entitled "*Western Mortgage Services Limited*" for further details.

The Servicer has announced that it has agreed to proceed on the basis of non-binding heads of terms with the Lloyds Banking Group (**LBG**) in relation to the acquisition of the "Verde" business (**Project Verde**). Under the non-binding heads of terms it has been agreed that the combined Co-operative Bank and Verde business would ultimately operate on a separated version of the existing LBG IT platform which would be managed by LBG, for the enlarged Co-operative Banking Group (this would include the Loans to be serviced by the Servicer on behalf of the Issuer (see further the section of this Prospectus titled "*The Co-operative Bank p.l.c.*"). It is anticipated that the earliest point at which the migration would begin is 2015. Neither Security Trustee nor Note Trustee consent will be obtained in connection with the sub-delegation of the IT servicing of the Loans as currently envisaged in the non-binding heads of terms.

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

If the Servicer is removed, there is no guarantee that a substitute servicer would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments on the Class A Notes. Such risk is mitigated by the provisions of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, will assist the Issuer in appointing a substitute servicer.

There can be no assurance that a substitute servicer with sufficient experience of servicing the Loans would be found who would be willing and able to service the Loans on the terms, or substantially similar terms, set out in the Servicing Agreement. Further, it may be that the terms on which a substitute servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders may be adversely affected. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to service Loans that constitute Regulated Mortgage Contracts under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Class A Notes.

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

Change of counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Co-op Account Bank, the BNYM Account Bank, the Fixed Rate Swap Provider and (if applicable) the Swap Collateral Account Bank) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

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

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

The Portfolio

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

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

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

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates.

Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Class A Notes.

Declining property values

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

The Issuer cannot guarantee that the value of a property will remain at the same level as on the date of origination of the related Loan. The downturn in the United Kingdom economy has had a negative effect on the housing market. The fall in property prices resulting from the deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem any outstanding loan secured on such property. If the value of the Related Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Class A Notes.

Borrowers may have insufficient equity in their homes to refinance their Loans with lenders other than the Seller and may (as a result of the circumstances described in "*Delinquencies or Default by Borrowers in paying amounts due on their Loans*") have insufficient resources to pay amounts in respect of their loans as and when they fall due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Class A Notes.

Geographic Concentration Risks

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

Interest Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or a combination capital repayment/interest payment basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. Whilst the Seller does not verify or does not require proof that such repayment mechanism is in place and does not take security over any investment policies taken out by Borrowers, the Seller will review the repayment mechanism in line with the size of the loan, the applicant's age, income and likelihood of the repayment mechanism accumulating sufficient value to repay the loan and will decline the application if this repayment mechanism is deemed to be unacceptable.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans — Repayment Terms*" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest-only Loan and a loss occurs, this may affect repayments on the Class A Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Insurance Policies

The policies of the Seller in relation to buildings insurance are described under "*The Loans — Buildings Insurance Policies*", below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Class A Notes.

Searches, Investigations and Warranties in Relation to the Loans

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

Neither the Note Trustee, the Security Trustee, the Joint Arrangers nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date, the Advance Date or the Switch Date (as applicable), which breach is not remedied in accordance with the Mortgage Sale Agreement, will be to require the Seller to repurchase any relevant Loan and its Related Security. In addition, the Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement, the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan. There can be no assurance that the Seller (or, as applicable, the Co-operative Bank or one of its subsidiaries) will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

It should also be noted that any warranties made by the Seller in relation to Further Advances and/or Product Switches may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee (a) may, but is not obliged to, have regard to whether the Rating Agencies have confirmed in writing that they will not downgrade, withdraw or qualify the ratings of the Notes as a result of those amendments (and, for the avoidance of doubt, the Rating Agencies will not be required to provide such confirmation) or (b) has received written notice from the Cash

Manager to the Note Trustee and the Security Trustee certifying that such proposed action (i) is being taken solely to implement and reflect the then updated and published Rating Agency criteria of a Rating Agency, and (ii) the then current ratings of the Class A Notes will not be downgraded or withdrawn by the Rating Agencies as a result of such action (upon which confirmation or certificate the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing)). Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Class A Notes.

Certain Regulatory considerations

FSA Regulation of Mortgage Business

In the United Kingdom, regulation of residential mortgage business by the FSA under the FSMA came into force on 31 October 2004 (the date known as **N(M)**). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under the FSMA requiring authorisation and permission from the FSA.

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

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

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

If the lender or any broker did not hold the required authorisation at the relevant time, the Regulated Mortgage Contract is unenforceable against the borrower except with the approval of a court. If the financial promotion was not issued or approved by an authorised person, the Regulated Mortgage Contract and any other "qualifying credit" is unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage

Contract under the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of a Regulated Mortgage Contract and (b) changes to credit agreements.

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

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

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

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 90 days of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one **Mortgage Account**) and their Related Security from the Issuer in accordance with the Mortgage Sale Agreement.

Credit agreements that were entered into before N(M), but are subsequently changed such that a new contract is entered into on or after N(M), are regulated under the FSMA where they fall within the definition of "Regulated Mortgage Contract".

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

Proposed changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payments on the Notes

In January 2011, HM Treasury announced proposals to enhance consumer protection in the mortgage market. Forthcoming legislation is expected to provide for consumer protection when a mortgage book is sold by a regulated mortgage lender to an unregulated entity. In this regard, it is proposed that the definition of the regulated activity of administering a Regulated Mortgage Contract will be expanded so that any entity which exercises specified rights in relation to Regulated Mortgage Contracts, such as changing interest rates or taking action to repossess a property against a borrower, will be required to be authorised and regulated under the FSMA.

In June 2011, HM Treasury published a consultation paper, including a draft Financial Services Bill, that reiterates proposals to replace the FSA with a new Prudential Regulation Authority (the **PRA**), which will be responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and a new Financial Conduct Authority (the **FCA**), which will be responsible for conduct of business. These proposals include that consumer credit regulation (which includes new and existing second charge residential mortgages) will be transferred from the Office of Fair Trading (the **OFT**) to the FCA. These proposals also include that the FCA will have power to render unenforceable contracts made in contravention of its product intervention rules, and that formalised cooperation will exist between the FCA and the Ombudsman (as described below), particularly where issues identified potentially have wider implication, with a view to the FCA requiring affected firms to operate consumer redress schemes. The Financial Services Bill was introduced to Parliament in January 2012. HM Treasury has announced that, subject to the Parliamentary timetable, the UK Government's aim is for the Financial Services Bill to become law by the end of 2012, and the FSA to be replaced by the PRA and FCA in early 2013, and consumer credit regulation to be transferred to the FCA in 2014.

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, *inter alia*, affordability assessments, product regulation, arrears charges and responsible lending. The FSA aims to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. The FSA has announced that it intends to publish a feedback statement and final rules in 2012, and that implementation of any of its proposals is unlikely to occur before summer 2013 except some proposals could be implemented earlier if they command widespread support among interested parties.

Any further changes to MCOB arising from the FSA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or the regulatory structure, may adversely affect the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations.

Consumer Credit Act 1974

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

A credit agreement is regulated by the CCA where (a) the borrower is or includes an "individual" as defined in the CCA, (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA does not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that

date and (c) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA).

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

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

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

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

Consumer Credit Act 2006

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

Under the CCA, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts under the FSMA. If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the originator such as the Seller, or any assignee such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FSA's principle of "treating customers fairly", and guidance published by the FSA on that principle and by the OFT on the unfair

relationship test, may also be relevant. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

An alternative dispute resolution scheme for consumer credit matters was established on 6 April 2007 and is run by the Ombudsman (as described below). The scheme is mandatory for all businesses licensed under the CCA. The OFT is given far broader powers under the CCA 2006 from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 introduced an independent Consumer Credit Appeals Tribunal whose functions were transferred to the General Regulatory Chamber in the First-tier Tribunal on 1 September 2009.

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

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower is not liable to pay interest or, in certain cases, default fees for any period in which the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees is restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Early repayment charges are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies generally to all such credit agreements made on or after 11 June 2010.

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

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

The Seller will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 90 days of the Seller receiving notice of such non compliance, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one **Mortgage Account**) and their Related Security from the Issuer. In addition, the Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement, the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan.

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

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

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

On 23 May 2012, the Presidency of the Council of the European Union announced its compromise proposal for the general approach to its negotiations with the European Parliament on the proposed directive. The European Parliament has announced a revised indicative date of 10 to 13 December 2012 for its first plenary session on the proposed directive. It is currently proposed that Member States will be required to implement the directive into national law within two years after the directive enters into force. Until the proposed directive is considered and adopted by the European Parliament and the Council, and implemented into UK law, it is not possible to tell what effect the directive and the implementation of the directive into UK law would have on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations.

Distance Marketing

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

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

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

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

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

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

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

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, or price terms, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract or price terms, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender. Any such claim or set-off may adversely affect the Issuer's ability to make payments on the Notes.

Under agreements between the FSA and the OFT, most recently in November 2009, the division of responsibility for the enforcement of the UTCCR in loan agreements was agreed to be allocated by them, generally, to the FSA in relation to Regulated Mortgage Contracts under the FSMA originated by lenders authorised by the FSA and to the OFT in relation to other mortgages. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers (i.e. where the borrower is required to give advance notice, pay a cost or give up a benefit in order to terminate the contract), a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default fees, the OFT in April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts such as mortgages. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges.

The FSA's MCOB requires that, for Regulated Mortgage Contracts, (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the

balance of any payment shortfall, excluding any interest or charges on that balance. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR.

In July 2012, The Law Commission and The Scottish Law Commission published a consultation on proposals to reform the UTCCR. The Commissions propose, among other things, that the UTCCR will not generally affect a term that defines the main subject matter of the contract, or a price term, only if the term is transparent and prominent, and that, once the consumer alleges that a term is unfair under the UTCCR, the burden of proof is on the business to prove to the contrary. The Commissions propose that such reforms could be included in the Consumer Bill of Rights, expected to be introduced to Parliament in 2013 to 2014.

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

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

Financial Ombudsman Service

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

Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May 2005, the European Parliament and the Council adopted a Directive (2005/29/EC) regarding unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, this directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within this directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

The Unfair Practices Directive is implemented into UK law by the Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence.

In addition, the OFT addresses commercial practices in administering licences under the CCA, and the FSA has taken the Unfair Practices Directive into account in reviewing its rules. For example, the FSA's MCOB rules for Regulated Mortgage Contracts from 25 June 2010 prevent the lender from (a) repossessing the mortgaged property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a product switch, and (b) automatically capitalising a payment shortfall.

The Unfair Practices Directive provides a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it relates. The Unfair Practices Directive provides for a report (expected imminently) on the application of the directive, including on the scope for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the UK implementation of the directive and any further harmonisation will not have a material adverse effect on the Loans or on the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

Mortgage repossession

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

The Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

This protocol and this Act may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

Potential effects of any additional regulatory changes

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

UK Government Credit Guarantee Scheme, ABS Guarantee Scheme and Financial Services Compensation Scheme not applicable

On 8 October 2008, the UK Government announced the introduction of a new credit guarantee scheme pursuant to which the Government will make available to eligible institutions for an interim period a guarantee of new short and medium term debt issuance to assist in refinancing maturing, wholesale funding obligations as they fall due. The UK Government has indicated that certain debt instruments including the Class A Notes are not covered by the guarantee provided under the scheme and, as such, for the avoidance of doubt, the obligations of the Issuer in respect of the Notes are not guaranteed by the UK Government under the above credit guarantee scheme. In addition, on 19 January 2009, the UK government announced the introduction of the asset backed securities guarantee scheme which closed on 31 December 2009. The Notes are not guaranteed by the UK Government under the asset backed securities guarantee scheme. Also, any investment in the Notes does not have the status of a bank deposit in England and Wales and is not within the scope of the UK Financial Services Compensation Scheme.

Security and insolvency considerations

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

The Insolvency Act allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Security Trustee. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent which may lead to the ability to realise the Security being delayed and/or the value of the Security being impaired.

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

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

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but section 176A of the Insolvency Act requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

Liquidation expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* [2004] UKHL 9 (**Re Leyland Daf**), the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act 1986, and article 150ZA of the Insolvency (Northern Ireland) Order 1989, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

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

Validity of priorities of payments

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

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s (**LBSF**) motion for summary judgement on the basis that the effect was that the provisions do infringe the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". The UK Supreme Court has held that payment priority clauses, as described above, are valid under English law. However, there remains a stayed action in the U.S. commenced by the Lehman Brothers Chapter 11 debtors concerning the enforceability of priority of payments clauses and, in addition, in February 2012, a complaint was filed by certain parties seeking

recognition and enforcement of the Belmont Decision (and corresponding lower court decisions) and other declaratory relief with respect to the priority of payments clauses in question in the case described above. At the same time as filing the complaint, the relevant parties also filed a motion seeking the withdrawal of the reference from the U.S. Bankruptcy Court, requesting that the complaint be heard instead by the U.S. District Court. It has not yet been determined whether the complaint will be addressed by the U.S. Bankruptcy Court or the U.S. District Court, nor is it known when the complaint will be addressed. Therefore concerns still remain that the English and U.S. courts will diverge in their approach 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 and/or the market value of the Notes. It may also lead to changes in the Rating Agencies' ratings methodologies and/or ratings downgrades. Given the current state of U.S. and English law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

Risks relating to the Banking Act 2009

The Banking Act 2009 (the **Banking Act**), which came into effect on 21 February 2009, includes (amongst other things) 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 (such as the Co-operative Bank, the Fixed Rate Swap Provider, the Account Banks, etc). In particular, in respect of UK banks, such tools include share and property transfer powers (including powers for partial property transfers), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and two new special insolvency procedures which may be commenced by UK authorities (i.e. bank insolvency and bank administration). 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.

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

If an instrument or order were to be made under the Banking Act in respect of the Co-operative Bank, the Fixed Rate Swap Provider, the Account Banks, etc, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified (such as e.g. the CCA 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). As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred. At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the relevant entities referred to above and there has been no indication that it 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.

Lastly, the European Commission has published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. This follows the consultation published in 2011 on Technical Details of a Possible EU Framework for Bank Recovery and Resolution and the follow up discussion paper on the potential form of the debt write

down or "bail in" tools under the framework. Amongst other things, the proposed directive contemplates the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities and provides for special rules for cross-border groups. The resolution tools and powers referred to in the directive include certain tools and powers which overlap in part with those available under the Banking Act and also certain further tools, such as provision for authorities to bail-in eligible liabilities of relevant institutions. The proposed directive is not in final form and it is likely that changes will be made to it in the course of the corresponding legislative procedure. As such, it is too early to anticipate the full impact of the directive and there can be no assurance that Noteholders will not be adversely affected by an action taken under it, once it is agreed upon and implemented.

Legal considerations may restrict certain investments

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

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

Investors who are in any doubt as to their position should consult their professional advisers.

Withholding Tax Under the Notes

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

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Class A Notes provided that the Class A Notes carry a right to

interest and are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for such purposes and the Class A Notes will be treated as listed on the London Stock Exchange if the Class A Notes are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. The applicability of any withholding or deduction for or on account of United Kingdom taxes is discussed further under "*United Kingdom Taxation*" below.

The TSC Regulations

The Taxation of Securitisation Companies Regulations 2006 (the **TSC Regulations**) were made under section 84 of the Finance Act 2005 on 11 December 2006 (and now take effect under Chapter 4, Part 13 of the Corporation Tax Act 2010). The TSC Regulations deal with the corporation tax position of securitisation companies with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007).

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

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

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

European Monetary Union

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

Book-Entry Interests

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

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

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

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

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

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

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

Economic conditions in the Eurozone

Concerns relating to credit risk of sovereigns and of those entities which have exposure to sovereigns have recently intensified. In particular, concerns have been raised with respect to current economic, monetary and political conditions in the Eurozone. If such concerns persist and/or such conditions further deteriorate (including as may be demonstrated by any relevant credit Rating Agency action, any default or restructuring of indebtedness by one or more Member States or institutions within those Member States and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the Issuer, one or more of the other parties to the Transaction Documents (including the Co-operative Bank, the Servicer, the Account Banks, the Cash Manager and/or the Fixed Rate Swap Provider) and/or any Borrower in respect of its Loan.

Given the current uncertainty and the range of possible outcomes to the conditions in the Eurozone, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Class A Noteholders, the market value of the Class A Notes and/or the ability of the Issuer to satisfy its obligations under the Class A Notes.

European Banking Union Proposals

On 12 September 2012, the European Commission published a package of legislative proposals designed to create a single supervisory mechanism (**SSM**) for banks within the Euro area, as part of a longer term plan for fiscal and economic integration designed to address the current economic conditions in the Eurozone. It is proposed that the SSM would be established from 1 January 2013 and that implementation would be phased, with initial scope being limited to European systemically important banks. If implemented, these proposals would give the European Central Bank (**ECB**) direct prudential supervisory powers over Euro area banks, including in many areas currently reserved to national financial supervisors. These powers will complement, rather than replace, the existing powers of the EBA, though there are likely to be some amendments to the EBA's existing powers to enable full co-operation with the ECB. The proposed legislation could also allow Member states outside the Euro area (including the United Kingdom) to join the SSM through "close co-operation" arrangements between the ECB and the relevant national supervisor(s). While there has been no indication that the United Kingdom would seek to join the SSM, the extensive and significant nature of the powers and the speed of proposed implementation means that no assurance can be given as to whether any element of these proposals could adversely affect the Co-operative Bank or the market for the Class A Notes.

Change of Law

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

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Class A Notes

The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in the UK and the European Union that could significantly alter capital treatment and liquidity of the Class A Notes.

In 1988, the Basel Committee on Banking Supervision (the **Basel Committee**) adopted capital guidelines that explicitly link the relationship between a bank's capital and its credit risks. These guidelines have been implemented by banking regulators in most industrialised countries, including the UK. The Basel guidelines are intended to strengthen the soundness of the international banking system and to reduce competitive inequality among international banks by harmonising the definition of capital, establishing a basis for the evaluation of risk for each category of assets and applying a uniform target capital adequacy ratio of capital to risk-weighted assets.

The capital adequacy framework established by the International Convergence of Capital Measurement and Capital Standards: Revised Framework (**Basel II**) was finalised and published in June 2006 and introduced (among other things) capital requirements relating to operational risk and effects significant changes in the calculation of capital requirements against credit risk. Basel II is implemented in the European Union by the Capital Requirements Directive (comprising Directives 2006/48/EC and 2006/49/EC). The Capital Requirements Directive has now been amended by Directive 2009/111/EC (known as **CRD II**). CRD II was implemented in the UK on 31 December 2010.

The Capital Requirements Directive was further amended by Directive 2010/76/EU dated 24 November 2010 (**CRD III**), which introduced a number of changes in response to the recent and current market conditions, which may increase the capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions; and limit investments in securitisations held in the trading book and re-securitisations by imposing higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products. CRD III entered into force on 15 December 2010 and was required to be implemented in EU Member States by 31 December 2011.

In addition, several regulatory initiatives are likely to be introduced which may result in changes in the regulatory capital requirements of the Notes. In particular, it should be noted that the Basel Committee approved during 2010 significant changes to the Basel II framework (such changes being commonly referred to as **Basel III**) and on 1 June 2011 issued its final standards, which envisage a substantial strengthening of existing prudential rules, including through the following proposals:

- raising the quality and quantity of the Core Tier I capital base in a harmonised manner (including through changes to the items which give rise to adjustments to the capital base and a reform of the capital structure, including the introduction of additional mandatory capital buffers);
- introducing a requirement for non-Core Tier I capital instruments to have a mechanism that requires them to be written off or converted to equity on the occurrence of a bailout of the institution; this would apply to internationally active banks;
- strengthening the counterparty risk coverage of the capital framework; and
- introducing a new 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) for the banking sector.

The implementation of the Basel III reforms will begin on 1 January 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Funding Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The Basel Committee also intends to introduce additional capital requirements for global systemically important banks from 2016 and published rules outlining the relevant requirements in November 2011.

The Basel Committee also published a consultation paper on 3 May 2012 as part of its fundamental review of the regime governing capital requirements for trading book assets. This paper proposed a number of

reforms, designed (among other things) to avoid regulatory arbitrage, capture market illiquidity more effectively and strengthen risk measurement and valuation systems. A more detailed proposal is expected, which may result in changes to the Basel III capital framework.

Most recently, the Basel Committee published a speech on 13 September 2012, in which it outlined other current areas of ongoing review and confirmed, in particular, that it expects soon to publish a proposal for further reform of the securitisation framework, which will aim to make capital requirements more prudent and risk sensitive and reduce cliff effects. This may result in higher capital requirements for securitisations overall, including in the United Kingdom, which may affect the market for the Class A Notes. The Basel Committee also confirmed in this speech that it will continue to review the details of the Basel III framework, in particular the liquidity rules, to determine whether it strikes the appropriate balance between complexity and risk sensitivity, which could result in changes to the rules issued in June 2011.

In the European Union, the Basel III proposals are expected to be implemented by way of further changes to the Capital Requirements Directive, which will be transposed into national law by EU Member States. The European authorities support the work of the Basel Committee on the approved changes in general and, on 20 July 2011, the European Commission published a legislative package of proposals (known as **CRD IV**) to implement the changes through the replacement of the existing Capital Requirements Directive with a new Directive and Regulation. As with Basel III, the proposals contemplate the entry into force of the new legislation from January 2013, with full implementation by January 2019; however the proposals allow individual Member States to implement the stricter definition and/or level of capital more quickly than is envisaged under Basel III. The CRD IV proposals are expected to be adopted in final form during Autumn 2012, in advance of the scheduled implementation date of 1 January 2013. Some public concern has been expressed, however, including by the FSA, that implementation from 1 January 2013 may not be achievable.

Significant uncertainty therefore remains at global, European and national level around the implementation of some of these initiatives. However, each of the Basel Committee, the European authorities and the FSA has recently reiterated its commitment to implementing the Basel III reforms and the FSA has stated that it will continue in the meantime to undertake all preparatory work towards implementation of the Basel III/CRD IV reforms that is possible in the absence of a finalised EU legislative text.

With respect to those regulatory initiatives pertaining specifically to asset-backed securities, in Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Class A Notes are responsible for analysing their own regulatory position and none of the Issuer, the Joint Arrangers or the Co-operative Bank makes any representation to any prospective investor or purchaser of the Class A Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

In particular, investors should be aware of Article 122a of the EU Capital Requirements Directive which applies in general in respect of notes issued under securitisations established after 31 December 2010, and to notes issued under securitisations established on or before that date from the beginning of 2015 to the extent that new underlying exposures are added or substituted after 31 December 2014. Article 122a restricts an EU regulated credit institution (and its consolidated group entities) from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an ongoing basis. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a penal capital charge on the notes acquired by the relevant investor.

Article 122a applies to EU regulated credit institutions and their related entities on a consolidated basis. Investors should therefore make themselves aware of the requirements of Article 122a (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Class A Notes. With respect to the commitment of the Co-operative Bank to retain a material net economic interest in the securitisation as contemplated by Article 122a and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Servicer or the Cash Manager on the Issuer's behalf) in relation to the due diligence requirements under Article 122a, please see the statements set out in "*Summary of the Terms and Conditions of the Notes – Article 122a of the Capital Requirements Directive*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 122a (and any corresponding implementing rules of their regulator) and none of the Issuer, the Co-operative Bank (in its capacity as the Servicer or the Cash Manager), the Seller, the Note Trustee, the Security Trustee, nor any of the Joint Arrangers makes any representation that the information described above is sufficient in all circumstances for such purposes.

There remains considerable uncertainty with respect to Article 122a and its implementation in EEA states and it is not clear what is required to demonstrate compliance to national regulators. It should be noted that EEA states may implement Article 122a (and related provisions) differently. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non compliance with Article 122a should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings, UCITS funds and certain hedge fund managers) in the future.

Article 122a of the Capital Requirements Directive and any other changes to the regulation or regulatory treatment of the Class A Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

Pensions Act 2004

Under the Pensions Act 2004 a person that is 'connected with' or an 'associate' of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer may be treated as 'connected to' an employer under an occupational pension scheme which is within the Co-operative Bank Group.

A contribution notice could be served on the Issuer if it was party to an act, or a deliberate failure to act, the main purpose or one of the main purposes of which was either (a) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under section 75 of the Pensions Act 1995 or (b) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

A financial support direction could be served on the Issuer where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is a connected or associated person whose resources at least cover that difference. A financial support direction can only be served where the Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

It should be noted that, following the decision of the High Court in *Bloom & Ors v The Pensions Regulator (Nortel, Re)* [2010] EWHC 3010 (Ch), Briggs J held that contribution notices and financial support directions issued after the commencement of a liquidation or an administration (by the Pensions Regulator pursuant to its "moral hazard" powers) should be treated by the companies in liquidation/administration as a liquidation/administration expense, not an ordinary unsecured debt. This means that any such payments will

be required to be made in priority to the claims of the Security Trustee in respect of the floating charge assets.

If a contribution notice or financial support direction were to be served on the Issuer this could adversely affect the interests of the Noteholders.

CRA Regulations

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

Please refer to the sections entitled "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", "*Summary of the Key Transaction Documents – Servicing Agreement*", "*Characteristics of the Portfolio*" and "*The Loans*" for further detail in respect of the characteristics of the Portfolio and the sale and the servicing arrangements in respect of the Portfolio.

Sale of Portfolio:

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

The Loans and Related Security are governed by English Law.

The sale by the Seller to the Issuer of each Loan and its Related Security in the Portfolio will be given effect, prior to the Effective Date (as defined below), by a CCA Trust (as described below) and, on and from the Effective Date, by an equitable assignment.

The terms **sale**, **sell** and **sold** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment, as applicable. The terms **repurchase** and **repurchased** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the beneficial interest of the Issuer in respect of such Loans and their Related Security under the CCA Trust.

Until the Issuer has notified the Seller that it has obtained the requisite licence under the Consumer Credit Act 1974, as amended (the **CCA**) (such date of notification, the **Effective Date**), the Seller will hold the Loans and their Related Security on a bare trust for the Issuer (the **CCA Trust**) and, following receipt of such notification from the Issuer, such Loans and their Related Security will be assigned to the Issuer as described above.

Features of the Loans:

The following is a summary of certain features of the Loans comprising the portfolio (the **Portfolio**) as at the Portfolio Reference Date and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*The Loans*" and "*Characteristics of the Portfolio*". The Loans comprise loans to prime and buy to let Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales.

Type of Borrower	Prime and Buy To Let
Type of mortgage	Repayment, Interest Only and Part Repayment and Interest Only
Self-certified Loans	Yes
Buy To Let	Yes

Fast Track		Yes		
Number of Loans		13,734		
		Weighted average	Minimum	Maximum
Current Balance – Whole Pool	£125,650.73		£9,923.80	£979,931.28
Current Balance – Buy to Let Loans	£116,278.62		£9,923.80	£551,456.65
Current Balance – Owner Occupied Loans	£141,089.06		£10,149.74	£979,931.28
Current Indexed LTV – Whole Pool	66.83%		3.20%	231.90%
Current Indexed LTV – Buy to Let Loans	65.51%		4.88%	231.90%
Current Indexed LTV – Owner Occupied Loans	68.61%		3.20%	119.94%
Seasoning (months) – Whole Pool	29.78		0.10	112.08
Seasoning (months) – Buy to Let Loans	27.01		0.10	107.55
Seasoning (months) – Owner Occupied Loans	33.61		2.82	112.08
Remaining Term (years) – Whole Pool	17.64		1.16	39.70
Remaining Term (years) – Buy to Let Loans	17.01		1.86	34.57
Remaining Term (years) – Owner Occupied Loans	18.50		1.16	39.70

Consideration:

The consideration from the Issuer to the Seller in respect of the sale of the Portfolio together with its Related Security shall be: (a) Initial Consideration of £1,684,332,400, being an amount equal to the Current Balance of the Loans of the Seller comprising the Closing Date Portfolio determined as at close of business on 19 October 2012 plus any Further Advances made in respect of the Loans from (and including) 19 October 2012 to (and including) the Closing Date, which is due and payable on the Closing Date and (b) Deferred Consideration, in each case, payable in accordance with the Mortgage Sale Agreement and the other Transaction Documents to the Seller.

Any Deferred Consideration will be paid to the Seller in accordance with the Pre-Acceleration Revenue Priority of Payments or, if applicable, the Post-Acceleration Priority of Payments.

The **Current Balance** of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

Borrower means, in relation to a Loan, the individual or individuals specified as such in the relevant Mortgage Conditions together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it.

Representations and Warranties:

The Seller will make certain Loan Warranties regarding the Loans and Related Security to the Issuer on (a) the Closing Date in relation to the Loans and their Related Security in the Portfolio; (b) the Advance Date in relation to Loans subject to a Further Advance and their Related Security; and (c) the Switch Date in relation to Loans subject to a Product Switch and their Related Security, including in each case, warranties in relation to compliance with the Lending Criteria as it applied at the date of origination of the Loans or as at the relevant Advance Date or Switch Date, as the case may be.

Broadly speaking, in addition to representations and warranties in respect of the legal nature of the Loans and their Related Security, there are also asset Loan Warranties which include the following:

- (a) all of the Borrowers are individuals;
- (b) no Loan is currently repayable in a currency other than Sterling;
- (c) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £10,000 or more but less than £1,000,000;
- (d) all of the Properties are residential and located in England and Wales;
- (e) no Loan is a Right to Buy Loan;
- (f) no Loan is a Flexible Loan;
- (g) there were no Capitalised Arrears on any Loan as at the Portfolio Reference Date;
- (h) no Underpayments or Payment Holidays have been granted in respect of any Loan as at the Portfolio Reference Date; and
- (i) the aggregate number of Loans in the Portfolio with an arrears history of more than one monthly instalment do not exceed 4 per cent. of the Current Balance of the Loans comprised in the Portfolio at the Portfolio Reference Date.

It should be noted that any Loan Warranties made by the Seller in relation to a Further Advance and/or a Product Switch may be varied, amended or waived from time to time without the consent of the Noteholders provided that prior consent has been given by the Security Trustee who, for such purpose, (a) may, but is not obliged to, have regard to whether the Rating Agencies have confirmed that the current ratings of the Class A Notes will not be adversely affected by such variation, amendment or waiver (although neither of the Rating Agencies is obliged to give any such confirmation) or (b) has received written notice from the Cash Manager to the Note Trustee and the Security Trustee certifying that such proposed action (i) is being taken solely to implement and reflect the then updated and published Rating Agency criteria of a Rating Agency, and (ii) the then current ratings of the Notes will not be downgraded or withdrawn by the Rating Agencies as a result of such action (upon which confirmation or certificate the Note Trustee and the Security Trustee shall be entitled to rely absolutely without liability to any person for so doing).

The Seller is not restricted in varying the Lending Criteria from time to time in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England and Wales of the type contemplated in the relevant Lending Criteria on terms similar to those set out in the relevant Lending Criteria (a **Reasonable, Prudent**

Mortgage Lender) advancing loans to prime and buy to let borrowers. Any amendment to the Loan Warranties will be notified by the Seller to the Rating Agencies.

Lending Criteria means the lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender. See section "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Lending Criteria*" for further details.

See section "*Summary of the Key Transaction Documents – Mortgage Sale Agreement – Representations and Warranties*" for further details.

Repurchase of the Loans and Related Security:

The Issuer shall offer to sell and the Seller shall repurchase the relevant Loans, Further Advance or Product Switch (as applicable) and their Related Security in the following circumstances:

- upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period);
- if the Issuer is unable to fund the purchase of any Further Advance; and
- if the Loan subject to such Product Switch and/or Further Advance is in breach or would cause a breach of the Asset Conditions for Product Switches and/or Further Advance.

Consideration for repurchase:

Consideration payable by the Seller in respect of the repurchase of the Loans and Related Security shall be equal to the aggregate of the Current Balance of the relevant Loan on the Monthly Pool Date immediately following a determination by the Seller that such breach or breaches cannot be remedied or failure by the Seller to remedy such breach or breaches.

Co-op Guarantee for repurchase:

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. If the Seller is required to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan on the relevant Monthly Pool Date at a repurchase price equal to its Current Balance determined as at such Monthly Pool Date.

Perfection Events:

See "*Perfection Events*" in the section entitled "*Transaction Overview – Triggers Table – Non-Rating Triggers Table*".

Prior to the completion of the transfer of legal title of the Loans, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Seller to initially retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*".

Servicing of the Portfolio:

The Servicer agrees to service the Loans to be sold to the Issuer and their Related Security on behalf of the Issuer. The appointment of the Servicer may be terminated by the Issuer and/or the Security Trustee (subject to the terms of the Servicing Agreement) upon the occurrence of

a Servicer Termination Event (see "*Servicer Termination Event*" in the "*Non-Rating Triggers Table*").

The Servicer may also resign by giving not less than 12 months' notice to the Issuer and the Security Trustee and subject to, *inter alia*, a replacement servicer having been appointed. See "*Summary of the Key Transaction Documents — Servicing Agreement*" below.

Delegation:

The Servicing Agreement provides that the Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof provided that the Servicer remains responsible for the performance of any functions so delegated. The Servicer will delegate certain of its obligations to Western Mortgage Services Limited (**WMS**) on or about the Closing Date. See the sections entitled "*Western Mortgage Services Limited*" for further details.

TRANSACTION OVERVIEW – SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B1 VFN	Class B2 VFN	Class C VFN
Principal Amount:	£1,448,500,000	Nominal principal amount of £300,000,000 of which £235,800,000 will be funded on the Closing Date	Nominal principal amount of £150,000,000 of which £4,000,000 will be funded on the Closing Date	Nominal principal amount of £150,000,000 of which £48,600,000 will be funded on the Closing Date
Credit enhancement and liquidity support features:	Subordination of the Class B VFN and Class C VFN, General Reserve Fund, excess Available Revenue Receipts, Liquidity Reserve Fund (if funded)	Subordination of the Class C VFN, excess Available Revenue Receipts, Liquidity Reserve Fund (if funded)	Subordination of the Class C VFN, excess Available Revenue Receipts, Liquidity Reserve Fund (if funded)	Excess Available Revenue Receipts, Liquidity Reserve Fund (if funded)
Issue Price:	100%	100%	100%	100%
Interest Rate:	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin	Three-Month Sterling LIBOR + Margin
Margin prior to the Step-Up Date:	1.25%p.a.	0.21%p.a.	0.21%p.a.	0.21%p.a.
Step-up Margin (from and including the Step-Up Date):	2.50% p.a.	0.21%p.a.	0.21%p.a.	0.21%p.a.
Interest Accrual Method:	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)	Actual/365 (Fixed)
Interest Payment Dates:	21st day of March, June, September and December, in each year	21st day of March, June, September and December, in each year	21st day of March, June, September and December, in each year	21st day of March, June, September and December, in each year
First Interest Payment Date:	March 2013	March 2013	March 2013	March 2013
Final Maturity Date:	21 December 2055	21 December 2055	21 December 2055	21 December 2055
Step-Up Date:	March 2017	N/A	N/A	N/A
Application for Exchange Listing:	London	Not listed	Not listed	Not listed
ISIN:	XS0846311834	N/A	N/A	N/A
Common Code:	084631183	N/A	N/A	N/A
Ratings (Fitch/Moody's):	AAAsf/Aaa(sf)	Not rated	Not rated	Not rated
Initial purchasers:	Co-operative Bank	Co-operative Bank	Co-operative Bank	Co-operative Bank

	Class A Notes	Class B1 VFN	Class B2 VFN	Class C VFN
Retained Amount by the Co-operative Bank	Whole class ¹	Whole class	Whole class	Whole class
Minimum Denomination	100,000	100,000	100,000	100,000

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009.

¹ As at the Closing Date

OVERVIEW OF THE CHARACTERISTICS OF THE NOTES

Ranking and Form of the Notes:

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

- Class A Mortgage Backed Floating Rate Notes due 2055 (the **Class A Notes**);
- Class B1 variable funding notes due 2055 (the **Class B1 VFN**);
- Class B2 variable funding notes due 2055 (the **Class B2 VFN**, and together with the Class B1 VFN, the **Class B VFN**); and
- Class C variable funding notes due 2055 (the **Class C VFN** and together with the Class B VFN, the **VFNs**),

and together, the Class A Notes and the VFNs, are the **Notes** and the holders thereof, the **Noteholders**.

The Class A Notes will be issued in registered form. The Class B VFN and the Class C VFN will be issued in dematerialised registered form. Each Class of Notes will be issued pursuant to Regulation S and the Class A Notes will be cleared through Euroclear and/or Clearstream, Luxembourg, as set out in "*Description of the Global Note and the Variable Funding Notes*" below.

Sequential Order:

The Class A Notes will rank *pari passu* and *pro rata* as to payments of interest and principal ahead of the Class B VFN and the Class C VFN at all times. The Class B1 VFN and the Class B2 VFN will rank *pari passu* and *pro rata* as to payments of interest and principal and will rank ahead of the Class C VFN at all times.

The Notes within each Class will rank *pari passu* and rateably without any preference or priority among themselves as to payments of principal and interest at all times.

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the **Deed of Charge**), the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Following the service of a Note Acceleration Notice, amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class B VFN and the Class C VFN. Amounts due in respect of the Class B VFN will rank in priority to amounts due in respect of the Class C VFN. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to all classes of the Notes.

Security:

Pursuant to the Deed of Charge on the Closing Date, the Notes will be secured by, *inter alia*, the following security (the **Security**):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest

and benefit in and to the Transaction Documents (subject to any rights of set-off or netting provided for therein) (other than the Note Purchase Agreement, the Trust Deed and the Deed of Charge);

- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans, the Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof;
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

See "*Summary of the Key Transaction Documents – Deed of Charge*" below.

Collateral:	Mortgage loans that were originated by PFL on Standard Documentation of PFL from time to time.
Interest Provisions:	Please refer to the " <i>Full Capital Structure of the Notes</i> " table above and as fully set out in Condition 5.
Interest Deferral:	Interest due and payable on the Class A Notes will not be deferred. Interest due and payable on the Class B VFN and Class C VFN may be deferred in accordance with Condition 17.
Gross-up:	None of the Issuer nor any Paying Agent or any other person will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.
Redemption:	The Class A Notes are subject to the following optional or mandatory redemption events: <ul style="list-style-type: none">• mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 7.1;• mandatory partial redemption in part on any Interest Payment

Date commencing on the first Interest Payment Date but prior to the service of a Note Acceleration Notice subject to availability of Available Principal Receipts (to the extent not used to credit the Retained Principal Receipts Ledger and the Liquidity Reserve Fund (if funded)) which shall be applied (a) first, on a *pari passu* and *pro rata* basis to repay the Class A Notes until they are repaid in full and (b) second, on a *pari passu* and *pro rata* basis to repay (i) the Class B1 VFN and (ii) the Class B2 VFN until they are each repaid in full (subject, in each case to the right of the Issuer to re-draw such amounts), as fully set out in Condition 7.2. The Class C VFN will be repaid (subject to the right of the Issuer to re-draw such amounts) on each Interest Payment Date prior to the service of a Note Acceleration Notice from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments;

- optional redemption of the Class A Notes exercisable by the Issuer in whole on the Optional Redemption Date, as fully set out in Condition 7.3; and
- optional redemption exercisable by the Issuer in whole for tax or other reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4.

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 to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption.

Expected Average Lives of the Class A Notes:

The actual average lives of the Class A Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Class A Notes can be made based on certain assumptions as described under "*Weighted Average Lives of the Notes*" below.

Event of Default:

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

- non-payment of interest and/or principal in respect of the Class A Notes;
- material breach of contractual obligations by the Issuer under the Transaction Documents; and
- Insolvency Event occurring in respect of the Issuer.

Limited Recourse:

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4.

Governing Law:

English law.

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Prior to an Event of Default: Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding are entitled to convene a Noteholders' meeting.

However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the 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.

Following an Event of Default: Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding or if they pass an Extraordinary Resolution, direct the Note Trustee to give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding. The Note Trustee shall not be bound to take any such action unless first indemnified and/or prefunded and/or secured to its satisfaction.

Noteholders Meeting provisions:

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	21 clear days	10 clear days
Quorum:	One or more persons present and representing in aggregate not less than one quarter of the Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding for transaction of business including the passing of an ordinary resolution. The quorum for passing an Extraordinary Resolution (other than a Basic Terms Modification) shall be one or more persons	One or more persons present and holding or representing in the aggregate not less than one quarter of the aggregate Principal Amount Outstanding of the Notes of such Class.

present and representing in the aggregate not less than 50 per cent. of the aggregate in Principal Amount Outstanding of the relevant Class of Notes then outstanding. The quorum for passing a Basic Terms Modification shall be one or more persons holding or representing in the aggregate not less than three-quarters of the aggregate Principal Amount Outstanding of such Class of Notes then outstanding).

Required majority for Extraordinary Resolution: Majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll.

Written Resolution: Not less than three quarters in aggregate Principal Amount Outstanding of the Notes. A resolution in writing has the same effect as an Extraordinary Resolution.

Matters requiring Extraordinary Resolution:

Broadly speaking, the following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to approve the substitution of any person for the Issuer as principal obligor under the Notes;
- to approve or assent to any modification of the provisions contained in the Notes, the Conditions or the Trust Deed other than those modifications which are sanctioned by the Note Trustee without the consent or sanction of the Noteholders in accordance with the terms of the Trust Deed;

- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to give any other authorisation or approval which under the Trust Deed or the Notes is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders and to convey upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

See Condition 12 in the section entitled see "*Terms and Conditions of the Notes*" for more detail.

**Relationship between
Classes of Noteholders:**

Subject to the provisions governing a Basic Terms Modification, an Extraordinary Resolution of Class A Noteholders shall be binding on the Class B VFN Holders and the Class C VFN Holders, irrespective of the effect upon them, except that an Extraordinary Resolution in relation to certain matters more specifically described in the Trust Deed will not take effect unless: (a) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B VFN Holder or it shall have been sanctioned by a direction of the Class B VFN Holder; and (b) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C VFN Holder or it shall have been sanctioned by a direction of the Class C VFN Holder, and such Extraordinary Resolution and/or direction would override any resolutions to the contrary by them.

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Classes of Notes.

**Relationship between
Noteholders and other
Secured Creditors:**

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors.

So long as the Notes are outstanding, the Note Trustee will have regard to the interests of each class of the Noteholders equally, but if in the Note Trustee's sole opinion there is a conflict between their interests (subject to below), it will have regard solely to the interests of:

- (a) the Class A Noteholders only if, in the Note Trustee's opinion, there is a conflict between the interests of:

- (i) the Class A Noteholders; and
 - (ii) the Class B VFN Holder and/or the Class C VFN Holder;
- (b) subject to (a) above, the Class B VFN Holder only if, in the Note Trustee's opinion, there is a conflict between the interests of:
- (i) the Class B VFN Holders; and
 - (ii) the Class C VFN Holder,

and the Class B VFN Holder and the Class C VFN Holder shall have no claim against the Note Trustee for doing so.

Other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of only one class shall be deemed to have been duly passed if passed at a separate meeting of the holders of that Class of Notes of that class; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of more than one class but does not give rise to a conflict of interest between the holders of such Class of Notes of any of the classes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of that Class of Notes of all the classes so affected; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of more than one class and gives or may give rise to a conflict of interest between the holders of such Class of Notes of one class or group of classes so affected and the holders of that Class of Notes of another class or group of classes so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of that Class of Notes of each class or group of classes so affected.

Notwithstanding the above, the Co-operative Bank will not have any voting rights in respect of the Class A Notes (unless it holds all of the Class A Notes then outstanding).

Provision of Information to the Noteholders:

The Cash Manager on behalf of the Issuer will publish the monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio (the **Investor Report**). The Investor Reports (i) will be published on the website at <http://www.britannia.co.uk/bts> and (ii) will also be available for inspection on the National Storage Mechanism located at www.hemscott.com/nsm/do. The website and the contents thereof do not form part of this Prospectus.

Communication with Noteholders:

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

- so long as the Class A Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders;
- so long as the Class A Notes are listed on a recognised stock

exchange, by delivery in accordance with the notice requirements of that exchange; and

- in respect of the VFN, notices to Holders will be sent to them by the fax number or email address notified to the Issuer from time to time in writing.

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

**Note Trustee and Security
Trustee Mandatory
Consents:**

Subject to the relevant provisions of the Conditions, the Issuer, the Cash Manager (only so long as the Co-operative Bank is the sole Cash Manager) and/or the Fixed Rate Swap Provider (but, in the case of the Fixed Rate Swap Provider, only in respect of Transaction Amendments relating to a Transaction Document to which it is a party) may, at any time during the term of the Trust Deed, request that the Note Trustee and/or the Security Trustee agree to Transaction Amendments, irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (as the case may be) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the following conditions are satisfied:

- (a) confirmation in writing that the Issuer, the Cash Manager (in its capacity as the requesting party, where applicable) and/or the Fixed Rate Swap Provider (where the requesting party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) is of the opinion based on its discussions with the relevant Rating Agency or Rating Agencies that the credit ratings then assigned by them to the Class A Notes will not be adversely affected by such Transaction Amendments;
- (b) confirmation in writing from the Issuer, the Cash Manager (in its capacity as the requesting party, where applicable) and/or the Fixed Rate Swap Provider (where the requesting party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that each of the Rating Agencies have been notified of such proposed Transaction Amendments and have not raised any objections thereto;
- (c) confirmation in writing from the Issuer, the Cash Manager (in its

capacity as the requesting party, where applicable) and/or the Fixed Rate Swap Provider (where the requesting party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that none of the Priority of Payments will be amended as a result of such Transaction Amendments; and

- (d) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, impose any more onerous obligations on them or create any additional liabilities for the Note Trustee or the Security Trustee or otherwise prejudice their interests.

See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver and substitution)*" below for further details.

TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

Please refer to sections entitled "Credit Structure" and "Cashflows" for further detail in respect of the credit structure and cash flow of the transaction

Available Funds of the Issuer:

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

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Deposit Accounts and income from any Authorised Investments in each case to be received on the Interest Payment Date;
- (c) amounts received or to be received by the Issuer under the Fixed Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Fixed Rate Swap Agreement on the applicable Interest Payment Date which is to be applied in acquiring a replacement swap, (ii) Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Rate Swap Provider to the Issuer on early termination of the Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Fixed Rate Swap Provider, (iv) amounts in respect of Swap Tax Credits and (v) Swap Provider Fee Amounts on such Interest Payment Date;
- (d) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;
- (e) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments);
- (f) amounts deemed to be Available Revenue Receipts in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments;
- (g) any Account Bank Defaulted Amounts received by the Issuer in

replacement of those Available Revenue Receipts that have not been paid by the Co-operative Bank in its capacity as Co-op Account Bank as a result of an Account Bank Non-Payment Event;

- (h) if the Class C VFN is redeemed in full, any amounts standing to the credit of the Swap Provider Fee Amount Ledger; and
- (i) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c);

less:

- (j) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - certain fees charged by the Servicer in respect of its servicing of the Loans (the **Servicing Related Fees**);
 - payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account; and
 - any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within (j) being collectively referred to herein as **Third Party Amounts**). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

plus

- (k) if a Revenue Deficiency occurs such that the aggregate of items (a) to (i) less (j) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency;

plus

- (l) if a Revenue Deficiency occurs such that the aggregate of items (a) to (i) less (j) plus (k) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, the amount then standing to the credit of the Liquidity Reserve Fund Ledger (if funded) and available to be drawn to the extent necessary to pay such Revenue Deficiency;

plus

- (m) if a Revenue Deficiency occurs such that the aggregate of items (a) to (i) less (j) plus (k) and (l) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and the Fixed Rate Swap Provider has failed to make a payment under the Fixed Rate Swap Agreement and such default is continuing, the Swap Collateral contributed by the Fixed Rate Swap Provider in an aggregate amount equal to the lesser of (i) such Revenue Deficiency and (ii) the Fixed Rate Defaulted Swap Amount.

Available Principal Receipts means for any Interest Payment Date an amount equal to the aggregate of (without double counting):

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date, (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less an amount equal to the aggregate of all Further Advance Purchase Prices (as adjusted to take account of the purchase price paid by the Issuer for any Further Advances on the Monthly Pool Date immediately following the Collection Period End Date)) and (ii) received by the Issuer from the Seller (or, as applicable, the Co-operative Bank or one of its subsidiaries) during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller (or, as applicable, the Co-operative Bank or one of its subsidiaries) pursuant to the Mortgage Sale Agreement;
- (b) the amount standing to the credit of the Liquidity Reserve Fund (if funded) (to the extent not utilised on such Interest Payment Date pursuant to paragraph (l) of the definition of Available Revenue Receipts);
- (c) (in respect of the first Interest Payment Date only) the amount paid into a Deposit Account on the Closing Date to fund the Retained Principal Ledger for the first Collection Period and an amount equal to the difference between the aggregate of the proceeds of the Class A Notes and the subscription in the Class B1 VFN minus the Initial Consideration;
- (d) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger is reduced;
- (e) the proceeds of any funding under the Class B2 VFN in circumstances where the purchase of a Further Advance would cause the Asset Conditions to be breached but the Seller has elected not to repurchase

the relevant Loan in accordance with the Mortgage Sale Agreement and the Issuer has increased the Class B2 VFN by an amount equal to the Current Balance of the relevant Loan;

- (f) the proceeds of any further funding under the Class B1 VFN used to fund the increase in the Set-Off Overcollateralisation Amount following the occurrence of the PFL Event;
- (g) any Account Bank Defaulted Amounts in replacement of those Available Principal Receipts that have not been paid by the Co-operative Bank in its capacity as Co-op Account Bank as a result of an Account Bank Non-Payment Event; and
- (h) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c);

less

- (i) any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (k) of the definition of Available Revenue Receipts.

Summary of Priorities of Payments

Below is a summary of the relevant payment priorities. Full details of the payment priorities are set out in the section entitled "*Cashflows*".

Pre-Acceleration Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
<p>(a) Amounts due to the Note Trustee and the Security Trustee including charges, liabilities, fees, costs and expenses</p>	<p>(a) Following the date on which the Co-operative Bank ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of BBB, amounts to be credited to the Liquidity Reserve Fund Ledger</p>	<p>(a) Amounts due in respect of the Receiver, the Note Trustee and the Security Trustee including charges, liabilities, fees, costs and expenses</p>
<p>(b) Amounts due to the Agent Bank, the Registrar, the VFN Registrar, the Paying Agents, the Corporate Services Provider, the BNYM Account Bank and the Swap Collateral Account Bank (if applicable) including the fees and costs</p>	<p>(b) Amounts to be credited to the Retained Principal Receipts Ledger</p>	<p>(b) Amounts due in respect of the fees and costs of the Agent Bank, the Registrar, the VFN Registrar, the Paying Agents, the Corporate Services Provider, the BNYM Account Bank and the Swap Collateral Account Bank (if applicable)</p>
<p>(c) Third party expenses and any Transfer Costs</p>	<p>(c) <i>Pro rata</i> and <i>pari passu</i> to the principal amounts due on the Class A Notes</p>	<p>(c) Amounts due in respect of the fees and costs of the Servicer, Cash Manager, Back-Up Servicer Facilitator, Back-Up Cash Manager Facilitator and Co-op Account Bank</p>

- | | | | | | |
|-----|--|-----|--|-----|---|
| (e) | Amounts due to the Fixed Rate Swap Provider (including any termination payments to the extent not satisfied by any applicable Replacement Swap Premium and/or any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments but excluding any Fixed Rate Swap Excluded Termination Amount) | (d) | Principal amounts due on the Class B1 VFN and Class B2 VFN | (d) | Amounts due to the Fixed Rate Swap Provider (including any termination payment to the extent not satisfied by any amounts available in accordance with the Swap Collateral Account Priority of Payment but excluding any Fixed Rate Swap Excluded Termination Amount) |
| | | (e) | Amounts to be applied as Available Revenue Receipts | | |
| (f) | <i>Pro rata and pari passu</i> to the interest due on the Class A Notes | | | (e) | <i>Pro rata and pari passu</i> to the amounts of interest and principal due on the Class A Notes |
| (g) | Amounts to be credited to the Class A Principal Deficiency Sub-Ledger | | | (f) | Amounts due in respect of principal and interest on the Class B1 VFN and Class B2 VFN |
| (h) | Amounts to be credited to the General Reserve Ledger | | | | |
| (i) | Amounts to be credited to the Class B Principal Deficiency Sub-Ledger | | | (g) | Amounts due in respect of principal and interest on the Class C VFN |
| (j) | Interest due on the Class B1 VFN and Class B2 VFN | | | (h) | Any Fixed Rate Swap Excluded Termination Amount (to the extent not |

- | | | |
|-----|--|---|
| (k) | Interest due on the Class C VFN | satisfied by any amounts available to be applied in accordance with the Swap Collateral Account |
| (l) | Amounts to be retained by the Issuer as profit | Priority of Payments) due to the Fixed Rate Swap Provider |
| (m) | Amounts due in respect of principal on the Class B VFN to fund items other than the Capital Balance of the Loan | (i) Amounts to be retained by the Issuer as profit |
| (n) | Amounts due in respect of principal on the Class C VFN | (j) Deferred Consideration |
| (o) | Any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments) due to the Fixed Rate Swap Provider | |
| (p) | if such Interest Payment Date falls immediately after a Determination Period, then the excess (if any) to the Co-op Deposit Account as Available Revenue Receipts | |
| (q) | Deferred Consideration | |

General Credit Structure

The credit structure of the transaction includes (broadly speaking) the following elements:

- the availability of the General Reserve Fund, funded on the Closing Date by the proceeds of the Class C VFN Holder's subscription of the Class C VFN. Monies standing to the credit of the General Reserve Fund will be applied as Available Revenue Receipts on each Interest Payment Date. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. See section "*Credit Structure General Reserve Fund and General Reserve Ledger*";
- a Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and/or the use of any Principal Receipts as Available Revenue Receipts and/or any debiting of the Liquidity Reserve Fund (if funded). The Principal Deficiency Ledger will comprise two sub-ledgers: the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes) and the Class B Principal Deficiency Sub-Ledger (relating to both the Class B1 VFN and the Class B2 VFN). The application of any Principal Receipts to meet any Losses on the Portfolio and/or any debiting of the Liquidity Reserve Fund (if funded) will be recorded as a debit (a) first, *pro rata* and *pari passu* to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Class B Principal Deficiency Limit (as defined herein); and (b) second, *pro rata* and *pari passu* to the Class A Principal Deficiency Sub-Ledger up to an amount equal to the Principal Amount Outstanding of the Class A Notes. Investors should note that realised Losses in any period will be calculated after applying any recoveries following enforcement of a Loan to outstanding fees and interest amounts due and payable on the relevant Loan. See "*Credit Structure — Principal Deficiency Ledgers*" below;
- following the date on which the Co-operative Bank ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of BBB, the availability of the Liquidity Reserve Fund which will be applied as Available Revenue Receipts to the extent necessary to pay senior expenses and interest payments on the Class A Notes in accordance with the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date. The Liquidity Reserve Fund will be funded from time to time up to the Liquidity Reserve Fund Required Amount from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount drawn from the Liquidity Reserve Fund on that date (if any). The Liquidity Reserve Fund will be applied by the Issuer as Available Principal Receipts on the earlier of the Interest Payment Date falling on or prior to the Final Maturity Date and the date on which all Class A Notes have been redeemed in full. See section "*Credit Structure – Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*";

- the availability of investment rate provided by the Account Banks in respect of monies held in the **Deposit Accounts** (see section "*Cashflows*" for further details);
- availability of the fixed rate swaps provided by the **Fixed Rate Swap Provider** to hedge against the possible variance between the rates of interest payable on the Fixed Rate Loans in the Portfolio; and a rate of interest calculated by reference to Three-Month Sterling LIBOR (see section "*Credit Structure – Interest Rate Risk for the Notes*" for further details);
- availability of overcollateralisation in respect of set-off and non set-off amounts. On the Closing Date, the Issuer will use the proceeds of the subscription for the Class B1 VFN to fund the required amount of overcollateralisation of the Class A Notes (being the difference between the Current Balance of the Portfolio on the Closing Date and the Principal Amount Outstanding of the Class A Notes). The **Overcollateralisation Amount** is expected to be circa 14 per cent. of the Initial Consideration for the Portfolio to be acquired by the Issuer on the Closing Date and the **Set-Off Overcollateralisation Amount** shall be (i) zero as at the Closing Date and (ii) after the Closing Date, an amount equal to the aggregate Deposit Set-Off Amounts for each Borrower whose Loan is included in the Portfolio. After the Closing Date, the proceeds of further funding under the Class B1 VFN will be used to fund the increase in the Set-Off Overcollateralisation Amount following the occurrence of the PFL Event (see section "*Credit Structure – Overcollateralisation and Set-Off Overcollateralisation*" for further details).

Bank Accounts and Cash Management

On the Closing Date the Issuer will enter into (a) the Co-op Bank Account Agreement with the Co-op Account Bank in respect of the Co-op Deposit Account and (b) the BNYM Bank Account Agreement with the BNYM Account Bank in respect of the BNYM Deposit Account.

The Issuer will open a deposit account (the **Co-op Deposit Account** and together with any additional accounts to be established by the Issuer pursuant to the Co-op Bank Account Agreement collectively, the **Co-op Bank Accounts**) with the Co-op Account Bank on the Closing Date.

The Issuer will also open a deposit account with the BNYM Account Bank on the Closing Date (the **BNYM Deposit Account** and, together with the Co-op Deposit Account, the **Deposit Accounts**).

The amount standing to the credit of the Co-op Deposit Account at any time will be limited to the Co-op Deposit Limit.

If amounts standing to the credit of the Co-op Deposit Account exceed the Co-op Deposit Limit, the Cash Manager shall deposit the amount of any such surplus which it receives in the BNYM Deposit Account.

As at the date of this Prospectus the Co-operative Bank does not have the Account Bank Rating. To enable the Issuer to utilise the Co-op Bank Account, the Issuer will on the Closing Date deposit the Co-op Collateral Amount with

the BNYM Account Bank. The Issuer will be permitted to deposit funds up to the Co-op Deposit Limit in the Co-op Deposit Account.

Co-op Deposit Limit means:

- (a) for so long as the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the Co-operative Bank are rated at least the Account Bank Rating, an unlimited amount; or
- (b) for so long as the short-term and long-term (as applicable) unsecured, unsubordinated and unguaranteed debt obligations of the Co-operative Bank are rated below the Account Bank Rating:
 - (i) the maximum amount of any guarantee obtained by the Co-operative Bank (in a form satisfactory to the Security Trustee) from an entity whose short-term and long-term (as applicable) unsubordinated and unguaranteed debt obligations are rated the Account Bank Rating; or
 - (ii) the maximum amount of the Co-op Collateral Amount,in each case in respect of the obligations of the Co-operative Bank in respect of the Co-op Deposit Account; or
- (c) if no such guarantee or collateral amount referred to in paragraph (b) is in place, zero.

Co-op Collateral Amount means an amount equal to the amount deposited with the BNYM Account Bank in the BNYM Deposit Account (and recorded on a ledger, the **Co-op Collateral Account Ledger**, from time to time on that account) by the Co-operative Bank to collateralise its obligations under the Co-op Bank Account Agreement.

On each Interest Payment Date, the Cash Manager will transfer monies from the Deposit Accounts to be applied in accordance with the relevant Priority of Payments. Monies may also be transferred from the BNYM Deposit Account on any Monthly Pool Date to pay the Further Advance Purchase Price in respect of any Further Advance sold by the Seller to the Issuer.

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings/Triggers	Possible effects of Trigger being breached include the following:
The Co-operative Bank	The short-term, unsecured, unsubordinated debt obligations of the Co-operative Bank fall below P-2 by Moody's or the short-term issuer default rating of the Co-operative Bank falls below F-2 by Fitch, respectively as at a Monthly Pool Date.	The Co-operative Bank must provide to the Issuer and the Security Trustee a Solvency Certificate (in form and substance acceptable to the Security Trustee), signed by an authorised signatory of the Co-operative Bank as of the Monthly Pool Date.
	A long-term unsecured, unsubordinated and unguaranteed debt obligation rating from Moody's of at least Baa3 or a long-term issuer default rating from Fitch of at least BBB- (unless Moody's and/or, as the context may require, Fitch, as applicable, confirms that the current ratings of the Class A Notes will not be adversely affected).	The Seller (unless Moody's and/or, as the context may require, Fitch, as applicable, confirms that the current ratings of the Class A Notes will not be adversely affected) will deliver to the Issuer and the Security Trustee details of the names and addresses of the Borrowers with Loans then in the Portfolio, which may be provided in the document stored upon electronic media (including, but not limited to, a CD-ROM) and a draft letter of notice to such Borrowers of the sale and assignment of those Loans and the Related Security to the Issuer.
	A long term unsecured, unsubordinated and unguaranteed debt obligation rating from Moody's of at least Baa3 (unless Moody's confirms that the current ratings of the Class A Notes will not be adversely affected)	The Seller shall deliver an update of such information required under the Mortgage Sale Agreement as mentioned above to the same parties on a monthly basis thereafter.
Cash Manager	Unsecured, unsubordinated and unguaranteed debt obligations of the Co-operative Bank cease to be assigned a long-term rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of BBB.	The Issuer will establish the Liquidity Reserve Fund.
	A long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 (or such other long-term rating which is otherwise acceptable to Moody's) (unless Moody's confirms that the current ratings of the Class A Notes will not be adversely affected).	Under the Cash Management Agreement the Cash Manager, with the assistance of the Back-Up Cash Manager Facilitator, will, within 60 days of the Cash Manager ceasing to be assigned such rating by Moody's, use reasonable endeavours to appoint a back-up cash manager, acceptable to the Security Trustee (acting in accordance with the Conditions), which meets the requirements for a substitute cash manager provided for by the Cash Management Agreement (the

Servicer	A long-term, unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 (or such other long-term rating which is otherwise acceptable to Moody's) or a long-term issuer default rating by Fitch of at least BBB- (unless Moody's and/or, as the context may require, Fitch, as applicable, confirms that the current ratings of the Class A Notes will not be adversely affected).	Back-Up Cash Manager).
Any Account Bank	A short-term unsecured, unsubordinated and unguaranteed debt rating of P-1 by Moody's and a short-term issuer default rating of F1 by Fitch and a long-term issuer default rating of A by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Class A Notes (the Account Bank Rating).	<p data-bbox="914 663 1449 757">Under the Servicing Agreement the Servicer, with the assistance of the Back-Up Servicer Facilitator, shall, within 60 days following such downgrade by Moody's or Fitch, use reasonable endeavours to appoint a back-up servicer, which meets the requirements for a substitute servicer provided for by the Servicing Agreement (the Back-Up Servicer).</p> <p data-bbox="914 663 1449 757">If an Account Bank fails to maintain any of the Account Bank Ratings, then the Cash Manager shall assist the Issuer to:</p> <ul style="list-style-type: none"> <li data-bbox="914 797 1449 1070">(a) close the Issuer Accounts with such Account Bank and open replacement accounts with a financial institution (i) having all of the Account Bank Ratings and (ii) which is a bank as defined in section 991 of the Income Tax Act 2007; or <li data-bbox="914 1111 1449 1272">(b) obtain a guarantee of the obligations of such Account Bank under the relevant Bank Account Agreement from a financial institution having all of the Account Bank Ratings,
BNYM Account Bank	Short-term, unsecured, unsubordinated and unguaranteed debt obligation ratings falls below the Account Bank Rating.	<p data-bbox="914 1312 1449 1509">in each case as prescribed in the relevant Bank Account Agreement, and transfer amounts standing to the credit of relevant Issuer Accounts and all Ledgers on the relevant Issuer Accounts to the replacement Issuer Accounts.</p> <p data-bbox="914 1550 1449 1747">Issuer Accounts means each of the Co-op Deposit Account and the BNYM Deposit Account, the Swap Collateral Account(s) (if any) and any additional or replacement accounts opened in the name of the Issuer from time to time.</p> <p data-bbox="914 1787 1449 2058">The Issuer shall use reasonable endeavours to, within 30 calendar days of such occurrence, (a) close the BNYM Deposit Account and open a replacement account with a financial institution (x) having a short-term, unsecured, unsubordinated and unguaranteed debt obligation rating of at least the Account Bank Rating, (y) approved</p>

in writing by the Cash Manager and (z) being an authorised institution under the FSMA or (b) obtain an unconditional and unlimited guarantee of its obligations under the BNYM Bank Account Agreement from a financial institution having at least the Account Bank Rating. With regard to (a) above only, the BNYM Account Bank shall provide all reasonable assistance to close the BNYM Deposit Account and open the said replacement account.

If the Issuer fails to do so within 30 calendar days of such downgrade, the Cash Manager or the Issuer shall terminate the BNYM Bank Account Agreement provided that a replacement account provider is appointed.

Fixed Rate Swap Provider

Loss of:

- (i) Unsupported Minimum Counterparty Rating; or
- (ii) either (1) if subject to a Moody's short-term rating, short-term, unsecured, unsubordinated debt obligations rating of P-1 by Moody's or long-term, unsecured and unsubordinated debt or counterparty obligations rating of A2 by Moody's or (2) if not subject to a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations rating of A1 by Moody's

Fixed Rate Swap Provider must, within the timeframes stipulated in the Fixed Rate Swap Agreement, post collateral or, depending on which rating agency's relevant rating has not been maintained, transfer its rights and obligations to a replacement third party with the required rating, procure a third party with the required rating to become a co-obligor or guarantee its rights and obligations, or take such other action as is required to (1) maintain, or restore, the rating of the Class A Notes by the relevant rating agency and (2) prevent the relevant rating agency from placing the Class A Notes on review for downgrade.

The Fixed Rate Swap Agreement may be terminated early if the above requirements are not satisfied in accordance with that agreement and a termination payment may become payable either by the Issuer or the Fixed Rate Swap Provider.

Loss of:

- (i) Supported Minimum Counterparty Rating; or
- (ii) either (1) if subject to a Moody's short-term rating, short-term, unsecured, unsubordinated debt obligations rating of P-2 by Moody's or long-term, unsecured and unsubordinated debt or counterparty obligations rating of

Fixed Rate Swap Provider must, within the timeframes stipulated in the Fixed Rate Swap Agreement, (1) post collateral and (2) depending on which rating agency's relevant rating has not been maintained, transfer its rights and obligations to a replacement third party with the required rating, procure a third party with the required rating to become a co-obligor or guarantee its rights and obligations, or take such other action as is required to (x) maintain, or restore, the rating of the Class A Notes by the relevant

A3 by Moody's or (2) if not subject to a Moody's short-term rating, long-term, unsecured and unsubordinated debt or counterparty obligations rating of A3 by Moody's.

rating agency and (y) prevent the relevant rating agency from placing the Class A Notes on review for downgrade.

The Fixed Rate Swap Agreement may be terminated early if the above requirements are not satisfied in accordance with that agreement and a termination payment may become payable either by the Issuer or the Fixed Rate Swap Provider.

If an entity is not incorporated in the same jurisdiction as the Fixed Rate Swap Provider, and has not provided to Fitch a legal opinion confirming the enforceability of the subordination provisions against it, references to "Supported Minimum Counterparty Rating" shall be deemed to refer to "Supported Minimum Counterparty Rating (adjusted)".

For purposes of the above, **Unsupported Minimum Counterparty Rating**, **Supported Minimum Counterparty Rating** and **Supported Minimum Counterparty Rating (adjusted)** shall mean the long-term and, if applicable, short-term issuer default ratings from Fitch corresponding to the then-current rating of the Class A Notes as set out in the following table:

Current rating of Class A Notes	Unsupported Minimum Counterparty Rating	Supported Minimum Counterparty Rating	Supported Minimum Counterparty Rating (adjusted)
AAAsf	A and F1	BBB- and F3	BBB+ and F2
AA+sf, AAAsf, AA-sf	A- and F2	BBB- and F3	BBB+ and F2
A+sf, Asf, A-sf	BBB+ and F2	BB+	BBB+ and F2
BBB+sf, BBBsf, BBB-sf	BBB- and F3	BB-	BBB- and F3
BB+sf, BBsf, BB-sf	At least as high as the Class A Notes rating	B	At least as high as the Class A Notes rating
B+sf or below or Class A Notes are not rated by Fitch	At least as high as the Class A Notes rating	At least as high as the Class A Notes rating	At least as high as the Class A Notes rating

Non Rating Triggers Table

Perfection Events:

Prior to the completion of the transfer of legal title of the Loans, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Seller to initially retain legal title to the Loans and risks relating to set-off*" in the section entitled "*Risk Factors*". Completion of transfer of the legal title of the Loans by the Seller to the Issuer will be completed on or before the 20th Business Day after the later to occur of the Effective Date and the earliest to occur of the following:

- (a) the Seller being required to perfect legal title to the Loans by (i) an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans;
- (b) it becoming necessary by law to take any or all such actions referred to in (a) above;
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event.

If the requisite licence under the CCA has not been obtained upon the occurrence of one or more of the events described in (a) to (e) above, notice of the Issuer's beneficial interest in the CCA Trust and legal assignment of the Loans and their Related Security and notice of the sale will only be given to the Borrowers upon such licence being obtained.

Servicer Termination Events

The Servicer will be appointed by the Issuer (and, in certain circumstances, the Security Trustee) to service the Portfolio on a day-to-day basis, the Loans sold to the Issuer and their Related Security on behalf of the Issuer (or whilst the Loans are held subject to the CCA Trust, the Servicer will agree to service such Loans on behalf of the Seller in its capacity as trustee thereunder acting upon the instruction of the Issuer in its capacity as beneficiary thereunder) (such services, *inter alia*, the **Services**).

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) at once or at any time thereafter while such default continues upon the occurrence of the following events (the **Servicer Termination Events**):

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and the Servicer fails to remedy it for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied;
- material non performance of its other covenants and obligations for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the same to be remedied, **provided however** that where the default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations under the Servicing Agreement, such default (if it would otherwise constitute a Servicer Termination Event) shall not constitute a Servicer Termination Event if within such 30 Business Days period the Servicer terminates the relevant sub-contracting or delegation arrangements and takes steps to (1) ensure, with immediate effect, that the services theretofore provided by that sub-contractor are replaced; (2) remedy such default or series of defaults and (3) indemnify the relevant Noteholders against the consequences of such default; or
- Servicer insolvency event.

The Servicer may also resign upon giving 12 months written notice provided a replacement servicer has been appointed by the Issuer (subject to the prior written consent of the Security Trustee).

The resignation of the Servicer is conditional on, *inter alia*:

- (a) the resignation having no adverse effect on the then current ratings of the Class A Notes, unless the Noteholders agree otherwise by Extraordinary Resolution; and
- (b) the substitute servicer assuming and performing all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement.

See "*Summary of the Key Transaction Documents — Servicing Agreement*" below.

TRANSACTION OVERVIEW – FEES

The following table sets out the ongoing fees to be paid by the Issuer to the transaction parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
-------------	---------------	----------------------	-----------

Servicing fees	Up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.30 per cent. each year (inclusive of VAT) on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Interest Payment Date	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash management fee	0.01 per cent. each year (inclusive of VAT) on the Principal Amount Outstanding of the Notes as determined on the preceding Interest Payment Date up to a maximum fee of £100,000 per year	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	Estimated at £30,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at £3,075 (exclusive of VAT)		On or about the Closing Date

As at the date of this Prospectus, VAT is currently chargeable at 20 per cent.

ARTICLE 122A OF THE CAPITAL REQUIREMENTS DIRECTIVE

The Co-operative Bank will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 122a of Directive 2006/48/EC (as amended) (**Article 122a**) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors as required by Article 122a. Such retention requirement will be satisfied by the Co-operative Bank holding the Class B VFN and the Class C VFN. Any change to the manner in which such interest is held will be notified to the Noteholders.

For a description of the information to be made available after the Closing Date by the Co-operative Bank, please see the summary in relation to the monthly investor reports set out in "*Provision of Information to the Noteholders*" above and "*Summary of the Key Transaction Documents – Cash Management Agreement*" below. Further information in respect of individual loan level data may be obtained via the following website: www.britannia.co.uk/bts. The website and the contents thereof do not form part of this Prospectus.

The Co-operative Bank will provide a corresponding undertaking with respect to (a) the provision of such investor information specified in the paragraph above and (b) the interest to be retained by the Co-operative Bank (i) to the Joint Arrangers in the Note Purchase Agreement and (ii) to the Issuer in the Mortgage Sale Agreement.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, the Co-operative Bank (in its capacity as the Servicer or the Cash Manager), the Seller, the Note Trustee, the Security Trustee, nor any of the Joint Arrangers makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes. The Co-operative Bank accepts responsibility for the information set out in this section "*Article 122a of the Capital Requirements Directive*" (but not, for the avoidance of doubt, any information set out in any other section of the Prospectus referred to in this section).

In addition, each prospective Class A Noteholder should ensure that it complies with the implementing provisions in respect of Article 122a and the CRD in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

For further information please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

WEIGHTED AVERAGE LIVES OF THE CLASS A NOTES

The average lives of the Class A Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Class A Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Issuer exercises its option to redeem the Class A Notes on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-up Date, in the second scenario;
- (b) the Loans are subject to a constant annual rate of repayment (inclusive of scheduled and unscheduled principal redemptions) of between 5 and 35 per cent. per annum as shown on the table below;
- (c) the assets of the Issuer are not sold except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Class A Notes;
- (d) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (e) no Borrowers are offered and accept different mortgage products or Further Advances by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including any Further Advance thereon from the Closing Date) in accordance with the Mortgage Sale Agreement;
- (f) the Security is not enforced;
- (g) the Mortgages continue to be fully performing;
- (h) the ratio of the Principal Amount Outstanding of the Class A Notes to the Current Balance of the Portfolio as at the Closing Date is 86%; and
- (i) the Notes are issued on or about 12 December 2012.

Constant Annual Rate of Repayment of the Loans	(Assuming Issuer call on Step-up Date) Possible Average Life of Class A Notes (years)
5%	3.79
10%	3.36
15%	2.96
20%	2.60
25%	2.27
30%	1.97
35%	1.70

Constant Annual Rate of Repayment of the Loans	(Assuming no Issuer call on Step-up Date) Possible Average Life of Class A Notes (years)
5%	13.38
10%	6.58
15%	4.31
20%	3.17
25%	2.49
30%	2.03
35%	1.71

Assumption (a) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

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

Assumptions (b) to (g) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Risk Factors relating to the Issuer – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Class A Notes to pay a portion of the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date.

The Issuer will use the gross proceeds of the issue of the Class B1 VFN to (a) fund the Overcollateralisation Amount on the Closing Date, and (b) after the Closing Date, to fund the increase in the Set-Off Overcollateralisation Amount following the occurrence of the PFL Event, such proceeds to be applied as Available Principal Receipts in accordance with the Pre Acceleration Principal Priority of Payments.

The Issuer will use the gross proceeds of the Class B2 VFN to fund (a) any Further Advance Purchase Price (to the extent not funded by Retained Principal Receipts), (b) any Loan in breach of the Asset Conditions and (c) on the Closing Date, the Retained Principal Required Amount.

On the Closing Date, the Issuer will use the gross proceeds of the Class C VFN to (a) establish the General Reserve Fund, (b) fund initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date and (c) fund the Co-op Collateral Amount.

After the Closing Date, the Issuer will use the proceeds of the Class C VFN to (a) increase the General Reserve Fund up to the General Reserve Required Amount in order to satisfy the Asset Conditions for Further Advances and/or Product Switches, (b) fund the Issuer Fee Amount (c) fund any increase in the Co-op Collateral Amount, (d) fund any premiums payable under the Fixed Rate Swap Agreement and (e) fund any shortfall (if any) in the amount to be retained by the Issuer as profit in accordance with item (l) of the Pre-Acceleration Revenue Priority of Payments.

RATINGS

The Class A Notes, on issue, are expected to be assigned the following ratings by Fitch and Moody's. The Class B VFN and Class C VFN are not rated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of the Fixed Rate Swap Provider, (if applicable) the Swap Collateral Account Bank and/or the BNYM Account Bank in the future) so warrant.

Class of Notes	Fitch	Moody's
Class A Notes	AAAsf	Aaa(sf)
Class B1 VFN	Not rated	Not rated
Class B2 VFN	Not rated	Not rated
Class C VFN	Not rated	Not rated

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under the CRA Regulation.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 18 September 2012 (registered number 8218885) as a public limited company under the Companies Act 2006. The registered office of the Issuer is 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0) 20 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, all of which are fully-paid up and beneficially owned by Holdings (see "*Holdings*" below).

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

The principal objects of the Issuer are set out in its Memorandum and Articles of Association and are, *inter alia*, to carry on business as a general commercial company. The Issuer was established solely for the purpose of issuing asset backed notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 2006 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

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

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer, as necessary, has made a notification under the Data Protection Act 1998 and is in the process of applying for a consumer credit licence under the CCA. As at the date of this Prospectus, statutory accounts have not yet been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2013.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the Retained Principal Receipts Ledger, the General Reserve Ledger, the Issuer Profit Ledger and the Liquidity Reserve Fund Ledger).

Directors

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

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

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

Name	Business Address	Principal Activities
Jonathan Eden Keighley	35 Great St. Helen's, London, EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London, EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London, EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London, EC3A 6AP	Director
Vinoy Nursiah	35 Great St. Helen's, London, EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Director
Jocelyn Coad	35 Great St. Helen's, London, EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London, EC3A 6AP	Company Secretary
Michael Drew	35 Great St. Helen's, London, EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London, EC3A 6AP	Company Secretary

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

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 18 September 2012 (registered number 8218985) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the beneficial interest in the issued share capital of the Issuer.

Neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer.

The principal objects of Holdings are set out in its Memorandum and Articles of Association and are, *inter alia*, to carry on business as a general commercial company.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

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

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

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Jonathan Eden Keighley	35 Great St. Helen's, London, EC3A 6AP	Director
Robert William Berry	35 Great St. Helen's, London, EC3A 6AP	Director
John Paul Nowacki	35 Great St. Helen's, London, EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London, EC3A 6AP	Director

Name	Business Address	Principal Activities
Vinoy Nursiah	35 Great St. Helen's, London, EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Director
Jocelyn Coad	35 Great St. Helen's, London, EC3A 6AP	Director
Debra Parsall	35 Great St. Helen's, London, EC3A 6AP	Company Secretary
Michael Drew	35 Great St. Helen's, London, EC3A 6AP	Company Secretary
Jennifer Jones	35 Great St. Helen's, London, EC3A 6AP	Company Secretary

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

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2013.

Holdings has no employees.

THE CO-OPERATIVE BANK P.L.C.

History & Development

The Co-operative Bank's origins date back to 1872, originally being formed as the Banking Department of the Co-operative Wholesale Society Limited (**CWS**), which changed its name on 3 December 2007 to Co-operative Group Limited following the merger with United Co-operatives on 29 July 2007 (the **Co-operative Group**).

In October 1970, the Co-operative Bank Limited was incorporated and, following the passing of the Co-operative Bank Act 1971, the business formerly carried on by the Banking Department of the Co-operative Group was transferred to and vested in the Co-operative Bank in July 1971. This was followed, in June 1973, by the transfer of the business of the banking department of the former Scottish Co-operative Wholesale Society to the Co-operative Bank.

The Co-operative Bank obtained clearing bank status in 1975 and was granted recognised status by the Bank of England under the terms of the Banking Act 1979. In 1981, the Co-operative Bank re-registered under the Companies Act 1980 as a public company and was re-registered on 10 January 1993 with its present name. On 19 June 2002, the Co-operative Group transferred its entire shareholding in the Co-operative Bank to Co-operative Financial Services Limited (now named the Co-operative Banking Group Limited), a newly incorporated Industrial and Provident Society. The ultimate parent organisation remains the Co-operative Group.

The Co-operative Group is the UK's largest mutual business, owned not by private shareholders but by over six million consumers. The Co-operative Group operates a range of businesses in food (it is the UK's fifth biggest food retailer, and one of the UK's leading convenience store operators) and non-food retailing, farming, funerals, travel, and pharmacy. It also provides buying, marketing, distribution and other services for the co-operative movement.

The Co-operative Group operates 5,000 retail trading outlets, employs more than 102,000 people and has an annual turnover of more than £13.3 billion.

Co-operative Banking Group Limited is incorporated under the Industrial and Provident Societies Acts of 1965 to 2003 and is also the parent of the Co-operative Bank's primary sister organisations – Co-operative Insurance Society Limited (**CIS**) and CIS General Insurance Limited (**CISGIL**).

With effect from 15 January 2006, the Executive Management of the Boards of the Co-operative Banking Group Limited, CIS, CISGIL and the Co-operative Bank have been reorganised under a single Executive Management Framework. At this date all the Directors of the Co-operative Banking Group Limited Board were appointed to the Co-operative Bank Board ensuring a common understanding of objectives.

The Co-operative Bank's registered office, which is also its Head Office, is situated at 1 Balloon Street, Manchester M60 4EP, telephone number: +44 (0)161 832 3456, fax number: +44 (0)161 829 4475. The registered number of the Co-operative Bank is 990937.

Merger with Britannia Building Society

On 21 January 2009, the boards of Britannia Building Society and Co-operative Banking Group Limited jointly announced their proposal to merge (the **Merger**). On 29 April 2009, Britannia Building Society shareholding and borrowing members voted in favour of the Merger. The Merger became effective on 1 August 2009 through a transfer of the business, assets and liabilities of the Britannia Building Society to the Co-operative Bank under section 97 of the Building Societies Act 1986 and Britannia Building Society ceased to exist as a legal entity.

Prior to the Merger, Britannia Building Society was the United Kingdom's second largest building society in terms of total consolidated assets. At the date of this Prospectus, the retail residential lending and savings franchise transferred from Britannia Building Society (the **Britannia Businesses**) and the pre-Merger businesses of the Co-operative Bank (the **Co-operative Bank Businesses**), continue to trade as separate businesses under the "Britannia", "Co-operative Bank" and "Smile" brand names respectively.

Business and Principal Activities

The Co-operative Bank is an established U.K. settlement bank with a diversified range of retail banking activities, substantially servicing U.K. customers. It has an established presence in its chosen segments of the U.K. market and has a continuing programme centred upon mutuality to differentiate itself from the competition and to improve customer loyalty, through its member owned, customer led and ethically guided principles.

The Co-operative Bank, as part of Co-operative Banking Group Limited, has goals centred around a "Balanced Score card" under the categories of "Financial", "Customer", "People", "Process" and "Risk". These categories capture performance in areas such as profit, liquidity, customer advocacy, efficiency and colleague engagement.

Funding

The Co-operative Bank is predominantly customer funded, with £36.6 billion of customer deposits (Retail and Corporate and Business Banking deposits). The loan to deposit ratio at 31 December 2011 stood at 93.9%, strengthening by 8.4% on the position as at 2010 (102.5%) year end. The customer funding position is supplemented by wholesale funding which enables the Co-operative Bank to diversify its funding base. Wholesale funding represents £8.7 billion of total funding.

Capital

The Co-operative Bank's capital position remains strong with a core tier one ratio at 31 December 2011 of 9.6%, unchanged from 31 December 2010: 9.6%. A provision of £90.0 million was made in the Co-operative Bank's 2011 accounts to cover the cost of redress and administration of PPI complaints, principally in relation to PPI sold with unsecured credit offerings.

In 2011, the capital position was supported through surplus capital previously held within the Co-operative Banking Group Limited, and through the exchange and issuance of lower tier two subordinated debt. As a consequence, the Co-operative Bank's total capital ratio improved from 14.0% at 31 December 2010 to 14.7% as at 31 December 2011. A further PPI provision of £40.0 million was made in the first six months ended 30 June 2012.

Rigorous stress testing is undertaken to ensure that regulatory capital levels can be adequately maintained under severe stress scenarios. The Co-operative Bank's capital planning activity incorporates the transitional impact of Basel III and the ICB report.

The Co-operative Bank consists of two primary operating segments – Retail and Corporate and Business Banking.

Retail Banking

The Retail Banking offers a range of financial products and services to individuals, households and small businesses throughout the UK, trading as The Co-operative Bank, Britannia and Smile.

Retail savings and current accounts

The Co-operative Bank has just over 4.8 million retail banking customers, and operates a range of current accounts and savings products. The Co-operative Bank had £27.8 billion personal customer deposit balances as at 31 December 2011. These balances are held in a mixture of instant access, notice accounts and fixed rate deposits as well as current accounts. The Co-operative Bank distributes its retail products through over 342 branches and call centres across the UK and via the internet.

Residential Mortgage Lending

The Co-operative Bank offers variable, fixed and tracker mortgages. As at 31 December 2011 the residential mortgage portfolio of the Co-operative Bank predominantly comprises prime mortgages (66 per cent.), with a broad geographical spread. The portfolio is well seasoned with stable Loan to Values (**LTV**).

As at 31 December 2011, the Co-operative Bank had £23.7 billion of gross advances, before fair value adjustments, secured on residential property. At 31 December 2011, the total provision held against residential loans was £9.0 million.

As at 31 December 2011, the total residential mortgage portfolio comprised:

Mortgage Type	Amount	Percentage of Book
Prime	£15.7 billion	66.4 per cent.
Non Conforming	£2.9 billion	12.2 per cent.
Self Certificated	£2.2 billion	9.2 per cent.
Buy to Let	£2.9 billion	12.2 per cent.
Total	£23.7 billion	

Geographical analysis of residential mortgages

	2011	2010
London & South East	40 per cent.	40 per cent.
Northern England	21 per cent.	22 per cent.
Midlands and East Anglia	21 per cent.	21 per cent.
Wales and South West	12 per cent.	12 per cent.
Other	6 per cent.	5 per cent.

Loan to Value (indexed) of Residential Mortgage Portfolio

	2011	2010
LTV < 50 per cent.	26.1 per cent.	27.3 per cent.
LTV 50-60 per cent.	10.7 per cent.	10.6 per cent.
LTV 60-70 per cent.	13.0 per cent.	12.3 per cent.

	2011	2010
LTV 70-80 per cent.	15.3 per cent.	15.0 per cent.
LTV 80-90 per cent.	14.7 per cent.	14.7 per cent.
LTV 90-100 per cent.	9.9 per cent.	10.2 per cent.
LTV > 100 per cent.	10.4 per cent.	9.8 per cent.

Basis of indexation: Halifax quarterly non-seasonally adjusted house price index

Residential mortgage asset quality has been maintained in 2011, with the Co-operative Bank's level of mortgage delinquencies (arrears balance greater than or equal to 2.5% of total balance) standing at 1.18% as at 31 December 2011.

Prime residential mortgage lending (66% of the total residential mortgage portfolio) loans which are three months or more in arrears as a proportion of the total book stood at 0.49% as at 31 December 2011.

Personal Unsecured Loans

The Co-operative Bank's book comprises mostly fixed rate lending to Co-operative Bank customers (personal loans) and non-bank customers (direct loans). Risk based pricing is utilised. The Co-operative Bank's unsecured lending book was £0.8 billion as at 31 December 2011.

Credit Cards

The Co-operative Bank's credit card book was £0.6 billion as at 31 December 2011. Credit card growth is focused on customer retention and targeted growth opportunities.

Smile

In October 1999, the Co-operative Bank launched Smile, the UK's first full Internet bank. Smile currently has approximately 360,000 customers as at 31 December 2011, of which a high proportion are relationship customers. Smile offers services including current accounts, unsecured loans, credit cards, mortgages, savings products and insurance either directly or through other Co-operative companies.

Platform Funding Limited

Platform Funding Limited (**Platform**) is one of the leading intermediary-only lenders in the UK residential mortgage market. Launched in February 2003, the company was created from the merger of Platform Home Loans and Verso, both subsidiaries of the Britannia Building Society. It is focused on prime and buy-to-let intermediary lending. In 2012, the Platform portfolio of £1.75 billion (as at 30 June 2012) has been moved from Corporate and Business Banking to the Retail Business.

Corporate and Business Banking

Commercial Lending

The Co-operative Bank has a diversified portfolio of commercial lending totalling £9.0 billion of drawn balances as at the end of December 2011 (compared to £8.7 billion as at the end of December 2010), with £11.1 billion of gross exposure. The majority of the commercial lending is property based, to low risk customers with tangible net assets and/or very high quality tenant covenants.

Most of the commercial lending book is comprised of bilateral facilities, underpinning the relationship based model. The portfolio has a reasonably well spread maturity profile which provides a good longer term earnings stream. A centralised underwriting process provides strong control and governance. The portfolio consists of loans to the following industries:

Commercial lending portfolio by sector as at 31 December 2011

Sector	Total Exposure (£m)	% Total Exposure	Default Exposure (£m)	% Default Exposure to Total Exposure
Education/ Public Sector	325	2.9%	0	0.0%
Services	1,021	9.2%	30	2.9%
Housing Associations	1,133	10.3%	0	0.0%
PFI	1,276	11.5%	0	0.0%
Property and Construction				
Commercial Investment	3,679	33.3%	563	15.3%
Residential Investment	594	5.4%	155	26.1%
Commercial Development	287	2.6%	11	3.8%
Residential Development	121	1.1%	4	3.3%
Renewable Energy/ Utilities	536	4.8%	11	2.1%
Other	2,081	18.8%	148	7.1%
Total	11,053	100.0%	921	8.3%

Savings and Current Accounts

The Co-operative Bank had £8.6 billion corporate customer deposit balances as at 31 December 2011, including deposit notes. These balances are held in a mixture of instant access, notice accounts and fixed rate deposits as well as current accounts.

Optimum

Optimum has been established to provide commercial focus on the specialist mortgage portfolio and the delivery of broader loss mitigation strategies across the Co-operative Bank. The business unit was created following the merger and is a closed book as part of Corporate and Business Banking. The book at 31 December 2011 stood at £7.7 billion, a reduction of 5.5% from 31 December 2010.

Treasury and Wholesale Lending

The core responsibilities for the Co-operative Bank's treasury department (the **Treasury**) are to ensure a strong and stable liquidity base, provide diverse sources of wholesale funding to the bank, manage market risk within risk appetite and deliver a strong financial performance on the investment portfolio.

Credit Ratings

The Co-operative Bank is currently rated A3 (on Review for Downgrade) by Moody's and BBB+ (Rating Watch Negative) by Fitch.

Recent Developments

The Co-operative Group is a financial institution

On 30 March 2012, the Co-operative Group was informed by the FSA that it is a financial institution as defined in the glossary in the FSA's Handbook of Rules and Guidance.

Project Verde

On 19 July 2012, the Co-operative Group announced that it and Lloyds Banking Group (**LBG**) agreed non-binding heads of terms for the acquisition of the Verde Business.

The Board of the Co-operative Group has agreed to proceed on the basis of non-binding heads of terms with LBG in relation to the acquisition of the Verde Business. The move by the Co-operative Group would create a High Street bank with almost 1,000 branches.

The Co-operative Group and LBG are now working towards agreeing definitive, binding documentation, subject to the satisfactory completion of further due diligence and board approvals. Completion of the transaction is expected before the end of November 2013 and will be conditional on, among other things, regulatory approvals from the FSA, HM Treasury and the European Commission.

The prospects from the acquisition of the Verde Business, and current account market growth should be of considerable benefit to the financial strength of the Co-operative Bank and the product range and services offered to customers.

The Co-operative Bank is continuing to progress its transformation plan. However, while pursuing Project Verde, progress has been managed down and spend reduced in those areas where Project Verde could impact the Co-operative Bank's plans, to minimise the risk of redundant investment. The Co-operative Bank will continue to review the transformation plan until the conclusion of the process leading to signing a sale and purchase agreement.

The Co-operative Insurance Society Limited

On 15 July 2011, Co-operative Banking Group Limited announced the outcomes from a strategic review into its life and savings business. One of the outcomes included the entrance into exclusive talks with Royal London Mutual Insurance Society Limited to sell the life insurance subsidiary, The Co-operative Insurance Society Limited, including £15 billion of assets in its Long Term Business Fund and The Co-operative Asset Management which manages the fund. Any transaction will be subject to regulatory approval.

PLATFORM FUNDING LIMITED

PFL was incorporated and registered in England and Wales under the Companies Act 1985 on 26 September 1997 as a private limited company with company registration number 3456337. The registered office of PFL is Newton House, Cheadle Road, Leek, Staffordshire ST13 5RG. PFL was established for the purpose of originating residential mortgage loans (including Buy-to-Let Loans) to borrowers in England, Wales, Scotland and Northern Ireland. Following the Merger, PFL became a subsidiary of the Co-operative Bank.

PLATFORM HOME LOANS LIMITED

PHL was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 12 January 1989 with company registration number 2334606. The registered office of PHL is Newton House, Cheadle Road, Leek, Staffordshire ST13 5RG. Following the Merger, PHL became a subsidiary of the Co-operative Bank.

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans originated by the Seller and comprised in the Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller selected the Loans for transfer into the Portfolio using a system containing defined data on each of the qualifying loans. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans. This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, loans are selected at random until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored so that they continue to comply with the Loan Warranties on the Closing Date, as applicable.

Unless otherwise indicated, the description that follows relates to types of loans that could be sold to the Issuer as part of the Portfolio as at the Closing Date.

The Seller may offer a Borrower under a Loan comprised in the Portfolio, or a Borrower may request, a Product Switch. If this occurs the loan which the original Loan is switched into may have mortgage terms different from those Loans forming the Portfolio on the Portfolio Reference Date (including characteristics that are not currently being offered to Borrowers or that have not yet been developed) and may have been originated according to different Lending Criteria. All Product Switches will be required to comply with the Loan Warranties set out in the Mortgage Sale Agreement on their Switch Date (as applicable). The material warranties in the Mortgage Sale Agreement to be given as at the Closing Date and on each Switch Date are described in this Prospectus. See "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*", below.

The Mortgage Pool

The Mortgage Pool from time to time after the Closing Date will comprise:

- (a) loans advanced to the Borrowers upon the security of residential property situated in England and Wales (each a **Borrower**) and on Closing Date will consist of the Mortgages acquired pursuant to the Mortgage Sale Agreement;
- (b) Loans subject to Product Switches; and
- (c) any Further Advances purchased by the Issuer,

other than, in each such case, Mortgages which have been repaid or which have been purchased from the Issuer pursuant to the Mortgage Sale Agreement.

Characteristics of the Mortgage Pool

The following tables set out information representative of the characteristics of the Mortgage Pool as at the Portfolio Reference Date.

The balance of the Mortgages in the following tables is shown as at the Portfolio Reference Date (the pool of Mortgages as at the Portfolio Reference Date being the **Provisional Pool**). The properties over which the Mortgages are secured have not been revalued for the purpose of the issue of the Notes. The valuations of such properties as set out in the following tables relate to the date of the original initial mortgage loan valuation except to the extent that there have been Further Advances in which cases the most recent valuation is utilised. The characteristics of the Mortgage Pool as at the Closing Date may vary from those set out in the tables as a result of, *inter alia*, repayment or purchase of Mortgages prior to the Closing Date.

Security

All of the Mortgages are secured by first ranking mortgages.

Interest Rate Types

The Provisional Pool consists of: Mortgages which have (currently or after a specific period) a variable interest rate (the **Base Rate Mortgage Rate**) that is based on the Bank of England's base rate (the **Base Rate** and the **Base Rate Mortgages**) plus, for each mortgage, a fixed margin expressed as a percentage over Base Rate, including:

- (i) 40.24 per cent. of the Mortgages where the Base Rate Mortgage Rate is discounted for a specific period and reverts to the full Base Rate Mortgage Rate, with the latest date of reversion being June 2015 (the **Base Rate Tracker Discount Mortgages**);
- (ii) 19.49 per cent. of the Mortgages where the interest rate applicable to that Mortgage is a fixed rate of interest for a specific period that reverts to the full Base Rate Mortgage Rate, with the latest date of reversion being February 2016 (the **Fixed Reverting to Base Rate Tracker Mortgages**); and
- (iii) 40.26 per cent. of the Mortgages where the Base Rate Mortgage Rate is linked to Base Rate for the life of the mortgage (the **Base Rate Tracker Mortgages**).

Characteristics of the Loans

Repayment terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees. Overpayments are allowed on all products, within certain limits. See "*Overpayments*" below.

Loans are typically repayable on one of the following bases:

- **Repayment Loan:** the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid;
- **Interest-only Loan:** the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum; and
- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-only Loans (but not Buy to Let Loans), because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in "*The Loans– Early repayment charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account, and
- standing order from a bank or building society account.

Early Repayment Charges

The Borrower may be required to pay an early repayment charge (an **Early Repayment Charge**) if certain events occur during the predetermined Product Period and the loan agreement states that the Borrower is liable for Early Repayment Charges and the Seller has not waived or revised its policy with regards the payment of Early Repayment Charges. These events include a full or partial unscheduled repayment of principal, or an agreement between the Seller and the Borrower to switch to a different mortgage product. If all or part of the principal owed by the Borrower, other than the scheduled monthly payments, is repaid before the end of the Product Period, the Borrower will be liable to pay to the Seller a repayment fee based on the amount repaid or switched to another product. If the Borrower has more than one product attached to the mortgage, the Borrower may choose under which product the principal should be allocated.

Amounts of principal may be prepaid in full or in part on any Business Day. The Borrower may make an early repayment of a part of the principal due on the relevant Loan, and if the part prepaid is of £1,000 or more, PFL will recalculate the remaining monthly payments applicable to that Loan.

Capitalising Arrears

In certain circumstances following the accrual of Arrears on a Loan, the relevant Borrower may "opt in" to capitalise such Arrears. **Capitalisation** is one of the longer term solutions available to manage Arrears, and it involves "zero-ising" the balance of Arrears and allowing that amount to be cleared over the remaining term of the Loan.

The Servicer shall assess and service any Capitalisation in accordance with the Capitalisation Policy section of the Seller's Policy as it applies to the relevant Loans from time to time (the **Capitalisation Policy**). As at the date of this Prospectus, the Capitalisation Policy contains the following features:

- (a) Capitalisation will only be considered as a treatment when:
 - (i) the lender understands the Borrower's financial and personal circumstances;
 - (ii) long term affordability has been explored with the Borrower;
 - (iii) all other treatments have been appropriately explored or exhausted with the Borrower;
 - (iv) it is deemed by the Borrower to be in their best interest.
- (b) The risks and implications associated with Capitalisation will be clearly articulated to the Borrower prior to capitalising their Arrears. The Borrower will be advised to seek independent advice before deciding if Capitalisation is the right option for them.
- (c) The option to capitalise Arrears will only be used as a solution in an agreement with the Borrower on an 'opt in basis'.

- (d) Capitalisation will not be applied automatically.
- (e) In order to be eligible for Capitalisation:
 - (i) The Borrower must have maintained their contractual monthly payments for a minimum of 6 consecutive months.
 - (ii) The Borrower must not have had any arrears capitalised in the preceding 24 months.
 - (iii) The Arrears must be no more than £10,000.
 - (iv) The Arrears must not be greater than 6 months aggregate monthly payments.
 - (v) The increase in the Borrower's monthly payments as a result of the capitalisation must be no more than 10%.
 - (vi) Borrowers to 'Opt in' to the process.
- (f) The following cases are ineligible for Capitalisation:
 - (i) Where the Arrears relate to a Buy To Let loan.
 - (ii) Where the current indexed Loan to Value Ratio is equal to or greater than 95%.
 - (iii) Accounts where the Borrower is paying a concessionary rate.
 - (iv) Accounts where one or more of the Borrowers are bankrupt.
 - (v) Accounts with a post possession 'Loss Recovery' status.
 - (vi) Accounts that are classed as late payers.
 - (vii) Cases where the term has expired.
 - (viii) Cases identified as fraudulent.
 - (ix) CCA regulated mortgages.
- (g) The following cases will be referred to an Operations Arrears Manager with the appropriate mandate or Optimum for a decision to proceed:
 - (i) Accounts where a Court Order is in place.
 - (ii) DWP cases.
 - (iii) Complaint cases.
 - (iv) Deceased cases.
 - (v) Short term interest only conversions

The Borrower must agree to the Capitalisation by positively 'opting in', in that the signatures from all of the parties to the Mortgage must be obtained.

As with the other sections of the Seller's Policy, the Seller may update the Capitalisation Policy from time to time in accordance with the standard of a Reasonable, Prudent Mortgage Lender. In so doing, the Seller shall adhere to the then current regulatory requirements imposed by and/or guidance issued by, without limitation, the FSA and the CCA. See the sections entitled "Risk Factors – Consumer Protection from Unfair Trading Regulations 2008" for further details.

Arrears means as at any date in respect of any Loan, all amounts currently due and payable on that Loan which remain unpaid on that date, **provided that** such overdue amounts equal, in the aggregate, one or more full monthly payments.

Overpayments

Overpayments – Overpayments are allowed on all products, although an Early Repayment Charge may be payable (as described in 'Early Repayment Charges' above). Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

Borrowers with interest calculated annually who make an Overpayment may choose whether such Overpayment is to be treated as a repayment of principal or as a credit to be carried forward against future scheduled instalments. If the Borrower elects for such Overpayment to be applied as a principal repayment then interest on the remaining principal outstanding balance of the loan is recalculated as from the date of receipt of such repayment. For customers on annual interest, the required monthly instalments will not be altered until the next following year end. If the customer elects to apply such Overpayment towards scheduled instalments, interest is not recalculated. In cases where a customer does not specify how any repayment they may make is to be applied, Overpayments of an amount of less than £500 are generally treated as credits towards scheduled instalments. If Borrowers with daily calculations of interest pay more than the scheduled monthly payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

Title to the Mortgage Pool

The Mortgage Pool will consist of mortgages originated by PFL (the Mortgages).

Pursuant to, and under the terms of the Mortgage Sale Agreement, dated on or about the Closing Date, PFL will transfer the beneficial title to the Mortgages, with a right to call for the legal title thereto, to the Issuer.

In the case of the Mortgages over registered land in England and Wales which will be transferred to the Issuer on the Closing Date, PFL has agreed to remain on the relevant Land registry as the legal mortgagee or as heritable creditor.

Prior to the Issuer obtaining the requisite licence under the CCA, PFL will hold the Mortgages originated by it on trust for the Issuer under a bare trust (the CCA Mortgages Trust). Upon the requisite CCA licence being obtained, the CCA Mortgages Trust will terminate and the beneficial title to the Mortgages will be transferred to the Issuer as outlined above.

None of the above mentioned transfers to the Issuer is to be completed by registration at the Land Registry or notice given to the relevant Borrowers until the occurrence of one of the events mentioned below. The Mortgages in the Mortgage Pool and their collateral security are accordingly owned in equity only by the Issuer pending such transfer. Legal title in the Mortgages and their collateral security continues to be vested in PFL. PFL has agreed to transfer legal title to the Mortgages and their collateral security to the Issuer, and the Issuer has undertaken to seek the transfer of legal title, only in the circumstances set out below.

The Issuer will grant a first fixed charge in favour of the Security Trustee over its interest in the Mortgages.

Save as mentioned below, the Security Trustee has undertaken not to effect any registration at the Land Registry to protect the sale of the Mortgages to the Issuer or the granting of security over the Mortgages by the Issuer in favour of the Security Trustee nor, save as mentioned below, to obtain possession of title deeds to the properties the subject of the Mortgages.

Notices of the equitable assignments in favour of the Issuer and the security in favour of the Security Trustee will not, save as mentioned below, be given to the Borrowers under the Mortgages.

Under the Mortgage Sale Agreement and the Deed of Charge, completion of the transfers to the Issuer will be effected and the Issuer and the Security Trustee will each be entitled to effect such registrations and give such notices as it considers necessary to protect their respective interests in the Mortgages, and to call for a legal assignment or transfer of the Mortgages in favour of the Issuer and a legal submortgage over such Mortgages and collateral security in favour of the Security Trustee.

Under the Mortgage Sale Agreement and the Deed of Charge the Issuer and the Security Trustee have undertaken to take such steps only where, *inter alia*, the Issuer has obtained the requisite licence under the CCA and (i) it is necessary as a result of a change in law, or required by an order of a court of competent jurisdiction or by a competent regulatory authority, (ii) after a Note Acceleration Notice (as defined in the Conditions) has been served on the Issuer by the Security Trustee, (iii) the Security Trustee considers that the security under the Deed of Charge or any material part thereof is in material jeopardy, in the reasonable opinion of the Security Trustee, and the Security Trustee decides to take such action to reduce materially such jeopardy, or (iv) PFL calls for perfection of title by serving a notice to that effect on the Issuer and the Security Trustee. Following such legal assignment or transfer and sub charge, the Issuer and the Security Trustee will each be entitled to take all necessary steps to perfect legal title to its interests in the Mortgages, including the carrying out of any necessary registrations, recordings and notifications. These rights are supported by irrevocable powers of attorney given by PFL pursuant to the Mortgage Sale Agreement.

If any of the events referred to in paragraphs (i) to (iv) above occurs prior to the Issuer obtaining the requisite licence under the CCA, then the Issuer (or certain persons on its behalf) shall send written notice to each Borrower informing it of the Issuer's interest in the related Mortgages under the related CCA Mortgages Trust and the above steps necessary to perfect the transfer of legal title to the Issuer shall occur as soon as possible after the requisite CCA licence has been obtained.

Warranties and Breach of Warranties in relation to the Mortgages

The Mortgage Sale Agreement contains certain warranties given by PFL in favour of the Issuer in relation to the mortgages sold to the Issuer pursuant to the Mortgage Sale Agreement.

No searches, enquiries or independent investigation of title of the type which a prudent purchaser or mortgagee would normally be expected to carry out have been or will be made by the Issuer. The Issuer will rely entirely on the benefit of the warranties given to it under the Mortgage Sale Agreement.

If there is an unremedied material breach of any of the warranties given under the Mortgage Sale Agreement then the Security Trustee has the discretion to demand that the Seller purchase any Mortgage which is the subject of the relevant unremedied material breach for a consideration in cash equal to all sums due or owing thereunder (including accrued interest) as at the date of purchase (after deducting the amount of any interest not then accrued but paid in advance by the relevant mortgagor, which amount will be retained by the Issuer) (the Put Option). The obligations of the Seller under the Put Option are guaranteed by the Co-operative Bank pursuant to the Mortgage Sale Agreement. Performance of such purchase will be in full satisfaction of the liabilities of the Seller in respect of the relevant breach.

Lending Criteria

The following is a summary of the criteria (the **Lending Criteria**) of PFL in relation to Mortgage Loans to be secured on properties located in England or Wales that were applied (subject to such deviation made in accordance with the standard of a Reasonable, Prudent Mortgage Lender) in respect of the Mortgages to be sold pursuant to the Mortgage Sale Agreement.

Security

- (a) Each of the loans advanced under a Mortgage must be secured by a first ranking legal mortgage (a **Mortgage**) over a freehold or leasehold residential property (with a term at least 25 years longer than the mortgage term and not less than 50 years remaining on the lease) located in England and Wales (a **Property** or the **Properties**) securing the payment of all sums due from the relevant Borrowers under the terms of the loans made to them (the **Loans** and, individually, each a **Loan**).
- (b) Only property of an acceptable standard of construction and intended for use wholly or partly as a principal place of residence or under an assured shorthold tenancy or short assured tenancy is acceptable.
- (c) Properties under 10 years old will have the benefit of a NHBC or an architects certificate or equivalent guarantee from an acceptable body.
- (d) The following types of building are deemed unacceptable as security:
 - (i) properties listed as defective under the Housing Acts 1984 and 1985 (unless rebuilt to NHBC standards with appropriate guarantees);
 - (ii) mobile homes or houseboats;
 - (iii) prefabricated buildings and unrepaired prefabricated reinforced concrete (PRC) properties;
 - (iv) property where a flying freehold exists affecting more than 15 per cent. of the whole;
 - (v) shared ownership properties;
 - (vi) properties whose construction includes high alumina cement;
 - (vii) buildings with agricultural restrictions, small holdings or farms;
 - (viii) buildings of 100 per cent. timber construction;
 - (ix) steel framed properties (except post 1987 construction with BBA or WIMLAS certification);
 - (x) multi occupied property;
 - (xi) tenanted property (except where the loan advanced is a Buy to Let Loan);
 - (xii) properties with commercial usage;
 - (xiii) live/work units; or
 - (xiv) flats in blocks of more than four storeys of accommodation are subject to individual consideration.

- (e) Each Property offered as security will have been valued by either a qualified surveyor (ARICS or equivalent qualification) chosen from a panel of valuation firms approved by PFL or an automated valuation model under which the valuation of the relevant Property was undertaken using Hometrack Data Systems Limited's automated valuation model by PFL.
- (f) At the time of completion, the relevant Property must either have been insured under a Block Buildings Policy (as defined under "*Insurance Contracts*" below) in the name of PFL, or PFL must have been jointly insured with the Borrower under, or its interest noted on, a buildings policy relating to the relevant Property.

Loan Amount

With the exception of certain allowable fees added to the aggregate balance, each Mortgage at the time of completion must be for a minimum principal amount of at least £10,000. No Mortgage may exceed a maximum principal amount of £1,000,000 (including Further Advances).

Loan to value

- (a) The loan to value ratio (**LTV**) is calculated by expressing the initial principal amount advanced at completion of the Mortgage as a percentage of the lower of the purchase price and valuation of the Property (with the exception of sales at an undervalue where the valuation is used).
- (b) The LTV of each Mortgage at the date of completion must be no more than 95 per cent. (excluding fees).

Term

Each Mortgage must have an initial term of between 5 and 40 years.

Borrowers

- (a) Borrowers must have been at least 18 years of age prior to completion of the Loan.
- (b) A maximum number of two Borrowers are allowed to be parties to the Mortgage.
- (c) The Borrower's credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) search supplied by a credit reference agency;
 - (ii) CAIS information;
 - (iii) confirmation of voters roll entries or proof of residency;
 - (iv) references from employers;
 - (v) accountant's certificate;
 - (vi) references from lenders; or
 - (vii) references from current landlords and previous landlords.
- (d) Explanations may be provided where a County Court Judgment (**CCJ**) relating to a Borrower has been revealed by the credit reference search or instalment arrears have been revealed by lender's or landlord's references or a Borrower has been subject to a Bankruptcy Order (**BO**) or Individual

Voluntary Arrangement (**IVA**) and such explanations have been asked for at the underwriter's discretion.

- (e) Borrowers who were the subject of a BO must have provided a certificate of discharge. Borrowers who were subject to an IVA must have provided confirmation of satisfactory conduct of the IVA where appropriate.

Income

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of (i) salary plus additional regular remuneration for an employed Borrower or net profit plus any additional income confirmed by the accountant for a self employed Borrower (holding at least 25 per cent. of the issued share capital of the company), who is (except where the lender reasonably considers that the remuneration of the Borrower makes it appropriate to consider the Borrower as an employed Borrower), a partner in partnership, or a sole trader; (ii) pensions; (iii) investments; (iv) rental income; and (v) any other monies approved by an authorised official of the lender.
- (b) With the exception of certain allowable fees added to the aggregate balance of the Mortgage, the principal amount advanced will depend on the loan to value:
 - (i) where the loan to value is greater than 85 per cent., then the principal amount advanced will not exceed 7.0 times the assessed income of the joint Borrowers; and
 - (ii) where the loan to value is equal to or less than 85 per cent., then the principal amount advanced will not exceed 7.0 times the assessed income of the joint Borrowers.
- (c) Customers who wish to self certify their income are required to make a full declaration of their total personal income on the application form and must still complete in full the employment section of the application form. Reasonability tests are applied to the customer's declared income with reference to their trade and location. Self certification of income by a customer to PFL was permitted by PFL until November 2009.

Solicitors

The firm of solicitors acting on behalf of the lender on the making of the Mortgage must be on the PFL Solicitors panel. If the applicant wishes to use a solicitor not on the PFL Solicitors panel then the lender will instruct one of the solicitors on the PFL Solicitors panel to act for the lender at the applicant's expense.

Buy to Let Loans

Loans to Borrowers who wish to purchase or remortgage residential property for the purpose of letting to third parties (**Buy to Let Loans**) are governed by the same, or at times, more strict lending criteria than the Lending Criteria, including:

- (a) the maximum LTV of each Loan is 90 per cent. excluding fees;
- (b) the rental payment received by the Borrower in respect of the relevant Property is at least 110 per cent. of the Borrower's monthly payment under the Loan; and
- (c) a more limited adverse credit history from the Borrower.

Exceptions to the Lending Criteria

Exceptions to the Lending Criteria may only be made by Platform Home Loans Limited (**PHL**) mandate holders (**PHL Mandate Holders**). Within their individual mandate, PHL Mandate Holders may make any exception to the Lending Criteria **provided that** such exception is (i) in line with prudent mortgage lending in the non conforming market and (ii) documented on the case.

Changes to Lending Criteria

PFL may vary the Lending Criteria from time to time in the manner of a Reasonable, Prudent Mortgage Lender and has recently increased the maximum LTV applicable to particular mortgage products.

Servicing of the Mortgage Pool

The Servicer will be required from the Closing Date to service the Mortgage Pool as an agent of the Issuer and the Security Trustee under and in accordance with the terms of the Servicing Agreement. The duties of the Servicer will include amongst other things:

- operating the Accounts and ensuring that payments are made into and from the Accounts in accordance with the Servicing Agreement;
- notifying the Borrowers of any change in their monthly payments or in the premium payable on any buildings insurance policy;
- providing a redemption statement upon the request of a Borrower's solicitor or licensed conveyancer;
- taking all reasonable steps to recover all sums due to the Issuer, including, without limitation, by the institution of proceedings and/or the enforcement of any Mortgage or any related security;
- taking all action and doing all things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering its mortgages;
- make all filings, give all notices and make all registrations and other notifications required in the day to day operation of the business of the Issuer;
- arranging for all payments due to be made by the Issuer under any of the Transaction Documents to be made;
- keeping general books of account and records of the Issuer, provide accounting services including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns; and
- paying on behalf of the Issuer all the out of pocket expenses of the Servicer incurred in the performance of the Servicer's duties under the Servicing Agreement.

It is intended that the Servicer will delegate certain services to WMS on the Closing Date. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-servicer.

Enforcement Procedures

The Servicer has established procedures for managing loans which are in arrear, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. The procedures permit discretion to be exercised by the appropriate officer of the Servicer (or any sub servicer of the

Servicer) in many circumstances. These procedures, as from time to time varied in accordance with the practice of a Reasonable, Prudent Mortgage Lender or with the consent of, *inter alia*, the Issuer and the Security Trustee, are required to be used by the Servicer in respect of arrears arising on the Mortgages.

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner (PFL), the beneficial owner (the Issuer), the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession for this purpose; first, by taking physical possession (seldom done in practice), and second, by obtaining a court order.

If a mortgagee takes physical possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements.

Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession. The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the loan or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the loan and/or mortgage.

The court has a very wide discretion and may adopt a sympathetic attitude towards a Borrower faced with eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to pay. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may also take court action to force the relevant mortgagee to sell the Property within a reasonable time.

Further Advances

If a Borrower wishes to take out a further loan secured by the same mortgage the Borrower will need to make a further advance application and the Seller will use the Lending Criteria applicable to further advances at that time in determining whether to approve the application. The original mortgage deed is expressed to cover all amounts due under the relevant loan which would cover any further advances. The Issuer will purchase Further Advances from the Seller on each Advance Date (defined below). See the sections entitled "*Summary of the key Transaction Documents – Mortgage Sale Agreement – Further Advances and Product Switches*" for further details. Furthermore, the purchase of a Further Advance by the Issuer will be subject to the Asset Conditions.

If a Loan is subject to a Further Advance after being sold to the Issuer, the Seller will be required to repurchase the Loan and its Related Security from the Issuer to the extent that the Issuer does not have sufficient funds from the Retained Principal Receipts Ledger or from a drawing under the Class B2 VFN to fund the purchase of such Further Advance.

Product Switches

PFL will permit a switch from one product to another provided the new product criteria are satisfied by the Borrower.

- Unless otherwise agreed, all Early Repayment Charges in respect of the existing product will remain payable upon transfer, subject to the authority to waive any charges payable.
- Subject to the Asset Conditions, the Servicer on behalf of the Seller may agree to a request by a Borrower for a Product Switch. The Servicer will refer to PFL for consideration individual requests

from Borrowers to switch to new products, if any such new product falls outside the Lending Criteria.

- A switch fee will be payable as stated in the product switch documentation.

In the event that a Loan is subject to a Product Switch, such Loan will either switch onto the reversionary rate or be redeemed in full on the applicable switch date.

PFL do not currently offer Product Switches as at the date of this Prospectus, though it may do in the future.

Insurance Contracts

Buildings Insurance

Buildings insurance or building and contents insurance is arranged by the Servicer arranging for cover to be provided by a block buildings insurance policy (**Block Buildings Insurance Policy**) or by the relevant Borrower selecting an insurer and arranging cover accordingly (a **Third Party Buildings Policy**).

In respect of the Mortgages to be sold by PFL pursuant to the Mortgage Sale Agreement, PFL will warrant to the Issuer that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost.

Local Authority Search Insurance

In respect of the Mortgages, local authority search insurance is currently provided by First Title Insurance plc whose registered office is at London International Press Centre, 76 Shoe Lane, London EC4A 3JB. First Title Insurance plc is the United Kingdom subsidiary of The First American Corporation. It is an insurance company which provides title insurance and other real estate related financial products.

In respect of the Mortgages to be sold by PFL pursuant to the Mortgage Sale Agreement, PFL will warrant to the Issuer that the relevant local authority search insurance policy and the indemnity policy was in full force and effect, that all premiums payable thereon had been paid, and so far as PFL was aware, the policy was valid and enforceable and PFL had not received notice and was not otherwise aware of any reason why the relevant insurer may refuse liability under the relevant local authority search insurance policy.

PHL Title Insurance Policy

In respect of certain Mortgages, PFL has the benefit of a title insurance policy issued by London & European Title Insurance Services Limited to Platform Home Loans Limited (**PHL**) in respect of any loss arising from the existence of any adverse matter which would have been revealed had PFL instructed a solicitor to conduct a search or other procedure against the title to the relevant Property. PFL has the benefit of the title insurance policy by virtue of Platform Consumer Services Limited (company registration number 03720213) being the parent company of both PFL and PHL.

Governing law

Each of the Loans and any non-contractual obligations arising out of or in connection with them are governed by English law.

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to certain Loans in a portfolio as at the Portfolio Reference Date (the **Portfolio**). The Portfolio as at the Portfolio Reference Date consisted of 13,734 Loans originated by Platform Funding Limited (**PFL**) between 2003 and 2012 and secured over properties located in England and Wales. The Current Balance of the Portfolio on the Portfolio Reference Date was £1,725,687,113.51. The portfolio that will be sold to the Issuer on the Closing Date will be randomly selected from the Portfolio as at the Portfolio Reference Date (the **Closing Date Portfolio**). Columns may not add up to 100 per cent. due to rounding. The characteristics of the Closing Date Portfolio will differ from that set out below as a result of, *inter alia*, the random reduction in the size of the Portfolio, repayments and redemptions of the Loans from the Portfolio Reference Date to the Closing Date and removal of any Loans which do not comply with the Loan Warranties as at 19 October 2012. If a Loan selected for the Closing Date Portfolio is repaid in full between 19 October 2012 and the Closing Date, the principal recoveries from that Loan will form part of Available Principal Receipts. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Portfolio Reference Date, which includes all principal and accrued interest for the Loans in the Portfolio.

In this section:

Mortgage Accounts means the totality of the relevant Loans granted by the Seller secured on the same Property and their Related Security;

Owner Occupied Loan means any Loan in the Portfolio which is not a Buy to Let Loans; and

Sub-Accounts means the individual relevant Loans granted by the Seller secured on the same Property and their Related Security.

WHOLE POOL

Current Balances as at the Portfolio Reference Date

The following table shows the range of Mortgage Account Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Portfolio Reference Date.

Range of Current Balances*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
£0 – £24,999.99	1,377,408.25	0.08	70	0.51
£25,000 – £49,999.99	36,410,625.95	2.11	899	6.55
£50,000 – £74,999.99	163,764,428.86	9.49	2,604	18.96
£75,000 – £99,999.99	247,895,092.75	14.37	2,844	20.71
£100,000 – £124,999.99	240,332,666.87	13.93	2,154	15.68
£125,000 – £149,999.99	203,803,506.11	11.81	1,495	10.89
£150,000 – £174,999.99	171,089,321.60	9.91	1,062	7.73
£175,000 – £199,999.99	134,035,098.93	7.77	718	5.23
£200,000 – £299,999.99	328,674,430.07	19.05	1,368	9.96
£300,000 – £399,999.99	124,657,627.29	7.22	373	2.72
£400,000 – £499,999.99	39,545,898.13	2.29	90	0.66
£500,000 – £599,999.99	21,889,443.04	1.27	41	0.30
£600,000 – £699,999.99	3,921,931.15	0.23	6	0.04
£700,000 – £799,999.99	2,946,706.58	0.17	4	0.03
£800,000 – £899,999.99	2,508,186.72	0.15	3	0.02
£900,000 – £999,999.99	2,834,741.21	0.16	3	0.02
Totals	1,725,687,113.51	100.00%	13,734	100.00%

* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Loans as of the Portfolio Reference Date is £979,931.28, £9,923.80 and £125,650.73 respectively.

Loan to Value Ratios at Origination

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Loans in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Portfolio Reference Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further advance of the Loan divided by the value of the Property securing the Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties since the date of the origination of the related Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

Range of LTV Ratios at Origination*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% – 24.99%	17,035,644.74	0.99	251	1.83
25% – 49.99%	169,560,270.73	9.83	1,661	12.09
50% – 54.99%	103,568,291.92	6.00	842	6.13
55% – 59.99%	132,863,088.96	7.70	1,016	7.40
60% – 64.99%	218,480,823.13	12.66	1,662	12.10
65% – 69.99%	224,036,023.22	12.98	1,634	11.90
70% – 74.99%	382,505,094.20	22.17	2,872	20.91
75% – 79.99%	247,595,844.19	14.35	2,018	14.69
80% – 84.99%	94,903,678.13	5.50	724	5.27
85% – 89.99%	122,612,676.88	7.11	968	7.05
90% – 94.99%	7,550,719.13	0.44	51	0.37
95% – 100%	4,974,958.28	0.29	35	0.25
Totals	1,725,687,113.51	100.00%	13,734	100.00%

* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original weighted average Loan to Value Ratio as at the Portfolio Reference Date of the Loans in the Portfolio is 66.46 per cent.

Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Portfolio Reference Date by the indexed original valuation of the Property securing that Loan at the same date.

Range of Current Indexed LTV Ratios* **	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% – 24.99%	20,366,474.62	1.18	334	2.43
25% – 49.99%	189,358,412.42	10.97	1,853	13.49
50% – 54.99%	99,089,943.27	5.74	795	5.79
55% – 59.99%	164,846,227.00	9.55	1,268	9.23
60% – 64.99%	209,700,986.67	12.15	1,566	11.40
65% – 69.99%	298,498,798.11	17.30	2,165	15.76
70% – 74.99%	343,559,390.78	19.91	2,641	19.23
75% – 79.99%	150,720,748.44	8.73	1,274	9.28
80% – 84.99%	85,120,213.61	4.93	636	4.63
85% – 89.99%	51,343,127.87	2.98	423	3.08
90% – 94.99%	46,655,386.35	2.70	328	2.39
95% – 99.99%	36,169,521.32	2.10	224	1.63
100% – 104.99%	18,383,989.26	1.07	129	0.94
105% – 109.99%	8,242,146.94	0.48	68	0.50
110% – 230%	3,631,746.85	0.21	30	0.22
Totals	1,725,687,113.51	100.00%	13,734	100.00%

* Indexed using the Halifax House Price Index (seasonally adjusted) based on monthly data as at June 2012.

** Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The weighted average current Loan to Value Ratio as at the Portfolio Reference Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 66.83 per cent.

Arrears Analysis of Non Repossessed Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Current < one month	1,718,551,286.00	99.59	13,683	99.63
One month	7,135,827.51	0.41	51	0.37
Totals	1,725,687,113.51	100.00%	13,734	100.00%

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding two monthly payments (but for which the aggregate of missed payments is less than three monthly payments) would be classified as being between two – three months in arrears, and so on.

Geographical Distribution

The following table shows the distribution of Properties securing the Loans throughout England and Wales as at the Portfolio Reference Date. No properties are situated outside England and Wales.

Region	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
East Anglia	65,549,745.34	3.80	602	4.38
East Midlands	92,022,879.68	5.33	999	7.27
Greater London	386,578,755.91	22.40	1,979	14.41
North	63,644,025.56	3.69	727	5.29
North West	155,980,745.81	9.04	1,648	12.00
South East	534,561,020.45	30.98	3,650	26.58
South West	142,751,358.74	8.27	1,163	8.47
Wales	49,902,217.82	2.89	535	3.90
West Midlands	117,834,170.83	6.83	1,185	8.63
Yorkshire Humber	116,862,193.37	6.77	1,246	9.07
Totals	1,725,687,113.51	100.00%	13,734	100.00%

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial Loan. The ages of the Loans in this table have been taken as at the Portfolio Reference Date and are calculated with respect to the initial advance.

Seasoning (months)	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0 to <12	675,521,710.85	39.15	5,078	36.97
12 to <24	367,431,656.27	21.29	3,061	22.29
24 to <36	131,780,845.17	7.64	1,026	7.47
36 to <48	72,137,535.41	4.18	657	4.78
48 to <60	243,906,371.69	14.13	1,673	12.18
60 to <72	30,837,704.81	1.79%	261	1.90
72 to <84	6,741,152.55	0.39	62	0.45
84 to <96	196,224,019.98	11.37	1,905	13.87
96 to <108	1,015,796.40	0.06	9	0.07
>108	90,320.38	0.01	2	0.01
Totals	1,725,687,113.51	100.00%	13,734	100.00%

The maximum, minimum and weighted average seasoning of Loans in the Portfolio as at the Portfolio Reference Date is 112.08, 2.82 and 29.84 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Portfolio Reference Date and are calculated with respect to the initial advance.

Years to Maturity	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
>0 to 5	28,664,292.23	1.66	288	2.10
>5 to 10	187,068,144.00	10.84	1,582	11.52
>10 to 15	323,104,594.01	18.72	2,709	19.72
>15 to 20	583,356,128.53	33.80	4,641	33.79
>20 to 25	511,953,951.33	29.67	3,776	27.49
>25 to 30	74,300,908.31	4.31	593	4.32
>30 to 35	16,339,866.55	0.95	136	0.99
>35 to 40	899,228.55	0.05	9	0.07
Totals	1,725,687,113.51	100.00%	13,734	100.00%

The maximum, minimum and weighted average remaining term of the Loans in the Portfolio as at the Portfolio Reference Date is 39.70, 1.16 and 17.64 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the initial Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

Use of Proceeds	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Remortgage	1,115,451,231.31	64.64	8,633	62.86
Purchase	610,235,882.20	35.36	5,101	37.14
Totals	1,725,687,113.51	100.00%	13,734	100.00%

Repayment Terms

The following table shows the repayment terms for the Loans in a Mortgage Account as at the Portfolio Reference Date.

Repayment Terms	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub- Accounts	% of Total
Interest Only	1,237,405,977.83	71.71	9,297	66.63
Capital & Interest	488,281,135.68	28.29	4,656	33.37
Totals	1,725,687,113.51	100.00%	13,953	100.00%

Buy to Let Loans and Owner Occupied Loans

The following table shows the composition of Buy to Let Loans and Owner Occupied Loans in the Portfolio as at the Portfolio Reference Date.

Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Buy to Let Loans	993,717,050.85	57.58	8,546	62.23
Owner Occupied Loans	731,970,062.66	42.42	5,188	37.77
Totals	1,725,687,113.51	100.00%	13,734	100.00%

Product Types

The following table shows the distribution of special rate loans as at the Portfolio Reference Date.

Product Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total
Base	694,834,234.80	40.26	5,888	42.20
Base Discount	694,490,979.53	40.24	5,007	35.88
Fixed reverting to Base	336,361,899.18	19.49	3,058	21.92
Totals	1,725,687,113.51	100.00%	13,953	100.00%

Fixed Rate Loans

As at the Portfolio Reference Date, approximately 19.49 per cent. of the Aggregate Current Balance as at the Portfolio Reference Date in the Portfolio are Fixed Rate Loans. The following tables show the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Base Rate.

Fixed Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
2 – 2.99%	3,153,846.69	0.94	15	0.49	01/02/2013
3 – 3.99%	48,737,377.28	14.49	461	15.08	19/08/2013
4 – 4.99%	190,581,517.24	56.66	1,596	52.19	13/03/2014
5 – 5.99%	86,586,511.94	25.74	912	29.82	15/02/2014
6 – 6.99%	7,302,646.03	2.17	74	2.42	30/01/2013
Totals	336,361,899.18	100.00%	3,058	100.00%	

The maximum, minimum and weighted average fixed interest rate in the Portfolio as at the Portfolio Reference Date is 6.89 per cent., 2.99 per cent. and 4.71 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate (%)
2012	27,828,250.79	8.27	245	8.01	5.09
2013	148,677,640.24	44.20	1,355	44.31	4.64
2014	94,599,561.65	28.12	836	27.34	4.55
2015	59,403,890.05	17.66	557	18.21	4.92
≥2016	5,852,556.45	1.74	65	2.13	5.28
Totals	336,361,899.18	100.00%	3,058	100.00%	

Base Rate Tracker Discount Mortgages

As at the Portfolio Reference Date, approximately 40.24 per cent. of the Aggregate Current Balance as at the Portfolio Reference Date in the Portfolio are Base Rate Tracker Discount Mortgages. The following tables show the distribution of Base Rate Tracker Discount Mortgages by their current rate of interest as at such date, and in the year in which the Loans revert to a different rate of interest, where applicable. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Base Rate Tracker Discount Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
2 – 2.99%	202,987,221.82	29.23	1,349	26.94	13/12/2013
3 – 3.99%	251,688,873.96	36.24	1,597	31.90	28/11/2013
4 – 4.99%	239,814,883.75	34.53	2,061	41.16	23/09/2013
Totals	694,490,979.53	100.00%	5,007	100.00%	

The maximum, minimum and weighted average tracker interest rate in the Portfolio as at the Portfolio Reference Date is 4.99 per cent., 2.19 per cent. and 3.64 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date		Number of Sub-Accounts		W.A. Interest Rate (%)
	(£)	% of Total	% of Total	% of Total	
2012	55,591,165.71	8.00	458	9.15	4.02
2013	281,754,101.50	40.57	2,204	44.02	3.82
2014	354,432,880.64	51.03	2,325	46.43	3.42
2015	2,712,831.68	0.39	20	0.40	4.50
Totals	694,490,979.53	100.00%	5,007	100.00%	

Base Rate Tracker Mortgages

As at the Portfolio Reference Date, approximately 40.26 per cent. of the Aggregate Current Balance as at the Portfolio Reference Date in the Portfolio are Base Rate Tracker Mortgages. The following tables show the distribution of Base Rate Tracker Mortgages by their current rate of interest as at such date. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Base Rate Tracker Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)		Number of Sub-Accounts		% of Total
	(£)	% of Total	% of Total	% of Total	
0 – 0.99%	1,127,692.81	0.16	9	0.15	
1 – 1.99%	107,568,627.99	15.48	1,051	17.85	
2 – 2.99%	350,271,956.23	50.41	2,801	47.57	
3 – 3.99%	52,976,423.45	7.62	475	8.07	
4 – 4.99%	104,928,097.71	15.10	801	13.60	
5 – 5.99%	53,760,105.61	7.74	537	9.12	
6 – 6.99%	24,201,331.00	3.48	214	3.63	
Totals	694,834,234.80	100.00%	5,888	100.00%	

The maximum, minimum and weighted average tracker interest rate in the Portfolio as at the Portfolio Reference Date is 6.0 per cent., 0.5 per cent. and 3.1 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date		Number of Sub-Accounts		W.A. Interest Rate (%)
	(£)	% of Total	% of Total	% of Total	
Does not revert	694,834,234.80	100.00	5,888	100.00	3.1
Totals	694,834,234.80	100.00%	5,888	100.00%	

BUY TO LET LOANS

Current Balances of Buy to Let Loans as at the Portfolio Reference Date

The following table shows the range of Mortgage Account Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) of Buy to Let Loans as at the Portfolio Reference Date.

Range of Current Balances*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
£0 – £24,999.99	659,841	0.07	33	0.39
£25,000 – £49,999.99	24,693,015	2.48	609	7.13
£50,000 – £74,999.99	116,557,571	11.73	1,856	21.72
£75,000 – £99,999.99	168,538,237	16.96	1,938	22.68
£100,000 – £124,999.99	147,529,305	14.85	1,325	15.50
£125,000 – £149,999.99	113,150,333	11.39	830	9.71
£150,000 – £174,999.99	96,847,478	9.75	602	7.04
£175,000 – £199,999.99	70,702,380	7.11	379	4.43
£200,000 – £299,999.99	182,751,856	18.39	760	8.89
£300,000 – £399,999.99	64,885,978	6.53	198	2.32
£400,000 – £499,999.99	4,334,371	0.44	10	0.12
£500,000 – £599,999.99	3,066,687	0.31	6	0.07
Totals	993,717,051	100.00%	8,546	100.00%

* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Buy to Let Loans as of the Portfolio Reference Date is £551,456.65, £9,923.80 and £116,278.62 respectively.

Loan to Value Ratios at Origination

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Buy to Let Loans in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Portfolio Reference Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further advance of the Buy to Let Loan divided by the value of the Property securing the Buy to Let Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties since the date of the origination of the related Buy to Let Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

Range of LTV Ratios at Origination*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% – 24.99%	6,379,010.89	0.64	105	1.23
25% – 49.99%	84,569,989.60	8.51	897	10.50
50% – 54.99%	58,818,342.29	5.92	510	5.97
55% – 59.99%	77,245,067.52	7.77	626	7.33
60% – 64.99%	155,206,238.79	15.62	1,225	14.33
65% – 69.99%	143,419,156.40	14.43	1,134	13.27
70% – 74.99%	281,174,432.01	28.30	2,229	26.08
75% – 79.99%	127,993,426.89	12.88	1,225	14.33
80% – 84.99%	21,777,238.92	2.19	212	2.48
85% – 89.99%	36,912,845.35	3.71	380	4.45
90% – 94.99%	221,302.19	0.02	3	0.04
Totals	993,717,050.85	100.00%	8,546	100.00%

* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original weighted average Loan to Value Ratio as at the Portfolio Reference Date of the Buy to Let Loans in the Portfolio is 65.54 per cent.

Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Buy to Let Loan as at the Portfolio Reference Date by the indexed original valuation of the Property securing that Buy to Let Loan at the same date.

Range of Current Indexed LTV Ratios* **	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% – 24.99%	7,693,233.95	0.77	140	1.64
25% – 49.99%	98,061,326.39	9.87	1,026	12.01
50% – 54.99%	55,622,957.45	5.60	472	5.52
55% – 59.99%	105,820,506.45	10.65	842	9.85
60% – 64.99%	139,271,065.70	14.02	1,082	12.66
65% – 69.99%	212,629,433.91	21.40	1,615	18.90
70% – 74.99%	234,594,933.33	23.61	1,954	22.86
75% – 79.99%	70,771,575.79	7.12	732	8.57
80% – 84.99%	24,376,745.41	2.45	225	2.63
85% – 89.99%	16,217,572.79	1.63	181	2.12
90% – 94.99%	12,094,766.64	1.22	125	1.46
95% – 99.99%	7,291,269.84	0.73	62	0.73
100% – 104.99%	4,578,817.95	0.46	42	0.49
105% – 109.99%	3,108,530.14	0.31	33	0.39
110% – 230%	1,584,315.11	0.16	15	0.18
Totals	993,717,050.85	100.00%	8,546	100.00%

* Indexed using the Halifax House Price Index (seasonally adjusted) based on monthly data as at June 2012.

** Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The weighted average current Loan to Value Ratio as at the Portfolio Reference Date of all the Buy to Let Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 65.51 per cent.

Arrears Analysis of Non Repossessed Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Current < one month	991,254,888.97	99.75	8,524	99.74
One month	2,462,161.88	0.25	22	0.26
Totals	993,717,050.85	100.00%	8,546	100.00%

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding two monthly payments (but for which the aggregate of missed payments is less than three monthly payments) would be classified as being between two – three months in arrears, and so on.

Geographical Distribution

The following table shows the distribution of Properties securing the Buy to Let Loans throughout England and Wales as at the Portfolio Reference Date. No properties are situated outside England and Wales.

Region	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
East Anglia	42,210,060.28	4.25%	413	4.83%
East Midlands	49,068,115.67	4.94%	600	7.02%
Greater London	276,591,056.18	27.83%	1,460	17.08%
North	29,878,546.23	3.01%	404	4.73%
North West	78,895,760.79	7.94%	950	11.12%
South East	299,021,547.29	30.09%	2,306	26.98%
South West	78,630,624.93	7.91%	712	8.33%
Wales	25,746,302.32	2.59%	309	3.62%
West Midlands	53,963,161.01	5.43%	655	7.66%
Yorkshire Humber	59,711,876.15	6.01%	737	8.62%
Totals	993,717,050.85	100.00%	8,546	100.00%

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial Buy to Let Loan. The ages of the Buy to Let Loans in this table have been taken as at the Portfolio Reference Date and are calculated with respect to the initial advance.

Seasoning (months)	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0 to <12	486,915,666.76	49.00	3,838	44.91
12 to <24	234,519,296.66	23.60	2,060	24.10
24 to <36	33,801,641.58	3.40	301	3.52
36 to <48	19,351,992.81	1.95	235	2.75
48 to <60	46,590,186.33	4.69	396	4.63
60 to <72	15,898,647.20	1.60	152	1.78
72 to <84	1,934,981.72	0.19	21	0.25
84 to <96	154,111,538.23	15.51	1,538	18.00
>96	593,099.56	0.06	5	0.06
Totals	993,717,050.85	100.00%	8,546	100.00%

The maximum, minimum and weighted average seasoning of the Buy to Let Loans in the Portfolio as at the Portfolio Reference Date is 107.55, 2.82 and 27.06 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Buy to Let Loans in a Mortgage Account as at the Portfolio Reference Date and are calculated with respect to the initial advance.

Years to Maturity	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
>0 to 5	21,869,071.67	2.20	214	2.50
>5 to 10	126,687,079.07	12.75	1,131	13.23
>10 to 15	205,974,798.59	20.73	1,825	21.36
>15 to 20	361,204,507.61	36.35	3,103	36.31
>20 to 25	264,777,959.16	26.65	2,152	25.18
>25 to 30	10,301,577.25	1.04	98	1.15
>30	2,902,057.50	0.29	23	0.27
Totals	993,717,050.85	100.00%	8,546	100.00%

The maximum, minimum and weighted average remaining term of the Buy to Let Loans in the Portfolio as at the Portfolio Reference Date is 34.57, 1.86 and 17.01 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the initial Buy to Let Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

Use of Proceeds	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Remortgage	667,581,928.15	67.18	5,498	64.33
Purchase	326,135,122.70	32.82	3,048	35.67
Totals	993,717,050.85	100.00%	8,546	100.00%

Repayment Terms

The following table shows the repayment terms for the Buy to Let Loans in a Mortgage Account as at the Portfolio Reference Date.

Repayment Terms	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub- Accounts	% of Total
Interest Only	878,942,783.05	88.45	7,243	84.06
Capital & Interest	114,774,267.80	11.55	1,373	15.94
Totals	993,717,050.85	100.00%	8,616	100.00%

Product Types

The following table shows the distribution of special rate loans as at the Portfolio Reference Date.

Product Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total
Base	299,467,859.14	30.14	2,930	34.01
Base Discount	479,000,760.90	48.20	3,629	42.12
Fixed reverting to Base	215,248,430.81	21.66	2,057	23.87
Totals	993,717,050.85	100.00%	8,616	100.00%

Fixed Rate Loans

As at the Portfolio Reference Date, approximately 21.66 per cent. of the Aggregate Current Balance of Buy to Let Loans as at the Portfolio Reference Date in the Portfolio are Fixed Rate Loans. The following tables show, among the Buy to Let Loans, the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Buy to Let Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Base Rate.

Fixed Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
3 – 3.99%	16,431,309.99	7.63	176	8.56	13/01/2014
4 – 4.99%	108,457,975.08	50.39	926	45.02	09/02/2014
5 – 5.99%	83,794,150.19	38.93	884	42.98	18/02/2014
6 – 6.99%	6,564,995.55	3.05	71	3.45	05/02/2013
Totals	215,248,430.81	100.00%	2,057	100.00%	

The maximum, minimum and weighted average fixed interest rate of the Buy to Let Loans in the Portfolio as at the Portfolio Reference Date is 6.89 per cent., 3.69 per cent. and 4.98 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate (%)
2012	16,268,818.41	7.56	142	6.90	5.75
2013	96,502,952.27	44.83	913	44.39	4.91
2014	52,709,078.59	24.49	509	24.74	4.73
2015	43,915,025.09	20.40	428	20.81	5.11
≥2016	5,852,556.45	2.72	65	3.16	5.28
Totals	215,248,430.81	100.00%	2,057	100.00%	

Base Rate Tracker Discount Mortgages

As at the Portfolio Reference Date, approximately 48.20 per cent. of the Aggregate Current Balance of Buy to Let Loans as at the Portfolio Reference Date in the Portfolio are Base Rate Tracker Discount Mortgages. The following tables show, among the Buy to Let Loans, the distribution of Base Rate Tracker Discount Mortgages by their current rate of interest as at such date, and in the year in which the Buy to Let Loans revert to a different rate of interest, where applicable. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Base Rate Tracker Discount Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
2 – 2.99%	9,842,518.59	2.05	124	3.42	13/08/2013
3 – 3.99%	232,131,371.53	48.46	1,468	40.45	14/12/2013
4 – 4.99%	237,026,870.78	49.48	2,037	56.13	25/09/2013
Totals	479,000,760.90	100.00%	3,629	100.00%	

The maximum, minimum and weighted average tracker interest rate of the Buy to Let Loans in the Portfolio as at the Portfolio Reference Date is 4.99 per cent., 2.89 per cent. and 4.08 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date		Number of Sub-Accounts		W.A. Interest Rate (%)
	(£)	% of Total	Sub-Accounts	% of Total	
2012	38,249,802.03	7.99	344	9.48	4.56
2013	222,078,399.80	46.36	1,803	49.68	4.10
2014	215,959,727.39	45.09	1,462	40.29	3.97
2015	2,712,831.68	0.57	20	0.55	4.50
Totals	479,000,760.90	100.00%	3,629	100.00%	

Base Rate Tracker Mortgages

As at the Portfolio Reference Date, approximately 30.14 per cent. of the Aggregate Current Balance of Buy to Let Loans as at the Portfolio Reference Date in the Portfolio are Base Rate Tracker Mortgages. The following tables show, among the Buy to Let Loans, the distribution of Base Rate Tracker Mortgages by their current rate of interest as at such date. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Base Rate Tracker Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)		Number of Sub-Accounts	
	(£)	% of Total	Sub-Accounts	% of Total
0 – 0.99%	953,048.87	0.32	8	0.27
1 – 1.99%	98,417,165.57	32.86	948	32.35
2 – 2.99%	112,866,056.75	37.69	1,111	37.92
3 – 3.99%	18,885,305.83	6.31	198	6.76
4 – 4.99%	6,419,755.38	2.14	43	1.47
5 – 5.99%	51,854,515.63	17.32	511	17.44
6 – 6.99%	10,072,011.11	3.36	111	3.79
Totals	299,467,859.14	100.00%	2,930	100.00%

The maximum, minimum and weighted average tracker interest rate of the Buy to Let Loans in the Portfolio as at the Portfolio Reference Date is 6.0 per cent., 0.94 per cent. and 2.77 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date		Number of Sub-Accounts		W.A. Interest Rate (%)
	(£)	% of Total	Sub-Accounts	% of Total	
Does not revert	299,467,859.14	100.00	2,930	100.00	2.77
Totals	299,467,859.14	100.00%	2,930	100.00%	

OWNER OCCUPIED LOANS

Current Balances of Owner Occupied Loans as at the Portfolio Reference Date

The following table shows the range of Mortgage Account Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) of Owner Occupied Loans as at the Portfolio Reference Date.

Range of Current Balances*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
£0 – £24,999.99	717,567.73	0.10	37	0.71
£25,000 – £49,999.99	11,717,610.91	1.60	290	5.59
£50,000 – £74,999.99	47,206,858.36	6.45	748	14.42
£75,000 – £99,999.99	79,356,855.99	10.84	906	17.46
£100,000 – £124,999.99	92,803,361.50	12.68	829	15.98
£125,000 – £149,999.99	90,653,173.12	12.38	665	12.82
£150,000 – £174,999.99	74,241,843.95	10.14	460	8.87
£175,000 – £199,999.99	63,332,718.95	8.65	339	6.53
£200,000 – £299,999.99	145,922,573.81	19.94	608	11.72
£300,000 – £399,999.99	59,771,649.22	8.17	175	3.37
£400,000 – £499,999.99	35,211,527.10	4.81	80	1.54
£500,000 – £599,999.99	18,822,756.36	2.57	35	0.67
£600,000 – £699,999.99	3,921,931.15	0.54	6	0.12
£700,000 – £799,999.99	2,946,706.58	0.40	4	0.08
£800,000 – £899,999.99	2,508,186.72	0.34	3	0.06
£900,000 – £999,999.99	2,834,741.21	0.39	3	0.06
Totals	731,970,062.66	100.00%	5,188	100.00%

* Includes capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The maximum, minimum and average Current Balance of the Owner Occupied Loans as of the Portfolio Reference Date is £979,931.28, £10,149.74 and £141,089.06 respectively.

Loan to Value Ratios at Origination

The following table shows the range of **Loan to Value Ratios** or **LTV Ratios**, which express the outstanding balance of the aggregate of Owner Occupied Loans in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Portfolio Reference Date based on the aggregate amount of the initial advances and any further advances on the later of the date of origination and the date of the further advance of the Owner Occupied Loan divided by the value of the Property securing the Owner Occupied Loans in the Mortgage Account either (i) as at that date or (ii) in the event there has been any variation in the mortgage contract, the date of such variation. The Seller has not revalued any of the mortgaged properties since the date of the origination of the related Owner Occupied Loan other than in certain instances where additional lending has been applied for or advanced, and in certain product switch application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, other than as set out above, the revised valuation has not been used in formulating this data.

Range of LTV Ratios at Origination*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% – 24.99%	10,656,633.85	1.46	146	2.81
25% – 49.99%	84,990,281.13	11.61	764	14.73
50% – 54.99%	44,749,949.63	6.11	332	6.40
55% – 59.99%	55,618,021.44	7.60	390	7.52
60% – 64.99%	63,274,584.34	8.64	437	8.42
65% – 69.99%	80,616,866.82	11.01	500	9.64
70% – 74.99%	101,330,662.19	13.84	643	12.39
75% – 79.99%	119,602,417.30	16.34	793	15.29
80% – 84.99%	73,126,439.21	9.99	512	9.87
85% – 89.99%	85,699,831.53	11.71	588	11.33
90% – 94.99%	7,329,416.94	1.00	48	0.93
95% – 100%	4,974,958.28	0.68	35	0.67
Totals	731,970,062.66	100.00%	5,188	100.00%

* Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The original weighted average Loan to Value Ratio as at the Portfolio Reference Date of the Loans in the Owner Occupied Portfolio is 67.70 per cent.

Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of an Owner Occupied Loan as at the Portfolio Reference Date by the indexed original valuation of the Property securing that Owner Occupied Loan at the same date.

Range of Current Indexed LTV Ratios* **	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0% – 24.99%	12,673,240.67	1.73	194	3.74
25% – 49.99%	91,297,086.03	12.47	827	15.94
50% – 54.99%	43,466,985.82	5.94	323	6.23
55% – 59.99%	59,025,720.55	8.06	426	8.21
60% – 64.99%	70,429,920.97	9.62	484	9.33
65% – 69.99%	85,869,364.20	11.73	550	10.60
70% – 74.99%	108,964,457.45	14.89	687	13.24
75% – 79.99%	79,949,172.65	10.92	542	10.45
80% – 84.99%	60,743,468.20	8.30	411	7.92
85% – 89.99%	35,125,555.08	4.80	242	4.66
90% – 94.99%	34,560,619.71	4.72	203	3.91
95% – 99.99%	28,878,251.48	3.95	162	3.12
100% – 104.99%	13,805,171.31	1.89	87	1.68
105% – 109.99%	5,133,616.80	0.70	35	0.67
110% – 230%	2,047,431.74	0.28	15	0.29
Totals	731,970,062.66	100.00%	5,188	100.00%

* Indexed using the Halifax House Price Index (seasonally adjusted) based on monthly data as at June 2012.

** Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

The weighted average current Loan to Value Ratio as at the Portfolio Reference Date of all the Owner Occupied Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 68.61 per cent.

Arrears Analysis of Non Repossessed Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Current < one month	727,296,397.03	0.9936	5,159	99.44
One month	4,673,665.63	0.0064	29	0.56
Totals	731,970,062.66	100.00%	5,188	100.00%

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding two monthly payments (but for which the aggregate of missed payments is less than three monthly payments) would be classified as being between two – three months in arrears, and so on.

Geographical Distribution

The following table shows the distribution of Properties securing the Owner Occupied Loans throughout England and Wales as at the Portfolio Reference Date. No properties are situated outside England and Wales.

Region	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
East Anglia	23,339,685.06	3.19	189	3.64
East Midlands	42,954,764.01	5.87	399	7.69
Greater London	109,987,699.73	15.03	519	10.00
North	33,765,479.33	4.61	323	6.23
North West	77,084,985.02	10.53	698	13.45
South East	235,539,473.16	32.18	1,344	25.91
South West	64,120,733.81	8.76	451	8.69
Wales	24,155,915.50	3.30	226	4.36
West Midlands	63,871,009.82	8.73	530	10.22
Yorkshire Humber	57,150,317.22	7.81	509	9.81
Totals	731,970,062.66	100.00%	5,188	100.00%

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial Owner Occupied Loan. The ages of the Owner Occupied Loans in this table have been taken as at the Portfolio Reference Date and are calculated with respect to the initial advance.

Seasoning (months)	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
0 to <12	188,606,044.09	25.77	1,240	23.90
12 to <24	132,912,359.61	18.16	1,001	19.29
24 to <36	97,979,203.59	13.39	725	13.97
36 to <48	52,785,542.60	7.21	422	8.13
48 to <60	197,316,185.36	26.96	1,277	24.61
60 to <72	14,939,057.61	2.04	109	2.10
72 to <84	4,806,170.83	0.66	41	0.79
84 to <96	42,112,481.75	5.75	367	7.07
96 to <108	422,696.84	0.06	4	0.08
>108	90,320.38	0.01	2	0.04
Totals	731,970,062.66	100.00%	5,188	100.00%

The maximum, minimum and weighted average seasoning of the Owner Occupied Loans in the Portfolio as at the Portfolio Reference Date is 112.08, 2.82 and 33.61 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Owner Occupied Loans in a Mortgage Account as at the Portfolio Reference Date and are calculated with respect to the initial advance.

Years to Maturity	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
>0 to 5	6,795,220.56	0.93	74	1.43
>5 to 10	60,381,064.93	8.25	451	8.69
>10 to 15	117,129,795.42	16.00	884	17.04
>15 to 20	222,151,620.92	30.35	1,538	29.65
>20 to 25	247,175,992.17	33.77	1,624	31.30
>25 to 30	63,999,331.06	8.74	495	9.54
>30 to 35	13,437,809.05	1.84	113	2.18
>35	899,228.55	0.12	9	0.17
Totals	731,970,062.66	100.00%	5,188	100.00%

The maximum, minimum and weighted average remaining term of the Owner Occupied Loans in the Portfolio as at the Portfolio Reference Date is 39.70, 1.16 and 18.50 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the initial Owner Occupied Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

Use of Proceeds	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Mortgage Accounts	% of Total
Remortgage	447,869,303.16	61.19	3,135	60.43
Purchase	284,100,759.50	38.81	2,053	39.57
Totals	731,970,062.66	100.00%	5,188	100.00%

Repayment Terms

The following table shows the repayment terms for the Owner Occupied Loans in a Mortgage Account as at the Portfolio Reference Date.

Repayment Terms	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub- Accounts	% of Total
Interest Only	358,463,194.78	48.97	2,054	38.49
Capital & Interest	373,506,867.88	51.03	3,283	61.51
Totals	731,970,062.66	100.00%	5,337	100.00%

Product Types

The following table shows the distribution of special rate loans as at the Portfolio Reference Date.

Product Type	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total
Base	395,366,375.66	54.01	2,958	55.42
Base Discount	215,490,218.63	29.44	1,378	25.82
Fixed reverting to Base	121,113,468.37	16.55	1,001	18.76
Totals	731,970,062.66	100.00%	5,337	100.00%

Fixed Rate Loans

As at the Portfolio Reference Date, approximately 16.55 per cent. of the Aggregate Current Balance of Owner Occupied Loans as at the Portfolio Reference Date in the Portfolio are Fixed Rate Loans. The following tables show, among the Owner Occupied Loans, the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Owner Occupied Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Base Rate.

Fixed Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
2 – 2.99%	3,153,846.69	2.60	15	1.50	01/02/2013
3 – 3.99%	32,306,067.29	26.67	285	28.47	06/06/2013
4 – 4.99%	82,123,542.16	67.81	670	66.93	24/04/2014
5 – 5.99%	2,792,361.75	2.31	28	2.80	04/11/2013
6 – 6.99%	737,650.48	0.61	3	0.30	01/12/2012
Totals	121,113,468.37	100.00%	1,001	100.00%	

The maximum, minimum and weighted average fixed interest rate of the Owner Occupied Loans in the Portfolio as at the Portfolio Reference Date is 6.84 per cent., 2.99 per cent. and 4.23 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate (%)
2012	11,559,432.38	9.54	103	10.29	4.16
2013	52,174,687.97	43.08	442	44.16	4.12
2014	41,890,483.06	34.59	327	32.67	4.33
≥2015	15,488,864.96	12.79	129	12.89	4.40
Totals	121,113,468.37	100.00%	1,001	100.00%	

Base Rate Tracker Discount Mortgages

As at the Portfolio Reference Date, approximately 29.44 per cent. of the Aggregate Current Balance of Owner Occupied Loans as at the Portfolio Reference Date in the Portfolio are Base Rate Tracker Discount Mortgages. The following tables show, among the Owner Occupied Loans, the distribution of Base Rate Tracker Discount Mortgages by their current rate of interest as at such date, and in the year in which the Owner Occupied Loans revert to a different rate of interest, where applicable. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Base Rate Tracker Discount Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
2 – 2.99%	193,144,703.23	89.63	1,225	88.90	19/12/2013
3 – 3.99%	19,557,502.43	9.08	129	9.36	22/05/2013
4 – 4.99%	2,788,012.97	1.29	24	1.74	18/04/2013
Totals	215,490,218.63	100.00%	1,378	100.00%	

The maximum, minimum and weighted average tracker interest rate of the Owner Occupied Loans in the Portfolio as at the Portfolio Reference Date is 4.69 per cent., 2.19 per cent. and 2.64 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date		Number of Sub-Accounts		W.A. Interest Rate (%)
	(£)	% of Total	Sub-Accounts	% of Total	
2012	17,341,363.68	8.05	114	8.27	2.83
2013	59,675,701.70	27.69	401	29.10	2.77
2014	138,473,153.25	64.26	863	62.63	2.57
Totals	215,490,218.63	100.00%	1,378	100.00%	

Base Rate Tracker Mortgages

As at the Portfolio Reference Date, approximately 54.01 per cent. of the Aggregate Current Balance of Owner Occupied Loans as at the Portfolio Reference Date in the Portfolio are Base Rate Tracker Mortgages. The following tables show, among the Owner Occupied Loans, the distribution of Base Rate Tracker Mortgages by their current rate of interest as at such date. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Base Rate Tracker Interest Rates	Aggregate Current Balance as at the Portfolio Reference Date (£)		Number of Sub-Accounts	
	(£)	% of Total	Sub-Accounts	% of Total
0 – 0.99%	174,643.94	0.04	1	0.03
1 – 1.99%	9,151,462.42	2.31	103	3.48
2 – 2.99%	237,405,899.48	60.05	1,690	57.13
3 – 3.99%	34,091,117.62	8.62	277	9.36
4 – 4.99%	98,508,342.33	24.92	758	25.63
5 – 5.99%	1,905,589.98	0.48	26	0.88
6 – 6.99%	14,129,319.89	3.57	103	3.48
Totals	395,366,375.66	100.00%	2,958	100.00%

The maximum, minimum and weighted average tracker interest rate of the Owner Occupied Loans in the Portfolio as at the Portfolio Reference Date is 6.0 per cent., 0.5 per cent. and 3.34 per cent., respectively.

Reversion Year	Aggregate Current Balance as at the Portfolio Reference Date		Number of Sub-Accounts		W.A. Interest Rate (%)
	(£)	% of Total	Sub-Accounts	% of Total	
Does not revert	395,366,375.66	100.00	2,958	100.00	3.34
Totals	395,366,375.66	100.00%	2,958	100.00%	

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

Industry CPR rates

In the following tables, quarterly industry constant repayment rate (**Industry CPR**) data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by building societies in a quarter by the quarterly balance of mortgages outstanding for building societies in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

<u>Quarter</u>	<u>Industry CPR Rate for the Quarter (%)</u>	<u>12-month rolling average (%)</u>	<u>Quarter</u>	<u>Industry CPR Rate for the Quarter (%)</u>	<u>12-month rolling average (%)</u>
March 1999	12.32%	14.41%	December 2005	24.61%	22.04%
June 1999	15.96%	14.85%	March 2006	22.27%	23.12%
September 1999	17.55%	15.21%	June 2006	23.37%	23.64%
December 1999	16.47%	15.57%	September 2006	24.95%	23.80%
March 2000	13.62%	15.90%	December 2006	24.87%	23.87%
June 2000	15.31%	15.73%	March 2007	23.80%	24.25%
September 2000	15.97%	15.34%	June 2007	24.84%	24.61%
December 2000	15.67%	15.14%	September 2007	25.48%	24.74%
March 2001	15.38%	15.58%	December 2007	23.55%	24.42%
June 2001	18.23%	16.31%	March 2008	19.56%	23.36%
September 2001	20.25%	17.39%	June 2008	20.88%	22.37%
December 2001	20.06%	18.48%	September 2008	20.15%	21.03%
March 2002	18.75%	19.32%	December 2008	15.33%	18.98%
June 2002	21.10%	20.04%	March 2009	12.91%	17.32%
September 2002	23.63%	20.89%	June 2009	11.39%	14.95%
December 2002	22.89%	21.59%	September 2009	12.77%	13.10%
March 2003	21.24%	22.22%	December 2009	11.99%	12.27%
June 2003	22.43%	22.55%	March 2010	9.60%	11.44%
September 2003	24.03%	22.65%	June 2010	10.60%	11.24%
December 2003	24.87%	23.14%	September 2010	11.30%	10.87%
March 2004	21.22%	23.14%	December 2010	10.98%	10.62%
June 2004	22.93%	23.26%	March 2011	10.03%	10.73%
September 2004	24.27%	23.32%	June 2011	10.59%	10.73%
December 2004	20.85%	22.32%	September 2011	11.91%	10.88%
March 2005	17.96%	21.50%	December 2011	11.41%	10.98%
June 2005	21.32%	21.10%	March 2012	10.55%	11.11%
September 2005	24.29%	21.10%	June 2012	10.91%	11.19%

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

You should note that the CPR table above presents the historical CPR experience only of building societies in the United Kingdom. During the late 1990s, a number of former building societies converted stock to form UK banks and the CPR experience of these banks is therefore not included in the foregoing building society CPR data.

Repossession rate

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1985	0.25%	1994	0.47%	2003	0.07%
1986	0.30%	1995	0.47%	2004	0.07%
1987	0.32%	1996	0.40%	2005	0.12%
1988	0.22%	1997	0.31%	2006	0.18%
1989	0.17%	1998	0.31%	2007	0.22%
1990	0.47%	1999	0.27%	2008	0.34%
1991	0.77%	2000	0.20%	2009	0.43%
1992	0.69%	2001	0.16%	2010	0.34%
1993	0.58%	2002	0.11%	2011	0.33%

Source: Council of Mortgage Lenders

House price to earnings ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the Annual Survey of Hours and Earnings figures referring to weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1994	4.55	2003	7.52
1995	4.47	2004	8.00
1996	4.51	2005	8.16
1997	4.77	2006	8.09
1998	5.11	2007	8.67
1999	5.37	2008	8.38
2000	6.07	2009	7.65
2001	6.19	2010	8.11
2002	7.03	2011	8.19

Source: Council of Mortgage Lenders

House price index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a division of Bank of Scotland plc which is part of the Lloyds Banking Group.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007.

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 1989.....	111.7	7.7%	118.8	32.0%	217.8	32.1%
June 1989.....	114.9	8.2%	124.2	27.3%	226.8	25.9%
September 1989.....	116.0	7.7%	125.2	15.5%	227.3	14.3%
December 1989.....	118.3	7.6%	122.7	7.4%	222.8	5.1%
March 1990.....	120.4	7.8%	118.9	0.1%	220.7	1.3%
June 1990.....	126.0	9.7%	117.7	-5.2%	224.3	-1.1%
September 1990.....	128.1	10.4%	114.2	-8.8%	224.2	-1.4%
December 1990.....	130.1	10.0%	109.6	-10.7%	222.9	0.0%
March 1991.....	130.8	8.6%	108.8	-8.5%	220.2	-0.2%
June 1991.....	133.6	6.0%	110.6	-6.0%	223.2	-0.5%
September 1991.....	134.2	4.8%	109.5	-4.1%	220.8	-1.5%
December 1991.....	135.5	4.2%	107.0	-2.4%	217.5	-2.4%
March 1992.....	136.2	4.1%	104.1	-4.3%	210.6	-4.4%
June 1992.....	139.1	4.1%	105.1	-5.0%	210.4	-5.7%
September 1992.....	139.0	3.6%	104.2	-4.8%	208.4	-5.6%
December 1992.....	139.6	3.0%	100.1	-6.4%	199.3	-8.4%
March 1993.....	138.7	1.8%	100.0	-3.9%	196.9	-6.5%
June 1993.....	140.9	1.3%	103.6	-1.4%	203.2	-3.4%
September 1993.....	141.3	1.7%	103.2	-1.0%	204.2	-2.0%
December 1993.....	141.8	1.6%	101.8	1.7%	202.5	1.6%
March 1994.....	142.0	2.4%	102.4	2.4%	202.3	2.7%
June 1994.....	144.5	2.6%	102.5	-1.1%	204.3	0.5%
September 1994.....	144.6	2.3%	103.2	0.0%	204.3	0.0%
December 1994.....	145.5	2.6%	104.0	2.2%	200.9	-0.8%
March 1995.....	146.8	3.4%	101.9	-0.5%	200.3	-1.0%
June 1995.....	149.5	3.5%	103.0	0.5%	201.0	-1.6%
September 1995.....	149.9	3.7%	102.4	-0.8%	199.0	-2.6%
December 1995.....	150.1	3.2%	101.6	-2.3%	197.8	-1.5%
March 1996.....	150.9	2.8%	102.5	0.6%	200.9	0.3%
June 1996.....	152.8	2.2%	105.8	2.7%	208.6	3.8%
September 1996.....	153.1	2.1%	107.7	5.2%	209.8	5.4%
December 1996.....	154.0	2.6%	110.1	8.4%	212.6	7.5%
March 1997.....	154.9	2.7%	111.3	8.6%	215.3	7.2%
June 1997.....	156.9	2.7%	116.5	10.1%	222.6	6.7%
September 1997.....	158.4	3.5%	121.2	12.5%	223.6	6.6%
December 1997.....	159.7	3.7%	123.3	12.0%	224.0	5.4%
March 1998.....	160.2	3.4%	125.5	12.8%	226.4	5.2%
June 1998.....	163.2	4.0%	130.1	11.7%	234.9	5.5%
September 1998.....	163.7	3.3%	132.4	9.2%	236.1	5.6%
December 1998.....	164.4	2.9%	132.3	7.3%	236.3	5.5%
March 1999.....	163.7	2.2%	134.6	7.3%	236.3	4.4%
June 1999.....	165.5	1.4%	139.7	7.4%	247.7	5.4%
September 1999.....	165.6	1.2%	144.4	9.1%	256.7	8.7%
December 1999.....	166.8	1.5%	148.9	12.5%	263.4	11.5%

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 2000.....	167.5	2.3%	155.0	15.2%	270.5	14.5%
June 2000.....	170.6	3.1%	162.0	16.0%	275.6	11.3%
September 2000.....	170.9	3.2%	161.5	11.8%	277.6	8.1%
December 2000.....	172.0	3.1%	162.8	9.3%	278.3	5.7%
March 2001.....	171.8	2.6%	167.5	8.1%	279.0	3.1%
June 2001.....	173.9	1.9%	174.8	7.9%	297.0	7.8%
September 2001.....	174.0	1.8%	181.6	12.4%	305.0	9.9%
December 2001.....	173.8	1.0%	184.6	13.4%	310.9	11.7%
March 2002.....	173.9	1.2%	190.2	13.6%	324.3	16.2%
June 2002.....	176.0	1.2%	206.5	18.1%	346.6	16.7%
September 2002.....	176.6	1.5%	221.1	21.8%	369.1	21.0%
December 2002.....	178.2	2.5%	231.3	25.3%	393.0	26.4%
March 2003.....	179.2	3.0%	239.3	25.8%	400.1	23.4%
June 2003.....	181.3	3.0%	250.1	21.1%	422.5	21.9%
September 2003.....	181.8	2.9%	258.9	17.1%	437.6	18.6%
December 2003.....	182.9	2.6%	267.1	15.5%	453.5	15.4%
March 2004.....	183.8	2.6%	277.3	15.9%	474.0	18.5%
June 2004.....	186.3	2.8%	296.2	18.4%	513.2	21.5%
September 2004.....	187.4	3.1%	306.2	18.3%	527.2	20.5%
December 2004.....	189.2	3.4%	304.1	13.9%	522.0	15.1%
March 2005.....	189.7	3.2%	304.8	9.9%	520.2	9.7%
June 2005.....	191.9	3.0%	314.2	6.1%	532.1	3.7%
September 2005.....	192.6	2.8%	314.4	2.7%	543.1	3.0%
December 2005.....	193.7	2.4%	314.0	3.3%	548.4	5.1%
March 2006.....	194.2	2.4%	319.8	4.9%	552.6	6.2%
June 2006.....	197.6	3.0%	329.2	4.8%	582.1	9.4%
September 2006.....	199.3	3.5%	336.1	6.9%	586.7	8.0%
December 2006.....	201.4	4.0%	343.2	9.3%	602.8	9.9%
March 2007.....	203.0	4.5%	350.2	9.5%	613.9	11.1%
June 2007.....	206.3	4.4%	362.7	10.2%	644.1	10.7%
September 2007.....	207.1	3.9%	367.3	9.3%	649.3	10.7%
December 2007.....	209.8	4.2%	367.0	6.9%	634.4	5.2%
March 2008.....	211.1	4.0%	357.8	2.2%	620.9	1.1%
June 2008.....	215.3	4.4%	348.1	-4.0%	605.1	-6.1%
September 2008.....	217.4	5.0%	329.5	-10.3%	568.9	-12.4%
December 2008.....	215.5	2.7%	312.9	-14.7%	531.5	-16.2%
March 2009.....	210.9	-0.1%	298.7	-16.5%	512.5	-17.5%
June 2009.....	212.6	-1.3%	307.3	-11.7%	514.3	-15.0%
September 2009.....	214.4	-1.4%	319.5	-3.0%	526.5	-7.5%
December 2009.....	216.9	0.6%	323.4	3.4%	537.3	1.1%
March 2010.....	219.3	4.0%	324.9	8.8%	539.0	5.2%
June 2010.....	223.5	5.1%	336.6	9.5%	546.6	6.3%
September 2010.....	224.5	4.7%	333.9	4.5%	540.4	2.6%
December 2010.....	227.0	4.7%	325.1	0.5%	528.8	-1.6%
March 2011.....	230.9	5.3%	323.9	-0.3%	523.2	-2.9%
June 2011.....	234.9	5.1%	332.7	-1.2%	527.2	-3.5%
September 2011.....	236.2	5.2%	332.3	-0.5%	528.0	-2.3%
December 2011.....	238.6	5.1%	328.7	1.1%	522.0	-1.3%

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 2012.....	239.6	3.8%	324.6	0.2%	520.1	-0.6%
June 2012.....	242.2	3.1%	329.1	-1.1%	524.7	-0.5%

Source: Office for National Statistics, Nationwide Building Society and HBOS plc, respectively.

The percentage annual change in the table above is calculated in accordance with the following formula:

$\text{LN}(x/y)$ where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on their website, <http://www.nationwide.co.uk/hpi/>, but which is not incorporated by reference into this Prospectus. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc, which is available on their website, http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp, but which is not incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and HBOS plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society nor HBOS plc makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

HSBC Corporate Trustee Company (UK) Limited (registered number 06447555) will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

HSBC Corporate Trustee Company (UK) Limited's registered office is at 8 Canada Square, London E14 5HQ.

HSBC Corporate Trustee Company (UK) Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. HSBC Corporate Trustee Company (UK) Limited will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Assets and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Note Trustee and Security Trustee, respectively, is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Seller, the Co-operative Bank and/or any of their respective subsidiaries and affiliates and any other person whatsoever and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Seller, the Co-operative Bank and/or any of their respective subsidiaries and affiliates and any other person whatsoever, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or the other Secured Creditors and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

THE FIXED RATE SWAP PROVIDER

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December, 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December, 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 6,900 offices in 84 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America and Latin America. Its total assets at 30 June 2012 were U.S.\$2,652 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short-term ratings of HSBC Bank plc are currently P-1 by Moody's, A-1+ by S&P and F1+ by Fitch and the long-term ratings of HSBC Bank plc are currently Aa3 by Moody's, AA- by S&P and AA by Fitch.

HSBC is regulated pursuant to the Financial Services and Markets Act 2000 and is an authorised institution supervised by the Financial Services Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

THE CORPORATE SERVICES PROVIDER

Structured Finance Management Limited (registered number 03853947), having its principal address at 35 Great St. Helen's, London EC3A 6AP will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Structured Finance Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

WESTERN MORTGAGE SERVICES LIMITED

WMS was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a private limited company on 26 April 1996 with company registration number 3191608. The registered office of WMS is the MoneyCentre, Drake Circus, Plymouth, Devon PL1 1QJ. Following the acquisition of Western Trust and Savings Limited (**WTS**) in July 1995 by Birmingham Midshires Building Society, WMS acquired from WTS its mortgage servicing infrastructure. WMS was acquired by the Britannia Building Society (**Britannia**) on 27 January 1997 and the shares subsequently transferred to BTSL. WMS currently provides centralised residential mortgage processing and loan administration services to Britannia and a limited number of third party mortgage originators. Following the Merger, WTS became a subsidiary of the Co-operative Bank.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Portfolio

Under the Mortgage Sale Agreement, on the Closing Date the Issuer will pay the Initial Consideration to the Seller and (a) a portfolio of English and Welsh residential mortgage loans (the **Loans**) and their associated mortgages and other Related Security will become subject to a bare trust (the **CCA Trust**) declared by the Seller in favour of the Issuer, and will be held by the Seller on bare trust for the Issuer until such time as the Issuer notifies the Seller that the Issuer has obtained the requisite licence under the CCA (the **Effective Date**). Upon the occurrence of the Effective Date, those Loans and their associated mortgages (the **Mortgages**) and other related security (the **Related Security**) will be assigned by way of equitable assignment to the Issuer, in each case referred to as the **sale** by the Seller to the Issuer of the Loans and Related Security. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the **Portfolio**.

The consideration due to the Seller in respect of the sale of the Portfolio is payable on the Closing Date and is the aggregate of:

- (a) an amount equal to the Current Balance of the Loans in the Closing Date Portfolio determined as at close of business on 19 October 2012 plus any Further Advances made in respect of the Loans from (and including) 19 October 2012 to (and including) the Closing Date (the **Initial Consideration**); and
- (b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the Portfolio.

The Deferred Consideration will be paid in accordance with the priority of payments set out in the section headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer,*" below.

Title to the Mortgages, registration and notifications

The completion of the transfer of the Loans and Related Security (and where appropriate their registration or recording) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

The transfers to the Issuer will be completed on or before the 20th Business Day after the later to occur of the Effective Date and the earliest to occur of the following:

- (a) the Seller being required to perfect legal title to the Loans by an order of a court of competent jurisdiction or by a regulatory authority which has jurisdiction over the Seller or by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and their Related Security; or
- (b) it becoming necessary by law to do any or all of the acts referred to in paragraph (a) above; or
- (c) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Secured Creditors to take action to reduce that jeopardy; or

- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event,

(each of the events set out in paragraphs (a) to (e) inclusive being a **Perfection Event**).

A **Seller Insolvency Event** will occur in the following circumstances:

- (a) an order is made or an effective resolution passed for the winding up of the Seller; or
- (b) the Seller stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the Seller is unable to pay its debts as they fall due.

If any of the Perfection Events described above occurs prior to the Effective Date, the Seller shall send written notice to each Borrower in respect of a Loan informing such Borrower of, *inter alia*, the interests of the Issuer in such Loan and its Related Security pursuant to the CCA Trust. Legal assignment of the Loans and notice of the legal assignment will be given to the Borrowers upon the Issuer having obtained a CCA licence. The Issuer is currently in the process of obtaining such a licence.

The Title Deeds and Loan Files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the Title Deeds and Loan Files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

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

Loan Porting

If a Borrower ports a Loan comprised in the Portfolio, such Loan will be redeemed and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the Interest Payment Date immediately following the Collection Period in which the Loan was ported.

Eligibility Criteria

The sale of Loans and their Related Security to the Issuer will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the Closing Date, including no Event of Default shall have occurred which is continuing as at the Closing Date.

On the Closing Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Further Advance, then if any of the Eligibility Criteria referred to above relating to the Loan subject to that Product Switch or Further Advance is not satisfied on the Monthly Test Date immediately following the Monthly Period in which such Product Switch and/or Further Advance was made, the Issuer will be entitled to rectify the relevant breach of that or those Eligibility Criteria by requiring the Seller to repurchase the Loans subject to any Product Switch or Further Advance in accordance with the provisions of the Mortgage Sale Agreement.

Representations and Warranties

The warranties that will be given to the Issuer and separately to the Security Trustee by PFL pursuant to the Mortgage Sale Agreement include, *inter alia*, similar statements to the following effect (defined terms having the meaning given to them in the Mortgage Sale Agreement) and see also "*Insurance Contracts*" above:

- (a) each Loan was originated by and made by PFL on its own account; as of the relevant cut off date, the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in respect of the data fields described in the Mortgage Sale Agreement;
- (b) each Loan arose from the ordinary course of PFL's residential secured lending activities in England and Wales and, in each case, at the time of origination, the Lending Criteria were satisfied;
- (c) each Loan and its Related Security was made on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect (other than in cases where the Issuer's prior consent was obtained);
- (d) all of the Borrowers are individuals;
- (e) no Borrower, Mortgagor or Guarantor is an employee or director of PFL;
- (f) no Loan is a Right to Buy Loan;
- (g) no Loan is a Flexible Loan;
- (h) there were no Capitalised Arrears on any Loan as at the Portfolio Reference Date;
- (i) each Loan has a term ending no later than three years earlier than the Final Maturity Date;
- (j) no Underpayments or Payment Holidays have been granted in respect of any Loan as at the Portfolio Reference Date;
- (k) the aggregate number of Loans in the Portfolio with an arrears history of more than one monthly instalment do not exceed 4 per cent. of the Current Balance of the Loans comprised in the Portfolio at the Portfolio Reference Date;
- (l) the amount outstanding under each Loan is a valid debt to PFL from the Borrower and the terms of each Loan and its Related Security constitute valid, binding and enforceable obligations of the relevant parties except that (i) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and (ii) the warranty does not apply in relation to any redemption fees or other charges that may be payable;

- (m) no Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, PFL has complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto;
- (n) no Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA;
- (o) there are no outstanding obligations on PFL to make any Further Advances (excluding any Retentions) to any Borrower;
- (p) in respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- (q) in relation to any leasehold Property, in any case where PFL has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit or irritate the lease of that Property, PFL has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (r) no Loan is currently repayable in a currency other than Sterling;
- (s) with the exception of certain allowable fees being added to the aggregate balance of the Loan, the original advance being made under each Loan was £10,000 or more but less than £1,000,000;
- (t) all costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- (u) in the case of each Loan, PFL caused to be made on its behalf a valuation of the relevant Property by a valuer approved by PFL (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers for the valuation of a Property, (a **Valuer**) or by an automated valuation model by Hometrack Data Systems Limited in all material respects in accordance with the Lending Criteria;
- (v) PFL has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security;
- (w) all of the Properties are residential and located in England and Wales;
- (x) prior to making a Loan to a Borrower, PFL either:
 - (i) (A) caused its approved solicitors (being: (A) any firm of solicitors authorised to practise law by the Law Society of England and Wales having at least two partners; (B) any firms of solicitors authorised to practice law by the Law Society of England and Wales having a sole principal; or (C) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender (**Approved Solicitors**)) or its approved conveyancers (being: (1) any sole principal, partnership or incorporated practice of conveyancers authorised to practise conveyancing by the Council of Licensed Conveyancers; or (2) such other firm as would be approved by a Reasonable, Prudent Mortgage Lender (**Approved Conveyancers**)) to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England and Wales; and

- (B) received a certificate of title prepared by Approved Solicitors or Approved Conveyancers (a **Certificate of Title**) relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan; or
 - (ii) (A) arranged for PFL's interest in the Property to be insured under a title insurance policy (being a title insurance policy, in the form of London & European All Inclusive Lenders' Title Policy dated January 2007 together with a certificate of title insurance issued by the insurer to the relevant Borrower and the underwriting criteria described as such applicable to a Loan, which is subject to each Title Insurance Policy (the **Underwriting Criteria**) and any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Mortgages) (a **Title Insurance Policy**) applicable to such Property and PFL is insured under such policy; and
 - (B) received a restricted certificate of title from Approved Solicitors or Approved Conveyancers relating to such Property relating to the title to the Property in a form approved by the insurer under each Title Insurance Policy (a **Restricted Certificate of Title**);
- (y) in relation to each Mortgage, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (i) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (z) all steps necessary to perfect PFL's title to each Mortgage were duly taken or are in the process of being taken with all due diligence and PFL is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (aa) no Loan or Related Security is subject to any right of rescission, set off, lien, counterclaim or defence and there are no outstanding claims by PFL in respect of any material breaches of the terms of any Loan;
- (bb) PFL has not waived any of its rights under or in relation to a Loan or Related Security which would materially reduce the value of the Loan;
- (cc) the terms of the Loan Agreement or Related Security relating to each Loan are not "unfair terms" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 but this warranty shall not be construed so as to apply in respect of any redemption fees or other charges;
- (dd) so far as PFL is aware, in relation to each Loan entered into before 31 October 2004, PFL has complied in all material respects with the Mortgage Code issued by the Council of Mortgage Lenders' Code of Practice;

- (ee) so far as PFL is aware, in respect of each Loan entered into before 21 July 2009, PFL has received no complaints that it has not complied with the terms of the Office of Fair Trading's November 1997 Guidelines for Non Status Mortgage Lenders;
- (ff) in relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to PFL as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a Deed of Consent so as to ensure that the relevant Property is not subject to any right of occupancy;
- (gg) each Property is insured (from the date of completion of the relevant Loan) (i) under the Third Party Buildings Policies, (ii) with a reputable insurance company approved by PFL, (iii) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England and Wales advancing money on the security of residential property, and (iv) to an amount not less than the full reinstatement cost as determined by the relevant valuer or automated valuation model (as applicable);
- (hh) save in respect of any new mortgage indemnity insurance policy that PFL may enter into after the date of the Mortgage Sale Agreement, the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as PFL is aware, the relevant policies are valid and enforceable and PFL has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (ii) as far as PFL is aware, there is no claim outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and PFL is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (jj) save for Title Deeds held at the Land Registry all the Title Deeds and the mortgage files and computer tapes relating to each of the Loans and their Related Security are held by PFL or its agents and the title deeds held at the Land Registry are held on the basis that any such title deeds shall be returned to PFL or its solicitors or agents;
- (kk) PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry of PFL as proprietor or heritable creditor of the relevant Mortgage;
- (ll) PFL has not received written notice and is not aware of any litigation or claim which may have a material adverse effect on PFL's title to any Loan or Related Security;
- (mm) PFL has made all notifications as required under the provisions of the Data Protection Act 1998 to enable it to perform its obligations under the Transaction Documents to which it is a party;
- (nn) PFL has at all relevant times held and continues to hold (i) a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England and Wales and (ii) a registration under the Data Protection Act 1998 or equivalent;
- (oo) all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their related Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken (except that the Issuer has applied for, but not yet obtained, a licence under the Consumer Credit Act 1974);
- (pp) PFL has, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan and its

Mortgage and the Related Security and all such accounts, books and records are in the possession of PFL;

- (qq) in respect of each Buy to Let Loan:
- (i) the relevant tenancy, if any, is (i) an assured shorthold tenancy within the meaning of the Housing Act 1988 (an **Assured Shorthold Tenancy**) for a fixed term not more than 12 months or, where the Housing Act 1988 does not apply to the tenancy, a tenancy agreement on terms no less favourable to PFL as would be the case if the tenancy had been an Assured Shorthold Tenancy (an **Other Tenancy Agreement** and together with the Assured Shorthold Tenancies, the **Existing Tenancy Agreements**) and (ii) PFL is not aware of any material breach of such Existing Tenancy Agreements;
 - (ii) PFL caused to be made on its behalf a valuation of the relevant Property together with the relevant rental income estimate (except for a House Plus Loan which is assessed on a Borrower's self certified income) of the relevant Property by a Valuer in all material respects in accordance with the Lending Criteria or by an automated valuation model;
 - (iii) the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance, any subsequent ranking mortgage and subject to any Existing Tenancy Agreements) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (A) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (B) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (C) a copy of the consent or notice has been or will be placed with the Title Deeds;
 - (iv) PFL has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Buy to Let Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption, any Existing Tenancy Agreements and subject to registration or recording at the Land Registry of PFL as proprietor or registered owner or heritable creditor of the relevant Mortgage;
- (rr) PFL has at all relevant times held and continues to hold authorisation and appropriate permissions from the FSA for conducting all regulated activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;
- (ss) PFL has complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loan and Related Security, in particular the provisions of the FSA Mortgages and Home Finance: Conduct of Business sourcebook as amended from time to time;
- (tt) no Borrower has made any complaint and there is no pending or threatened action or proceeding by an applicant against PFL in respect of the Loans or Related Security;
- (uu) each officer or employee of PFL in any capacity which involves a controlled function (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the FSA Handbook of Rules and Guidance (the **FSA Rules**)) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "approved person" in accordance with the FSA Rules;

- (vv) PFL has created and maintained all records in respect of the Mortgages in accordance with the FSA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- (ww) no Loan or Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended) or under any other applicable law;
- (xx) PFL has not altered the terms of any letter of offer accepted by a Borrower relating to a Loans or otherwise changed any of the terms and conditions relating to any Loans other than in accordance with the terms and conditions of the letter of offer relating to a Loans as accepted by the applicable Borrower;
- (yy) each Loan (including any Further Advances) sold by PFL to the Issuer pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan (or as the case may be such Further Advance), a "financial asset" as defined in: (i) United Kingdom Financial Reporting Standard 25 (**FRS 25**) (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with FRS 25); or (ii) International Accounting Standard 32 (**IAS 32**) (if the Issuer prepares its statutory individual entity financial statements for the period in which such acquisition occurs in accordance with IAS 32);
- (zz) each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower and each relevant Mortgage securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (the **Mortgagee**) in priority, in the case of a Mortgage which is a first ranking mortgage, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property);
- (aaa) the beneficial interest in each Further Advance is vested in the Issuer pursuant to the Mortgage Sale Agreement;
- (bbb) prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Servicing Agreement were duly undertaken;
- (ccc) prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the Lending Criteria (as defined below) in all material respects;
- (ddd) each Further Advance has been made on the terms of the Standard Documentation of PFL (so far as applicable) without material variation;
- (eee) as far as PFL is aware, there is no claim outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and PFL is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing.

Neither the Security Trustee nor the Joint Arrangers have undertaken any additional due diligence in respect of the application of the Lending Criteria and have relied entirely upon the warranties referred to above which will be made by PFL to the Issuer and the Security Trustee pursuant to the Mortgage Sale Agreement.

Flexible Loans means loans where the borrower has exercisable redraw rights under the relevant loan.

Mortgage Conditions means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

Underpayments or Payment Holidays means any underpayment and payment holiday feature of a product where the borrower who is not in arrears can apply to defer one or more monthly payments or apply to underpay.

Further Advances and Product Switches

As used in this Prospectus, **Initial Advance** means all amounts advanced by the Seller to a Borrower under a Loan other than a Further Advance. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Further Advances.

Further Advance means, in relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

Further Advances: The Issuer will purchase Further Advances from the Seller on the date that the relevant Further Advance is advanced to the relevant Borrower by the Seller (the **Advance Date**). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Further Advance (the **Further Advance Purchase Price**) on the Monthly Pool Date immediately succeeding the Monthly Period in which the relevant Advance Date occurred by using amounts standing to the credit of the Retained Principal Receipts Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the amounts standing to the credit of the Retained Principal Receipts Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer will, prior to the VFN Commitment Termination Date, make a drawing under the Class B2 VFN in an amount equal to the difference between the amounts standing to the credit of the Retained Principal Receipt Ledger and the Further Advance Purchase Price and use such proceeds of the Class B2 VFN to fund the purchase of Further Advances under the Loans. Amounts standing to the credit of the Retained Principal Receipts Ledger will also be utilised to purchase Further Advances. If the Issuer is unable to fund the purchase of any Further Advance from funds standing to the credit of the Retained Principal Receipts Ledger and the Class B2 VFN Holder fails to advance an amount equal to such shortfall in the Further Advances Purchase Price to be paid on the Monthly Pool Date, the Issuer will not complete the purchase of the relevant Further Advance and the Seller must repurchase the related Loan and its Related Security at its Current Balance on the next Monthly Pool Date (excluding the amount of the Further Advance) determined as at the relevant Monthly Pool Date in accordance with the terms of the Mortgage Sale Agreement.

If it is subsequently determined by the Servicer on the Monthly Test Date immediately succeeding the Monthly Period in which the relevant Advance Date occurred or on any other subsequent Monthly Test Date that any of the Asset Conditions have not been met as at the relevant Monthly Test Date then the relevant Loan and its Related Security must (subject as provided below) be repurchased by the Seller at its then Current Balance on the Monthly Pool Date immediately following that Monthly Test Date in accordance with the provisions of the Mortgage Sale Agreement.

Neither the Servicer nor the Seller shall make an offer to a Borrower for a Further Advance if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Product Switches: The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio provided that it satisfied the Asset Conditions and it is a Permitted Product Switch. If it is subsequently determined by the Servicer on the Monthly Test Date immediately succeeding the Monthly Period in which the Product Switch was made that any of the Asset Conditions have not been met, the Product Switch was not a Permitted Product Switch or on any other subsequent date that any applicable Loan Warranty made by the Seller in respect of a Loan which is the

subject of a Product Switch and which remains in the Portfolio was materially untrue as at its Switch Date, the relevant Loan and its Related Security must be repurchased by the Seller in accordance with the Mortgage Sale Agreement.

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Switch. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Switch if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Product Switch means any variation in the financial terms and conditions applicable to a Loan other than any variation:

- (a) agreed with a Borrower to control or manage arrears on the Loan;
- (b) in the maturity date of the Loan unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes;
- (c) imposed by statute;
- (d) in the rate of interest payable in respect of a Loan where that rate is actively marketed to the Borrowers of more than 10 per cent. by Current Balance of the Loans in the Portfolio in any Interest Period, provided suitable hedging arrangements will be in place for such Loan for the term of such Loan and:
 - (i) following the relevant Product Switch, the spread (determined over Base Rate or LIBOR on a post swapped basis) applicable to such Loan will be greater than the Minimum Product Switch Spread; and
 - (ii) the cumulative amount of Loans subject to Product Switches in the Portfolio with, in each case, a post-Product Switch spread (determined over Base Rate or LIBOR on a post swapped basis) of between:
 - (A) the Minimum Product Switch Spread applicable to that Loan, and
 - (B) the Relevant Spread applicable to that Loan,is not more than 10 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date, less the Current Balance of Product Switches which satisfy paragraph (h)(ii) of Asset Conditions; or
- (e) in the frequency with which the interest payable in respect of the Loan is charged,

where in the case of (d) above, the notional of the relevant Fixed Rate Swap would be adjusted to take account of a change to or from a fixed or floating rate until the maturity of such Loan or Loans.

Permitted Product Switch is a Product Switch where:

- (a) the relevant Borrower has made at least one Monthly Payment, in full, on its Loan;
- (b) the new loan for which the prior Loan is to be exchanged is subject to either a Fixed Rate or a Base Rate linked rate of interest;
- (c) no Underpayments or Payment Holidays will be permitted under the new loan for which the prior Loan is to be exchanged; and

- (d) on the Monthly Test Date immediately following the making of the Product Switch, each of the conditions as set forth under "*Asset Conditions*" below are satisfied.

Repurchase by the Seller

The Seller will be required to repurchase any Loan and any Loan which is subject to a Further Advance or Product Switch sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan, Further Advance or Product Switch (as applicable) and/or its Related Security proves in the case of any Loan, the Closing Date and in the case of any Loan which is subject to a Further Advance or Product Switch, the Advance Date, Drawing Date or Switch Date (as applicable) to be materially untrue as at the Closing Date, Advance Date, Drawing Date or Switch Date (as applicable), and that default has not been remedied in accordance with the Mortgage Sale Agreement following receipt by the Seller of a Loan Repurchase Notice.

The Seller will also be required to repurchase any Loan which is subject to a Further Advance or Product Switch pursuant to and in accordance with the terms of the Mortgage Sale Agreement if any of the Asset Conditions (other than the Loan Warranties) are not satisfied on the Monthly Test Date immediately following the Monthly Period in which such Further Advance or Product Switch was made. The Seller will be required to repurchase any Loan if any Loan Warranty is materially untrue in the circumstances described above.

Further, the Seller will also be required to repurchase a Loan which is the subject of a Further Advance if the Issuer has insufficient funds to purchase such Further Advance.

Co-op Guarantee for repurchases

The Co-operative Bank will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. If the Seller is required to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement and fails to do so, then the Co-operative Bank will procure that it or one of its subsidiaries repurchases such Loan on the relevant Monthly Pool Date at a repurchase price equal to its Current Balance determined as at such Monthly Pool Date.

New Loan Types

In the future a Borrower may request a Product Switch to a loan product with different features from those Loans contained in the Portfolio. Provided that the Product Switch is a Permitted Product Switch, the Asset Conditions have been met as of the Monthly Test Date immediately following the Monthly Period in which such Switch Date occurred and the Loan Warranties as of the relevant Switch Date, the Seller will not be required to repurchase the Loan and it will remain in the Portfolio.

Asset Conditions

In order for any Loan which has been the subject of a Product Switch or a Further Advance to remain in the Portfolio, the following conditions (the **Asset Conditions**) must be complied with as of the relevant Switch Date, Drawing Date or Advance Date (as applicable) immediately following the making of the Product Switch or the Further Advance. The Asset Conditions will be tested on the Monthly Test Date immediately following the Monthly Period in which such sale of the Product Switch or Further Advance took place.

The **Asset Conditions** are:

- (a) no Event of Default shall have occurred which is continuing or unwaived as at the relevant Monthly Test Date and either (i) conditions (b) to (w) are satisfied, or (ii) a drawing is made under the Class B2 VFN in an amount equal to the Current Balance of the affected Loan where the Cash Manager will apply the principal balance of such amount as Principal Receipts;

- (b) as at the relevant Monthly Test Date, the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in Arrears is more than three times the Monthly Payment then due, is less than 5 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio at that date (and provided that advance notice in writing of such calculation has been provided to Moody's and Fitch and there being no reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the rated notes as a consequence thereof);
- (c) as at the relevant Monthly Test Date, the General Reserve Fund is at the General Reserve Required Amount, or failing such condition, a drawing is made under the Class C VFN in order to replenish the General Reserve Fund to the General Reserve Required Amount;
- (d) the Cash Manager is not aware that the then current ratings of the Class A Notes then outstanding would be downgraded, withdrawn or qualified as a result of the relevant Product Switch, and/or Further Advance remaining in the Portfolio;
- (e) each Loan and its Related Security which is the subject of a Product Switch and/or a Further Advance complies at the date of such Product Switch and/or Further Advance with the Loan Warranties;
- (f) as at the relevant Monthly Test Date, the Rating Agency Tests will not be breached as a result of the relevant Product Switch and/or Further Advance remaining in the Portfolio (after taking into account any drawing under the Class B2 VFN);
- (g) as at the Monthly Test Date the Eligibility Criteria have not been breached;
- (h) in the case of a Product Switch:
 - (i) following the relevant Product Switch, the spread (determined over Base Rate or LIBOR on a post swapped basis) applicable to such Loan will be greater than the Minimum Product Switch Spread; and
 - (ii) the cumulative amount of Loans subject to Product Switches in the Portfolio with, in each case, a post-Product Switch spread (determined over Base Rate or LIBOR on a post swapped basis) of between:
 - (A) the Minimum Product Switch Spread applicable to that Loan, and
 - (B) the Relevant Spread applicable to that Loan,

is not more than 10 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date, less the Current Balance of Loans which satisfy paragraph (d)(ii) of the definition of Product Switch;
- (i) if the making of a Product Switch would result in a New Loan Type being included in the Portfolio and advance notice in writing of any such Loans subject to a Product Switch and/or Further Advance remaining in the Portfolio has been provided to Moody's and Fitch and there being no reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the Class A Notes as a consequence thereof;
- (j) in respect of Product Switches and/or Further Advances that relate to Fixed Rate Loans, the Fixed Rate Swap Agreement hedges against the interest rates payable in respect of such Product Switch and/or Further Advance until the maturity date of such Product Switch;

- (k) the Class A Principal Deficiency Sub-Ledger does not have a debit balance as at the most recent Interest Payment Date immediately prior to such Switch Date, Drawing Date, or Advance Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (l) in the case of a Further Advance, the spread (determined over Base Rate or LIBOR on a post swapped basis) applicable to the Further Advance is not lower than the Minimum Further Advance Spread;
- (m) the aggregate amount of all Further Advances (including the Further Advances made since the Closing Date) does not exceed 10 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Closing Date.
- (n) upon the purchase of any Further Advance, the Mortgage Conditions will be satisfied and so far as the Servicer is aware, the relevant Borrower is not in material breach (including, without limitation, non-payment of any amounts due) of any of the Mortgage Conditions;
- (o) each Further Advance (together with all related fees, costs and expenses) will have the benefit of the same security (whether under the same mortgage or under a second mortgage ranking immediately behind the Issuer's existing Mortgage) as the principal balance under the existing Mortgage immediately prior to the purchase of such Further Advance;
- (p) PFL's further advance procedures have been applied to the Further Advance and to the circumstances of the Borrower at the time the Further Advance was purchased such that the relevant Lending Criteria would be satisfied upon the purchase of the Further Advance;
- (q) the Servicer reasonably believes that, prior to purchasing the Further Advance, no second mortgage or charge has been created over the relevant Property (unless such second mortgage or charge has been expressly postponed by deed or ranking agreement to the Mortgage securing such Further Advance or unless the loan secured by such second charge is to be, and is, redeemed out of the proceeds of the Further Advance simultaneously with the purchase of the Further Advance);
- (r) if the Servicer has reason to believe that the relevant Further Advance to be made to the Borrower by PFL or any Product Switch may result in a regulated agreement (as defined in the Consumer Credit Act), any applicable provisions of the Consumer Credit Act relating to regulated agreements will be complied with;
- (s) the Product Switch will be on terms of the relevant standard documentation utilised by PFL at the time of such conversion to document the terms of mortgages it is offering generally and which has not been varied in any material respect;
- (t) no (i) notice converting the floating charge granted under the Deed of Charge over the assets of the Issuer into a fixed charge has been given by the Security Trustee, or (ii) Note Acceleration Notice (as defined in Condition 10 (Events of Default)), has been given by the Note Trustee, which remains in effect at the date of the relevant conversion;
- (u) the effect of the conversion would not be to extend the final maturity date of such Loan to beyond the date falling three years prior to the final maturity of the Notes;
- (v) on the date of conversion, so far as the Servicer is aware, the warranties given in the Mortgage Sale Agreement (as applicable) in relation to the Loan being subject to the Product Switch have not been breached; and

- (w) the switching of the applicable Loan is effected by means of a variation agreement executed by the Borrower and the Loan once converted will rank equally in point of priority (as against any other charges or encumbrances affecting the Property) with its priority before such switch.

Fixed Rate Loan means mortgages where the applicable rate of interest for each mortgage loan is subject to a fixed rate of interest for a specified period of time, usually for two, three, five or ten years.

Minimum Further Advance Spread means in respect of a Loan that is subject to a Further Advance, the spread which is 1% below the Relevant Spread.

Minimum Product Switch Spread means in respect of a Loan that is subject to a Product Switch, the spread which is 1% below the Relevant Spread.

Rating Agency Tests means tests which satisfy each of the following conditions on the relevant Monthly Test Date:

- (a) for Further Advances, the original weighted average LTV ratio (calculated by dividing original debt advanced by the Original Valuation) of the Loans in the Portfolio (including the relevant Further Advances) does not exceed 68.5 per cent.;
- (b) for Further Advances, the outstanding principal balance of any Loans in the Portfolio (including the relevant Further Advances) with an original LTV ratio (calculated by dividing original debt advanced by Original Valuation) of more than 80 per cent. does not exceed 14 per cent.;
- (c) for Further Advances, the current weighted average LTV ratio (excluding any house price indexation up to the Monthly Test Date) (calculated by dividing current debt by Original Valuation) of the Loans in the Portfolio (including the relevant Further Advances) does not exceed 67.5 per cent.;
- (d) for Further Advances, the weighted average income multiple of the Loans in the Portfolio (including any relevant Further Advances) (calculated by dividing the current debt outstanding by the sum of primary income and secondary income, in each case where provided) does not exceed 3.3 times;
- (e) for Further Advances and Product Switches, the outstanding principal balance of any Loans in the Portfolio (including any Product Switch and/or Further Advance) with an interest only part does not exceed 74 per cent.;
- (f) for Further Advances, the LTV ratio (as measured by the original balance (excluding any fees added to such balance on or since the date of origination) of such Loan plus the relevant Further Advance divided by the latest valuation) is less than 90 per cent.; and
- (g) for Further Advances advanced to Borrowers of Buy to Let Loans, the weighted average interest coverage ratio (calculated by dividing the current monthly rental income by the current monthly interest payment of each Buy to Let Loan) of the Buy to let Loans in the Portfolio (including the relevant Further Advances) is at least 153 per cent.,

where in the cases of Original Valuation, the Original Valuation of loans which have had further advances will be the lesser of (a) indexed valuation based on the Halifax House Price Index from the date of the Original Valuation to the date of the latest Further Advance for such loan and (b) indexed valuation based on the Halifax House Price Index from the date of the Original Valuation to six months prior to the date of the latest Further Advance for such Loan.

Relevant Spread means:

- (a) in respect of any Loan without a Scheduled Reversion Date, the spread applicable to that Loan on the Closing Date;

- (b) in respect of any Loan with a Scheduled Reversion Date, the Relevant Spread for that Loan prior to the relevant Scheduled Reversion Date shall be the spread applicable to that Loan on the Closing Date; and
- (c) in respect of any Loan with a Scheduled Reversion Date, the Relevant Spread for that Loan on and after the relevant Scheduled Reversion Date shall be the reversionary spread applicable to that Loan as set out in the Mortgage Conditions applicable to that Loan as at the Closing Date;

Scheduled Reversion Date means in respect of any Base Rate Tracker Discount Mortgage or a Fixed Reverting to Base Rate Tracker Mortgage, the date on which the spread applicable to such Loan is scheduled to revert to a Base Rate.

For the purposes of determining compliance with the Rating Agency Tests, the Cash Manager shall base its calculations on the following assumptions:

- (a) each Loan comprised in the Portfolio on the Closing Date remains in the Portfolio as at the relevant Monthly Test Date; and
- (b) the Current Balance of each Loan comprised in the Portfolio will be deemed to be the higher of
 - (i) the Current Balance of the relevant Loan as at the immediately preceding Monthly Pool Date and
 - (ii) the Current Balance of the relevant Loan(s) comprised in the Portfolio on the Closing Date.

Business Day means a day other than a Saturday or Sunday on which banks are open for business in London.

Calculation Date means the 1st of March, June, September and December or if such day is not a Business Day, the next following Business Day.

Collection Period means the quarterly period commencing on and including the Collection Period Start Date and ending on and including the last calendar day before the immediately following Collection Period Start Date except that the first Collection Period will commence on 20 October 2012 and end on 28 February 2013.

Collection Period Start Date means the 1st of March, June, September and December except that the first Collection Period Start Date will be 20 October 2012 and the second Collection Period Start Date will be 1 March 2013.

Collection Period End Date means the last day of the calendar quarter immediately preceding the immediately following Calculation Date.

The **Current Balance** of a Loan means, on any date, the aggregate balance of the Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower

and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

Monthly Period means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on the Closing Date and end on the last calendar day of December 2012.

Monthly Period End Date means the last day of the calendar month.

Monthly Pool Date means (a) the first day of the calendar month immediately following each Monthly Period End Date where the first day of the calendar month is not a Saturday or a Sunday, (b) the second day of the calendar month immediately following each Monthly Period End Date where the first day of the calendar month is a Sunday, or (c) the third day of the calendar month immediately following each Monthly Period End Date where the first day of the calendar month is a Saturday.

Monthly Test Date means the tenth Business Day of each month.

Mortgage means in respect of any Loan each first fixed charge by way of legal mortgage which is, or is to be, sold, assigned or transferred by the Seller to the Issuer pursuant to the Mortgage Sale Agreement (prior to the Effective Date, held upon the CCA Trust) which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

New Loan Type means a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the Issuer, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans comprised in the Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, tracker rate or any other interest rate or the benefit of any discounts, cash backs and/or rate guarantees;

Property means a freehold, leasehold or commonhold property which is subject to a Mortgage.

Related Security means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement.

Right to Buy Loan means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under section 156 of the Housing Act 1985 excluding however such Loans in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Servicing Agreement

Introduction

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Security Trustee, the Seller, the Back-Up Servicer Facilitator and the Servicer.

On or about the Closing Date, the Servicer will be appointed by the Issuer, and for so long as the Loans are subject to the CCA Trust, the Seller in its capacity as trustee of the CCA Trust acting on the instructions of the Issuer. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may delegate all or any of its obligations as Servicer subject to and in accordance with the terms thereof. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor. The Servicer will appoint Western Mortgage Services Limited (**WMS**) as the sub-servicer (**Sub-Servicer**) and delegate certain of its obligations to WMS on or about the Closing Date pursuant to the sub-servicing agreement entered into on or about the Closing Date among WMS, the Servicer, PFL and PHL (**Sub-Servicing Agreement**). See the sections entitled "*Western Mortgage Services Limited*" for further details.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been sold to the Issuer (or, in respect of the Loans, held on trust under the CCA Trust by the Seller for the Issuer) but had remained with the Seller in accordance with the Seller's servicing, arrears and enforcement policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans (the **Seller's Policy**);
- (b) assess and service any Capitalisation in accordance with the Capitalisation Policy as it applies to the relevant Loans from time to time;
- (c) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (d) comply with any proper directions, orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (e) keep in force all approvals, authorisations, permissions, consents and licences required in order properly to service the Loans and their Related Security and to perform or comply with its

obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations, consents and licences required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1998, licence under the CCA and any authorisation and permissions under the FSMA;

- (f) save as otherwise agreed with the Issuer, provide upon written request free of charge to the Issuer, office space, facilities, equipment and staff sufficient to enable the Issuer to perform its obligations under the Servicing Agreement;
- (g) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services;
- (h) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions by law;
- (i) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents save in accordance with their terms;
- (j) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan sold by the Seller to the Issuer (or, in respect of the Loans subject to the CCA Trust, release such Loans from the CCA Trust) pursuant to the Mortgage Sale Agreement, notify the Issuer in writing of such event;
- (k) within 60 days of the date on which the Servicer (or its successors or assigns) ceases to be assigned a long-term issuer default rating by Fitch of at least BBB- or a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3, with the assistance of the Back-Up Servicer Facilitator, use reasonable endeavours to enter into a back-up servicing agreement with a third party with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require; and
- (l) deliver to the Issuer, the Back-Up Servicer Facilitator and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the Base Rate Mortgage Rate.

In particular, the Servicer shall determine as of each Calculation Date immediately preceding each Interest Payment Date, having regard to the aggregate of:

- (a) the revenue which the Issuer would expect to receive during the next succeeding Interest Period; and
- (b) the other resources available to the Issuer, including the Fixed Rate Swap Agreement, the General Reserve Fund and the Liquidity Reserve Fund (if funded),

whether the Issuer would receive an amount of revenue during the relevant Interest Period which is less than the amount which is the aggregate of the amount of interest which would be payable in respect of the Notes

on the Interest Payment Date falling at the end of that Interest Period and amounts which rank in priority thereto under the Priority of Payments.

If the Servicer determines that there would be a shortfall in the foregoing amounts, it will give written notice to the Issuer, within three Business Day of such determination of the amount of the shortfall.

Compensation of the Servicer

The Servicer receives a fee for servicing the Loans and their Related Security. The Issuer pays to the Servicer a servicing fee (inclusive of VAT, if any) of up to an aggregate amount calculated on the basis of the number of days elapsed in each calendar month over a 365 day year (or over a 366 day year in a leap year), by applying a rate up to 0.30 per cent. per annum, on the aggregate Current Balance of all Loans in the Portfolio as at the opening of business on the Collection Period Start Date. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

Removal or Resignation of the Servicer

The Issuer (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notes) the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or (after the delivery of a Note Acceleration Notice) the Security Trustee requiring the Servicer's non-compliance to be remedied **provided however** that where the default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations under the Servicing Agreement, such default (if it would otherwise constitute a Servicer Termination Event) shall not constitute a Servicer Termination Event if within such 30 Business Days period the Servicer terminates the relevant sub-contracting or delegation arrangements and takes steps as to (1) ensure, with immediate effect, that the services theretofore provided by that sub-contractor are replaced; (2) remedy such default or series of defaults and (3) indemnify the relevant Noteholders against the consequences of such default; or
- an insolvency event occurs in relation to the Servicer.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) provided that a substitute servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on (a) (if Class A Notes remain outstanding) the resignation having no adverse effect on the then current

ratings of the Notes unless the Noteholders agree otherwise by Extraordinary Resolution, or (b) (if no Class A Notes remain outstanding) the Class B VFN Holders agree by an Extraordinary Resolution or, (c) (if no Class B VFNs remain outstanding), the Class C VFN Holders agree by Extraordinary Resolution, in each case the substitute servicer shall assume and perform all the duties and obligations of the Servicer on substantially the same terms as the Servicing Agreement.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the Title Deeds and Loan Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. The Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

If the Servicer ceases to have assigned to it a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 (or such other long-term rating as is otherwise acceptable to Moody's) or a long-term issuer default rating by Fitch of at least BBB- (or such other long-term rating as is otherwise acceptable to Fitch), then it will use reasonable endeavours (with the assistance of the Back-Up Servicer Facilitator) to appoint a Back-Up Servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require and enter, within 60 days, into a back-up servicing agreement. If the Servicer is unable to find a suitable third party willing to act as back-up servicer, this will not constitute a breach of the Servicer's obligations under the Servicing Agreement.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

Liability of the Servicer

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

Back-Up Servicer Facilitator

Under the Servicing Agreement in the event that (a) the long-term unsecured and unsubordinated debt rating of the Servicer has fallen below Baa3 by Moody's (or such lower rating specified by Moody's) and (b) the long-term issuer default rating of the Servicer has fallen below BBB- by Fitch (or such other long-term rating which is otherwise acceptable to Fitch), the Back-Up Servicer Facilitator, shall, within 60 days of the date on which the ratings of the Servicer have so fallen, use best efforts to identify, on behalf of the Issuer a suitable back-up servicer (the **Back-Up Servicer**) which meets the requirements for a substitute Servicer provided for by the Servicing Agreement.

Governing Law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alia*, the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the **Security**) as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Note Purchase Agreement, the Trust Deed and the Deed of Charge);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans and the Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Banks and any sums standing to the credit thereof;
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer or the Cash Manager on its behalf; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

Authorised Investments means:

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

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and either:

- (i) such investments (A) have a maturity date of 60 days or less and mature on or before the Interest Payment Date or within 60 days, whichever is sooner, (B) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date or within 60 days, whichever is sooner, and (C) are rated at least F1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating); or
- (ii) such investments (A) have a maturity date of 90 days or less and mature on or before the Interest Payment Date or within 90 days, whichever is sooner, (B) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date or within 90 days, whichever is sooner, and (C) are rated at least F1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating).

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Cash Manager, the Fixed Rate Swap Provider, (if applicable) the Swap Collateral Account Bank, the Co-op Account Bank, the BNYM Account Bank, the Back-Up Servicer Facilitator, the Back-Up Cash Manager Facilitator, the Corporate Services Provider, the Paying Agents, the Registrar, the VFN Registrar, the Agent

Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

Transaction Documents means the Servicing Agreement, the Agency Agreement, the Co-op Bank Account Agreement, the BNYM Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge (including any other documents entered into pursuant to the Deed of Charge), the NatWest Collection Account Declaration of Trust, the Fixed Rate Swap Agreement, the Share Trust Deed, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Seller Power of Attorney, the Note Purchase Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

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

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

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

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

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

after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

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

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes on trust for the Noteholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The Class A Noteholders may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trustee (being a trust corporation) in office after such retirement or being removed by Extraordinary Resolution. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed.

Governing Law

The Trust Deed and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Agency Agreement

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

Governing Law

The Agency Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, the Back-Up Cash Manager Facilitator and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Co-op Deposit Account or the BNYM Deposit Account, as the case may be, and the Swap Collateral Accounts (if any). In addition, the Cash Manager will:

- (a) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (b) record credits to, and debits from, the General Reserve Ledger, the Retained Principal Receipts Ledger, the Principal Deficiency Ledgers, the Principal Ledger, the Revenue Ledger, the Issuer Fee Amount Ledger, the Swap Provider Fee Amount Ledger, the Issuer Profit Ledger, the Co-op Collateral Account Ledger, the Fixed Rate Swap Collateral Ledger and the Liquidity Reserve Fund Ledger (if any) as and when required;
- (c) make payments of the consideration for a Further Advance and/or a Product Switch to the Seller;
- (d) make a drawing under any VFN as required, including, without limitation, any drawing required to fund the Further Advance Purchase Price;
- (e) if required (i) during the Determination Period, calculate the Interest Determination Ratio, the Calculated Revenue Receipts and the Calculated Principal Receipts and (ii) following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, reconcile the calculations to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amounts in accordance with Condition 5.9(c) and the Cash Management Agreement; and
- (f) make any determinations required to be made by the Issuer under the Fixed Rate Swap Agreement.

In addition, the Cash Manager will:

- (a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
 - (i) the **Principal Ledger**, which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the **Revenue Ledger**, which will record all amounts under items (a), (b), (c) and (e) of Available Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (iii) the **General Reserve Ledger** which will record amounts credited to the general reserve fund (the **General Reserve Fund**) from the proceeds of the Class C VFN Holder's funding of the Class C VFN and withdrawals from the General Reserve Ledger on each Interest Payment Date (see "*Credit Structure — General Reserve Fund and General Reserve Fund Ledger*" below);

- (iv) the **Retained Principal Receipts Ledger** which will record (A) amounts credited to such ledger on the Closing Date from subscriptions in the Class B2 VFN for such purpose and on each Interest Payment Date thereafter from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments on each Interest Payment Date and (B) withdrawals from such ledger to provide for any Revenue Deficiency and on any Monthly Pool Date to pay all Further Advance Purchase Prices. Any amounts not applied by the Cash Manager on behalf of the Issuer towards Further Advance Purchase Prices will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer in accordance with the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date (see "*Credit Structure — Retained Principal Receipts Ledger*" and "*Cashflows – Definition of Available Principal Receipts*" below);
- (v) the **Principal Deficiency Ledger** which will record on the appropriate sub-ledger as a debit, deficiencies arising from Losses on the Portfolio and corresponding drawings from the Liquidity Reserve Fund (if funded) and Principal Receipts used to pay a Revenue Deficiency and record as a credit, Available Revenue Receipts applied pursuant to the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see "*Credit Structure — Principal Deficiency Ledger*" below);
- (vi) the **Liquidity Reserve Fund Ledger** which will record amounts credited to and debited from the Liquidity Reserve Fund (if funded) (to fund senior expenses and interest payments on the Class A Notes) in accordance with the applicable Priority of Payments (see "*Credit Structure — Liquidity Reserve Fund and Liquidity Reserve Fund Ledger*" below);
- (vii) the **Issuer Fee Amount Ledger** which shall record any Issuer Fee Amounts received from the proceeds of the Class C VFN Holder's funding of the Class C VFN or any payments made by the Co-operative Bank pursuant to the Mortgage Sale Agreement and any withdrawals to make payments to the Fixed Rate Swap Provider;
- (viii) the **Swap Provider Fee Amount Ledger** which shall record any Swap Provider Fee Amounts received by the Issuer from the Fixed Rate Swap Provider pursuant to the Fixed Rate Swap Agreement and withdrawals of any Swap Provider Fee Amounts used to repay the Class C VFN Holder under the Class C VFN or to the extent that the Class C VFN has been repaid in full, as Available Revenue Receipts;
- (ix) the **Co-op Collateral Account Ledger** which will record any Co-op Collateral Amounts credited to such ledger and debit any withdrawals of amounts equal to the aggregate Account Bank Defaulted Amount if an Account Bank Non-Payment Event occurs;
- (x) the **Issuer Profit Ledger** which shall record as a credit amounts retained by the Issuer as profit in accordance with the Pre-Acceleration Revenue Priority of Payments; and
- (xi) the **Fixed Rate Swap Collateral Ledger** which shall record as a credit any Swap Collateral received from the Fixed Rate Swap Provider and any debiting of the same, including, *inter alia*, any Swap Collateral transferred to the Fixed Rate Swap Provider debiting an amount up to the Fixed Rate Defaulted Swap Amount to provide for any Revenue Deficiency as Available Revenue Receipts where the Fixed Rate Swap Provider fails to make a payment to the Issuer in accordance with the terms of the Fixed Rate Swap Agreement and such default is continuing on an Interest Payment Date or an Early Termination Date has been designated in respect of the Fixed Rate Swap Agreement and no replacement swap agreement has been entered into on such Interest Payment Date;

- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;
- (c) provide the Issuer, the Seller, the Security Trustee, the Class A Noteholders and the Rating Agencies with the Investor Report by no later than ten Business Days following each Interest Payment Date;
- (d) at its option, invest monies standing from time to time to the credit of a Deposit Account in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:
 - (i) any such Authorised Investment shall be made in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
 - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Deposit Account;
- (e) if Swap Collateral is required to be posted by the Fixed Rate Swap Provider in respect of the Fixed Rate Swap Agreement and the Fixed Rate Swap Provider elects to post collateral in the form of cash, establish and maintain (on behalf of the Issuer) one or more Swap Collateral Accounts; and
- (f) if Swap Collateral is posted in a form other than cash, enter into such documentation as may be reasonably requested by the Issuer in connection with the provision of collateral under the Fixed Rate Swap Agreement, including without limitation, any documentation relating to the appointment of a custodian and any associated custody agreement to facilitate the posting of such collateral.

Account Bank Defaulted Amount means an amount equal to the amount which would have been paid by the Co-op Account Bank but for the occurrence of an Account Bank Non-Payment Event.

Account Bank Non-Payment Event means any failure to pay an amount in accordance with the Co-op Bank Account Agreement in the event the same has not been rectified within one Business Day as a result of an Insolvency Event occurring in respect of the Co-operative Bank.

Issuer Fee Amount Ledger means the ledger in connection with the Co-op Deposit Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of the Issuer Fee Amount and any debiting of the same.

Issuer Fee Amount means the amount if any owing by the Issuer to the Fixed Rate Swap Provider and described as a "Net Payment" pursuant to the Fixed Rate Swap Agreement in connection with any Further Advance or Product Switch which occurred in the immediately preceding Monthly Period.

Swap Collateral Account means the swap collateral account (if any) established by the Issuer with a suitably rated counterparty in their capacity as Swap Collateral Account Bank pursuant to a Swap Collateral Account Bank Agreement.

Swap Collateral Account Bank means the party, if any, acting in their capacity as swap collateral account bank pursuant to a Swap Collateral Account Bank Agreement.

Swap Collateral Account Bank Agreement means the agreement entered into (if any) between, *inter alios*, the Swap Collateral Account Bank and the Issuer which governs the operation of the Swap Collateral Account (if any).

Swap Provider Fee Amount means the amount (if any) owing by the Fixed Rate Swap Provider to the Issuer and described as a "Net Payment" pursuant to the Fixed Rate Swap Agreement in connection with any Further Advance or Product Switch which occurred in the immediately preceding Monthly Period.

Remuneration of Cash Manager

The Cash Manager will be paid a fee (inclusive of VAT, if any) for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date. The Issuer will pay to the Cash Manager a cash management fee (inclusive of VAT, if any) of 0.01 per cent. per annum of the Principal Amount Outstanding of the Notes as determined on the preceding Interest Payment Date (or, as applicable, the Closing Date) immediately preceding the Interest Payment Date on which such payment is made up to a maximum of £100,000 per annum. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

Termination of Appointment and Replacement of Cash Manager

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Management Agreement provides that on the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3, it will, with the assistance of the Back-Up Cash Manager Facilitator, use reasonable endeavours to enter into a back-up cash management agreement with a suitably experienced third party acceptable to the Issuer within 60 days of ceasing to be assigned such rating by Moody's.

For the avoidance of doubt, if after using reasonable endeavours to enter into such a back-up cash management agreement, the Cash Manager is unable to find a suitable third party willing to act as a back-up cash manager, this shall not constitute any breach of the provisions of the Cash Management Agreement.

Back-Up Cash Manager Facilitator

Under the Cash Management Agreement in the event that the long-term unsecured, unguaranteed and unsubordinated debt rating of the Cash Manager has fallen below Baa3 by Moody's (or such lower rating specified by Moody's), the Back-Up Cash Manager Facilitator shall, within 60 days of the date on which the ratings of the Cash Manager have so fallen, use best efforts to identify, on behalf of the Issuer, a suitable back-up cash manager (the **Back-Up Cash Manager**) which meets the requirements for a substitute Cash Manager provided for by the Cash Management Agreement.

Liability of the Cash Manager

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

Governing Law

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The Co-op Bank Account Agreement

Pursuant to the terms of the Co-op Bank Account Agreement entered into on or about the Closing Date between the Issuer, the Co-op Account Bank, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the Co-op Account Bank the Co-op Deposit Account and (where appropriate) any swap collateral account(s), which will be operated in accordance with the Cash Management Agreement, the Deed of Charge and the Fixed Rate Swap Agreement.

The Issuer will deposit amounts in the Co-op Deposit Account in an amount up to the Co-op Deposit Limit. If amounts standing to the credit of the Co-op Deposit Account exceed the Co-op Deposit Limit, the Cash Manager shall deposit the amount of any such surplus which it receives in the BNYM Deposit Account.

Governing Law

The Co-op Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

The BNYM Bank Account Agreement

Pursuant to the terms of the BNYM Bank Account Agreement entered into on or about the Closing Date between the Issuer, the BNYM Account Bank, the Cash Manager, the Seller and the Security Trustee, the Issuer will maintain with the BNYM Account Bank the BNYM Deposit Account and (where appropriate) any swap collateral account(s), which will be operated in accordance with the Cash Management Agreement, the Deed of Charge and the Fixed Rate Swap Agreement.

If amounts standing to the credit of the Co-op Deposit Account exceed the Co-op Deposit Limit, the Cash Manager shall deposit the amount of any such surplus which it receives in the BNYM Deposit Account and it shall be recorded on the Co-op Collateral Account Ledger. If the BNYM Account Bank is not at such time rated with, or ceases to have, a rating at least equal to the Account Bank Rating, the Issuer will open a similar account with another entity rated at least the Account Bank Rating or obtain a guarantee of its obligations under the BNYM Bank Account Agreement from another entity rated at least the Account Bank Rating.

The BNYM Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Account Bank Rating means a short-term unsecured, unsubordinated and unguaranteed debt rating of P-1 by Moody's and a short-term issuer default rating of F1 by Fitch and a long-term issuer default rating of A by Fitch, or such other lower rating which is consistent with the then current rating methodology of the Rating Agencies in respect of the then current ratings of the Class A Notes.

The Corporate Services Agreement

On or prior to the Closing Date, *inter alia*, the Issuer, the Corporate Services Provider, the Share Trustee, Holdings, the Seller and the Security Trustee will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and

Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Other Agreements

For a description of the Fixed Rate Swap Agreement see "*Credit Structure*" below.

CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, any of the Seller, the Fixed Rate Swap Provider, the Joint Arrangers, the Servicer, the Cash Manager, the Co-op Account Bank, the BNYM Account Bank, the Swap Collateral Account Bank (if any), the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee, the Co-operative Bank, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Fixed Rate Swap Provider, the Joint Arrangers, the Servicer, the Cash Manager, the Co-op Account Bank, the BNYM Account Bank, the Swap Collateral Account Bank (if applicable), the Principal Paying Agent, the Agent Bank, the Registrar, the VFN Registrar, the Note Trustee, the Security Trustee, the Co-operative Bank or by any other person other than the Issuer.

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

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

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

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio.

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

2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish a fund called the **General Reserve Fund** to provide credit enhancement for the Class A Notes which will be credited with the General Reserve Required Amount on the Closing Date. The General Reserve Fund will be funded from the proceeds of the Class C VFN Holder's funding of the Class C VFN on the Closing Date and following the Closing Date, to the extent required in connection with Product Switches or Further Advances from time to time. The General Reserve Fund will be deposited in the BNYM Deposit Account or the Co-op Deposit Account, as the case may be, (with a corresponding credit being made to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the BNYM Deposit Account or the Co-op Deposit Account, as the case may be, in Authorised Investments. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

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

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

The **General Reserve Required Amount** will be an amount equal to £42,100,000 on the Closing Date (being an amount equal to 2.5 per cent., of the Current Balance of the Portfolio as at the Closing Date). On any Interest Payment Date on which the Class A Notes are fully repaid or provided for, the General Reserve Required Amount will be reduced to zero and any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the Pre-Acceleration Revenue Priority of Payments.

3. Use of Principal Receipts to pay Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether there will be an excess or a deficit of Available Revenue Receipts to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the **Revenue Deficiency**), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Revenue Deficiency by the application of amounts (a) first, standing to the credit of the Principal Ledger, if any, and (b) second, standing to the credit of the Retained Principal Receipts Ledger, if any, and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "*Principal Deficiency Ledgers*" below as well as making a debit in the Principal Ledger and/or the Retained Principal Receipts Ledger (as applicable). Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal Receipts to pay a Revenue Deficiency, see the section "*Cashflows – Applications of Principal Receipts to Revenue Deficiency*".

4. Liquidity Reserve Fund and Liquidity Reserve Fund Ledger

On the Interest Payment Date immediately following any day on which the Co-operative Bank ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of BBB, the Issuer will be required to fund the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. The Issuer will be required to top up the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount on each Interest Payment Date. For more information about the application of the amounts standing to the credit of the Liquidity Reserve Fund, see the section "*Cashflows – Applications of Monies Released from the Liquidity Reserve Fund*".

Liquidity Reserve Fund Required Amount means an amount equal to the greater of (a) 4 per cent. of the Principal Amount Outstanding of the Class A Notes at the beginning of the relevant Interest Period less the amount standing to the credit of the General Reserve Fund as determined by the Cash Manager on the relevant Calculation Date after taking into account the amount of Available Revenue Receipts to be credited to the General Reserve Fund on the Interest Payment Date immediately following such Calculation Date in accordance with the Pre-Acceleration Revenue Priority of Payments and (b) zero.

The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount drawn from the Liquidity Reserve Fund to fund senior expenses and interest payments on the Class A Notes on that date (if any).

5. **Retained Principal Receipts Ledger**

The Cash Manager will maintain the Retained Principal Receipts Ledger pursuant to the Cash Management Agreement. The Retained Principal Receipts Ledger will be funded from the Closing Date and on each Interest Payment Date thereafter from Available Principal Receipts (the **Retained Principal Receipts**). The Retained Principal Receipts will be credited to the Retained Principal Receipts Ledger of the BNYM Deposit Account or the Co-op Deposit Account, as the case may be. The Issuer may invest the amounts standing to the credit of the Retained Principal Receipts Ledger in Authorised Investments.

The Retained Principal Receipts Ledger will be funded up to the Retained Principal Required Amount in accordance with the Pre-Acceleration Principal Priority of Payments, amounts standing to the credit of the Retained Principal Receipts Ledger will be applied by the Issuer on each Monthly Pool Date to pay all Further Advance Purchase Prices. Amounts standing to the credit of the Retained Principal Receipts Ledger may be applied as Available Revenue Receipts towards any Revenue Deficiency in accordance with the Pre-Acceleration Revenue Priority of Payments. Any amounts standing to the credit of the Retained Principal Receipts Ledger on any Interest Payment Date and not applied by the Cash Manager on the Issuer's behalf towards Further Advance Purchase Prices or to cure any Revenue Deficiency will be applied by the Issuer (or the Cash Manager on its behalf) on such Interest Payment Date as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

Retained Principal Required Amount means as at the Closing Date £4 million and as of each Calculation Date falling prior to an Event of Default following the first Calculation Period, an amount up to £10 million as determined by the Cash Manager to be required to purchase Further Advances in the immediately preceding Collection Period and thereafter zero.

6. **Overcollateralisation and Set-Off Overcollateralisation**

On the Closing Date, the Issuer will use the proceeds of the subscription of the Class B1 VFN to fund the required amount of **Overcollateralisation Amount** for the Class A Notes in an amount estimated to be circa 14 per cent. of the Initial Consideration for the Portfolio to be acquired by the Issuer on the Closing Date. On the Closing Date the Set-Off Overcollateralisation Amount will be zero.

After the Closing Date, the proceeds of further funding under the Class B1 VFN will be used to fund the increase in the Set-Off Overcollateralisation Amount on the Interest Payment Date following the day on which PFL becomes a deposit taking credit institution (the **PFL Event**). The increase in the Set-Off Overcollateralisation Amount shall be an amount equal to the aggregate Deposit Set Off Amounts for each Borrower whose Loan is included in the Portfolio.

The Cash Manager (on behalf of the Issuer) shall apply the proceeds of such further funding to the Class B1 VFN as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priorities of Payment.

Deposit Set Off Amount means for each Borrower whose Loan is included in the Portfolio, an amount which is the lesser of:

- (a) the aggregate outstanding balance of such Borrower's Loan as at the Business Day following the PFL Event; and
- (b) the greater of zero and the Post-FSCS Borrower Account Balance.

Post-FSCS Borrower Account Balance means the amount which is the result of subtracting (i) an amount equal to the amount of the coverage provided by the Financial Services Compensation Scheme in respect of each account as at the Business Day following the PFL Event, from (ii) the aggregate balance of each account held by such Borrower with the Seller as at the Business Day following the PFL Event (provided that where the Borrower has a joint account and the joint deposit holder is not a Borrower under a Loan that is in the Portfolio, the whole amount standing to the credit of the joint account will be taken into account for the purposes of calculating (ii) and where the joint deposit holder is a Borrower under a Loan that is included in the Portfolio (whether as co-Borrower or otherwise) the amount credited to the joint account will be taken into account in respect of only one such Borrower).

7. **Principal Deficiency Ledger**

A Principal Deficiency Ledger, comprising two sub ledgers, known as the Class A Principal Deficiency Sub-Ledger (relating to each of the Class A Notes) and the Class B Principal Deficiency Sub-Ledger (relating to each of the Class B1 VFN and the Class B2 VFN) (each a **Principal Deficiency Sub-Ledger** and, together, the **Principal Deficiency Ledger**), will be established on the Closing Date in order to record any Losses on the Portfolio as allocated against each of the Classes of Notes referenced above and/or the application of Principal Receipts to pay any Revenue Deficiency and/or any debiting of the Liquidity Reserve Fund (if funded) on an Interest Payment Date to fund senior expenses and interest payments on the Class A Notes. Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B VFN. Available Revenue Receipts will include recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Losses on the Portfolio will be recorded as a debit:

- (a) first, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the **Class B Principal Deficiency Limit**; and
- (b) second, to the Class A Principal Deficiency Sub-Ledger so long as the debit balance is less than the Principal Amount Outstanding of the Class A Notes.

Class B Principal Deficiency Limit means the Principal Amount Outstanding of the subscription under the Class B VFN used to fund the Capital Balance (calculated as at such corresponding funding date) of the Loans. For the avoidance of doubt, any amounts applied by the Class B VFN to fund the Set-Off Overcollateralisation Amount will be considered a Class B VFN subscription to fund the Capital Balance of the Loans under this definition.

Amounts allocated to each Principal Deficiency Sub-Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

8. **Available Revenue Receipts and Available Principal Receipts**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration

Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer, which for the avoidance of doubt does not include £4,500 which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the General Reserve Ledger, the Liquidity Reserve Fund Ledger or the Retained Principal Receipts Ledger.

If, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class B VFN and/or the Class C VFN then the Issuer will be entitled under Condition 17 (Subordination by Deferral) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class B VFN and; if there are no Class B VFN then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class C VFN.

Failure to pay interest on the Class A Notes (or the Class B VFN where the Class A Notes have been redeemed in full, or the Class C VFN where the Class A Notes and the Class B VFN have been redeemed in full) within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

9. Issuer Profit

If, on any Calculation Date, it is determined that there is a shortfall in Available Revenue Receipts such that there are insufficient funds to pay or provide for items (a) to (l) of the Pre-Acceleration Revenue Priority of Payments in full, the Issuer (or the Cash Manager on its behalf) will make a drawing under the Class C VFN in an amount equal to the shortfall only in respect of the amount to be retained by the Issuer as profit in accordance with item (l) of the Pre-Acceleration Revenue Priority of Payments. For the avoidance of doubt, the payment of item (l) will be irrespective of the non-payment in full of items ranking prior to (l) in the Pre-Acceleration Revenue Priority of Payments.

On the Interest Payment Date following such relevant Calculation Date, the proceeds of such further funding under the Class C VFN will be applied by the Cash Manager (on behalf of the Issuer) as a credit to the Issuer Profit Ledger in payment of item (l) of the Pre-Acceleration Revenue Priority of Payments.

10. Interest Rate Risk for the Notes

Fixed Rate Swap Agreement

Fixed Rate Swap Transaction

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month Sterling LIBOR.

To provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) a rate of interest calculated by reference to Three-Month Sterling LIBOR,

the Issuer will enter into the Fixed Rate Swap Transaction with the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement on the Closing Date.

Under the Fixed Rate Swap Transaction, for each Swap Calculation Period falling prior to the termination date of the Fixed Rate Swap Transaction, the following amounts will be calculated:

- (a) the amount produced by applying Three-Month Sterling LIBOR for the relevant Swap Calculation Period plus a spread to the Fixed Notional Amount (as defined below) of the Fixed Rate Swap Transaction for such Swap Calculation Period multiplied by the Payment Ratio (as defined below) (the **Fixed Interest Period Swap Provider Amount**); and
- (b) the amount produced by applying a fixed rate to the Fixed Notional Amount of the Fixed Rate Swap Transaction for the relevant Swap Calculation Period multiplied by the Payment Ratio (the **Fixed Interest Period Issuer Amount**).

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

- (a) if the Fixed Interest Period Swap Provider Amount for that Swap Payment Date is greater than the Fixed Interest Period Issuer Amount for that Swap Payment Date, then the Fixed Rate Swap Provider will pay an amount equal to the amount by which the Fixed Interest Period Swap Provider Amount exceeds the Fixed Interest Period Issuer Amount to the Issuer;
- (b) if the Fixed Interest Period Issuer Amount for that Swap Payment Date is greater than the Fixed Interest Period Swap Provider Amount for that Swap Payment Date, then the Issuer will pay an amount equal to the amount by which the Fixed Interest Period Issuer Amount exceeds the Fixed Interest Period Swap Provider Amount to the Fixed Rate Swap Provider; and
- (c) if the two amounts are equal, neither party will make a payment to the other.

For the purposes of calculating both the Fixed Interest Period Issuer Amount and Fixed Interest Period Swap Provider Amount in respect of a Swap Calculation Period, the notional amount (the **Fixed Notional Amount**) of the Fixed Rate Swap Transaction in respect of such Swap Calculation Period will be, for each Swap Calculation Period (other than the first Swap Calculation Period), an amount in Sterling equal to the aggregate Capital Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of the calendar month immediately preceding the start of that Swap Calculation Period, as adjusted to reflect any Product Switches, Further Advances and repurchases by the Seller in accordance with the Mortgage Sale Agreement that take effect on the Monthly Pool Date immediately preceding the start of such Swap Calculation Period (if applicable). The Fixed Notional Amount will be subject to a cap as specified in the Fixed Rate Swap Agreement. In respect of the first Swap Calculation Period, the notional amount of the Fixed Rate Swap Transaction will be an amount in Sterling equal to the aggregate Capital Balance of the Fixed Rate Loans in the Portfolio on 30 September 2012 as adjusted for any non compliance with the Loan Warranties and redemptions on or prior to the Closing Date.

For the purposes of determining the amounts payable under the Fixed Rate Swap Transaction the following definitions apply:

Payment Ratio means, in respect of a Swap Calculation Period, the ratio of X/Y, where:

X = is the Fixed Notional Amount for such Swap Calculation Period minus the aggregate Capital Balance of the Fixed Rate Loans in the Portfolio which relate to properties that are in

possession or have been repossessed on or before the Collection Period End Date immediately preceding such Swap Calculation Period; and

Y = is the Fixed Notional Amount for such Swap Calculation Period;

Swap Calculation Period means (other than the first Swap Calculation Period), each period that corresponds to an Interest Period under the Notes. The first Swap Calculation Period, shall be the period from (and including) the Closing Date to but excluding the first Swap Payment Date; and

Swap Payment Date means each date that corresponds to an Interest Payment Date under the Notes.

General

If a payment (other than in respect of any Swap Provider Fee Amounts as described below) is to be made by the Fixed Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Swap Payment Date according to the relevant Priority of Payments. If a payment (other than in respect of any Issuer Fee Amounts as described below) is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

In addition to the scheduled payment and Early Termination Event provisions described below, if any back-to-back swap arrangement relating to the Fixed Rate Swap Transaction governed by the Fixed Rate Swap Agreement is terminated, and following such termination a Fixed Rate Loan in the Portfolio (excluding any new Loans purchased by the Issuer after the Closing Day) has been subject to a Product Switch or a Further Advance such that it would give rise to a change in value of the Fixed Rate Swap Transaction, then an amount equal to such change in value (the **Net Payment**) shall be payable either:

- (i) by the Issuer to the Fixed Rate Swap Provider (the **Issuer Fee Amount**); or
- (ii) by the Fixed Rate Swap Provider to the Issuer (the **Swap Provider Fee Amount**).

Any Issuer Fee Amount shall not be paid out of Available Revenue Receipts but shall be payable out of the proceeds of the Class C VFN or by additional payments made by the Co-operative Bank under the Mortgage Sale Agreement. The Issuer shall only be required to make such payment of Issuer Fee Amounts to the extent it receives funds representing the same from the Class C VFN Holder or the Co-operative Bank, as applicable.

Any Swap Provider Fee Amount received by the Issuer shall be used to repay the Class C VFN until the Class C VFN is redeemed in full. Any excess Swap Provider Fee Amount following the redemption in full of the Class C VFN will be applied as Available Revenue Receipts.

Under the terms of the Fixed Rate Swap Agreement, in the event that the relevant rating(s) of the Fixed Rate Swap Provider assigned by a Rating Agency is below the rating specified in the Fixed Rate Swap Agreement (in accordance with the requirements of the Rating Agencies) (the **Required Fixed Rate Swap Rating**), the Fixed Rate Swap Provider will, in accordance with the Fixed Rate Swap Agreement, be required to elect to take certain remedial measures within the timeframe stipulated in the Fixed Rate Swap Agreement and at its own cost which may include providing collateral for its obligations under the Fixed Rate Swap Agreement, arranging for its obligations under the Fixed Rate Swap Agreement to be transferred to an entity with the Required Fixed Rate Swap Ratings, procuring another entity with the Required Fixed Rate Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Fixed Rate Swap Agreement.

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

- (a) if there is a failure by a party to pay amounts due under the Fixed Rate Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a material misrepresentation is made by the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement;
- (d) if a breach of a provision of the Fixed Rate Swap Agreement by the Fixed Rate Swap Provider is not remedied within the applicable grace period;
- (e) if a change of law results in the obligations of one of the parties becoming illegal;
- (f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Fixed Rate Swap Transaction due to change in law or if certain tax representations made by the Fixed Rate Swap Provider prove to have been incorrect or misleading in any material respect;
- (g) if the Fixed Rate Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Fixed Rate Swap Agreement and described above;
- (h) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events of Default) of the Notes;
- (i) if there is a redemption of the Notes pursuant to Condition 7.4 of the Notes; and
- (j) if any of the Transaction Documents is amended (other than with the prior written consent of the Fixed Rate Swap Provider) such that the Fixed Rate Swap Provider would be reasonably required to pay more or receive less under the Fixed Rate Swap Agreement if it were to replace itself as swap counterparty in respect of the Fixed Rate Swap Transaction.

Under the terms of the Fixed Rate Swap Agreement, upon an early termination of the Fixed Rate Swap Transaction, depending on the type of Early Termination Event and circumstances prevailing at the time of termination, the Issuer or the Fixed Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the Fixed Rate Swap Transaction in each case as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination.

Depending on the terms of the Fixed Rate Swap Transaction and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Issuer is not obliged under the Fixed Rate Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Fixed Rate Swap Transaction.

The Fixed Rate Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Fixed Rate Swap Agreement. However, if the Fixed Rate Swap Provider is required to gross up a payment under the Fixed Rate Swap Agreement due to a change in the law, the Fixed Rate Swap Provider may terminate the Fixed Rate Swap Agreement.

Estimations and Reconciliations

The Issuer (or the Servicer acting on its behalf) will provide to the Fixed Rate Swap Provider on a monthly basis a schedule showing the current aggregate Capital Balance of the Fixed Rate Loans in the Portfolio and the expected future balance assuming a zero per cent. prepayment rate. If no such schedule is received in respect of a Calculation Period or certain insolvency events have occurred in respect of the Co-operative Bank, then the Fixed Notional Amount will be determined by reference to the last such schedule received or the last schedule received prior to such insolvency event, as the case may be.

The Fixed Rate Swap Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

CASHFLOWS

Definition of Revenue Receipts

Revenue Receipts means (a) payments of interest and other fees due from time to time under the Loans (including any Early Repayment Fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced and (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed.

Definition of Available Revenue Receipts

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

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Deposit Accounts and income from any Authorised Investments in each case to be received on the Interest Payment Date;
- (c) amounts received or to be received by the Issuer under the Fixed Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Fixed Rate Swap Agreement on the applicable Interest Payment Date which is to be applied in acquiring a replacement swap, (ii) Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Rate Swap Provider to the Issuer on early termination of the Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Fixed Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Fixed Rate Swap Provider, (iv) amounts in respect of Swap Tax Credits and (v) Swap Provider Fee Amounts) on such Interest Payment Date;
- (d) the amounts standing to the credit of the General Reserve Ledger as at the immediately preceding Calculation Date;
- (e) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments);
- (f) amounts deemed to be Available Revenue Receipts in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments;
- (g) any Account Bank Defaulted Amounts received by the Issuer in replacement of those Available Revenue Receipts that have not been paid by the Co-operative Bank in its capacity as Co-op Account Bank as a result of an Account Bank Non-Payment Event;
- (h) if the Class C VFN is redeemed in full, any amounts standing to the credit of the Swap Provider Fee Amount Ledger; and
- (i) if in a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c);

- *less:*
- (j) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) certain fees charged by the Servicer in respect of its servicing of the Loans (the **Servicing Related Fees**);
 - (ii) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (iii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account; and
 - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within (j) being collectively referred to herein as **Third Party Amounts**). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Deposit Accounts to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

- *plus*
- (k) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (j) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Revenue Deficiency;
- *plus*
- (l) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (j) plus (k) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, the amount then standing to the credit of the Liquidity Reserve Fund Ledger (if funded) and available to be drawn to the extent necessary to pay such Revenue Deficiency;
- *plus*
- (m) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (j) plus (k) and (l) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and the Fixed Rate Swap Provider has failed to make a payment under the Fixed Rate Swap Agreement and such default is continuing, the Swap Collateral contributed by the Fixed Rate Swap Provider in an aggregate amount equal to the lesser of (i) such Revenue Deficiency and (ii) the Fixed Rate Defaulted Swap Amount.

Fixed Rate Defaulted Swap Amount means: (a) prior to the designation of an Early Termination Date in respect of the Fixed Rate Swap Transaction, an amount equal to the amount that was due (after the application of netting) but unpaid by the Fixed Rate Swap Provider in accordance with the terms of the Fixed Rate Swap Agreement or (b) following the designation of an Early Termination Date in respect of the Fixed Rate Swap Transaction, any amounts available to be withdrawn at item (e) of the Swap Collateral Account Priority of Payments.

Application of Monies Released from the General Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger as at the end of the immediately preceding Collection Period will be applied on each Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Principal Receipts to pay Revenue Deficiency

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of (a) the Principal Ledger and (b) if there are insufficient monies standing to the credit of the Principal Ledger, the Retained Principal Receipts Ledger as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments to items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger and/or the Retained Principal Receipts Ledger to pay or provide for a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Sub-Ledger.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger and the Retained Principal Receipts Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Monies Drawn from the Liquidity Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, if following the application of the amounts standing to the credit of the Principal Ledger and/or the Retained Principal Receipts Ledger there remains a Revenue Deficiency then monies standing to the credit of the Liquidity Reserve Fund Ledger (if funded) as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments at items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments to the extent required.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Liquidity Reserve Fund Ledger (if funded) will be applied in accordance with the Post-Acceleration Priority of Payments.

If any amounts are applied from the Liquidity Reserve Fund Ledger to fund items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, a corresponding debit will be made to the Principal Deficiency Ledger.

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

On each relevant Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full): (the **Pre-Acceleration Revenue Priority of Payments**):

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

- (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (VAT) thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agent Bank, the Registrar, the VFN Registrar and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the BNYM Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the BNYM Account Bank in the immediately succeeding Interest Period under the provisions of the BNYM Account Bank Agreement, together with (if applicable) VAT thereon as provided therein; and
 - (iv) if a Swap Collateral Account Bank Agreement is entered into, any amounts then due and payable to any Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to any Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Bank Agreement, together with (if applicable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item(1)below)); and
 - (ii) any Transfer Costs which the Servicer has failed to pay pursuant to Clause 18.3 of the Servicing Agreement;
- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately

succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

- (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
 - (iii) any amounts then due and payable to the Co-op Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Co-op Account Bank in the immediately succeeding Interest Period under the provisions of the Co-op Bank Account Agreement, together with VAT (if payable) thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein; and
 - (v) any amounts then due and payable to the Back-Up Cash Manager Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Cash Manager Facilitator in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction of any amounts due to the Fixed Rate Swap Provider in respect of the Fixed Rate Swap Agreement (including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Fixed Rate Swap Provider of any Replacement Swap Premium or from the Swap Collateral Account Priority of Payments but excluding, if applicable, any related Fixed Rate Swap Excluded Termination Amount and any Issuer Fee Amounts);
- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay, *pro rata* and *pari passu* interest due and payable on the Class A Notes;
- (g) *seventh* (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (h) *eighth*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date), to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (i) *ninth* (so long as the Notes will remain outstanding following such Interest Payment Date), to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (such amounts to be applied in repayment of principal as Available Principal Receipts);
- (j) *tenth*, to provide for amounts due on the relevant Interest Payment Date to pay, *pro rata* and *pari passu* according to the respective Principal Amount Outstanding thereof:
- (i) interest (including any Deferred Interest) due and payable on the Class B1 VFN; and
 - (ii) interest (including any Deferred Interest) due and payable on the Class B2 VFN;

- (k) *eleventh*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class C VFN;
- (l) *twelfth*, to pay the Issuer an amount equal to £1,125 to be retained by the Issuer as profit in respect of the business of the Issuer;
- (m) *thirteenth*, to provide for amounts due on the relevant Interest Payment Date to pay principal due and payable on the Class B VFN regarding subscriptions under the Class B VFN used to fund items other than the Capital Balance of the Loan;
- (n) *fourteenth*, to provide for amounts due on the relevant Interest Payment Date to pay principal due and payable on the Class C VFN;
- (o) *fifteenth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Fixed Rate Swap Agreement to the Fixed Rate Swap Provider in respect of any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to the Fixed Rate Swap Provider by the Issuer of any applicable Replacement Swap Premium or from the Swap Collateral Account Priority of Payments);
- (p) *sixteenth*, (so long as any Class A Notes will remain outstanding following such Interest Payment Date) if such Interest Payment Date falls immediately after a Determination Period, then the excess (if any) to the Co-op Deposit Account to be applied as Available Revenue Receipts on the next following Interest Payment Date; and
- (q) *seventeenth*, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

As used in this Prospectus:

Accrued Interest means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date.

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

Arrears of Interest means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

Capital Balance means, in respect of a Loan on any date, the principal balance of that Loan to which the Servicer applies the relevant interest rate and on which interest on that Loan accrues.

Capitalised Interest means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Current Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).

Early Repayment Fee means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that the Borrower is in default or his or her Loan becomes repayable for any other mandatory reason or he or she repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions.

Early Repayment Fee Receipts means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees.

Excess Swap Collateral means, in respect of the Fixed Rate Swap Agreement and the Fixed Rate Swap Provider, an amount (which will be transferred directly to the Fixed Rate Swap Provider in accordance with the Fixed Rate Swap Agreement) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Fixed Rate Swap Provider to the Issuer pursuant to the Fixed Rate Swap Agreement exceeds the Fixed Rate Swap Provider's liability under the Fixed Rate Swap Agreement as at the date of termination of the Fixed Rate Swap Agreement or which it is otherwise entitled to have returned to it under the terms of the Fixed Rate Swap Agreement. Any amount of Swap Collateral in respect of the Fixed Rate Swap Agreement used towards curing any Revenue Deficiency will be deducted from the amount due to the Fixed Rate Swap Provider.

Fixed Rate Swap Agreement means the ISDA master agreement, schedule, credit support annex and confirmation thereto (as amended or supplemented from time to time) relating to the Fixed Rate Swap Transaction to be entered into on the Closing Date between the Issuer and the Fixed Rate Swap Provider.

Fixed Rate Swap Excluded Termination Amount means, in relation to the Fixed Rate Swap Agreement, the amount of any termination payment due and payable to the Fixed Rate Swap Provider as a result of a Fixed Swap Provider Default or a Fixed Swap Provider Downgrade Event except to the extent such amount has already been paid pursuant to the Swap Collateral Account Priority of Payments.

Fixed Rate Swap Provider means HSBC Bank plc in its capacity as the fixed rate swap provider pursuant to the Fixed Rate Swap Agreement and any successor or transferee in respect thereof.

Fixed Rate Swap Transaction means the fixed rate swap documented under the Fixed Rate Swap Agreement pursuant to which the Issuer will hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes.

Interest Period means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date).

Redemption Fee means the standard redemption fee charged to the Borrower by the Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan.

Replacement Swap Premium means an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into an agreement with such replacement swap provider to replace the Fixed Rate Swap Transaction.

Swap Collateral means an amount equal to the value of collateral (other than Excess Swap Collateral) provided by the Fixed Rate Swap Provider to the Issuer under the Fixed Rate Swap Agreement and includes any interest and distributions in respect thereof.

Swap Collateral Excluded Amounts means, at any time, the amount of Swap Collateral which may not be applied under the terms of the Fixed Rate Swap Agreement at that time in satisfaction of the Fixed Rate Swap Provider's obligations to the Issuer including Swap Collateral, which is to be returned to the Fixed Rate Swap Provider from time to time in accordance with the terms of the Fixed Rate Swap Agreement and ultimately upon termination of the Fixed Rate Swap Agreement.

Swap Provider Default means the occurrence of an Event of Default (as defined in the Fixed Rate Swap Agreement) where the Fixed Rate Swap Provider is the Defaulting Party (as defined in the Fixed Rate Swap Agreement).

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

Swap Tax Credits means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Fixed Rate Swap Provider to the Issuer.

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

Definition of Principal Receipts

Principal Receipts means (a) principal repayments under the Loans (including payments of arrears, Capitalised Interest and Capitalised Expenses and Capitalised Arrears), (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, and (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date).

Capitalised Arrears means, in relation to a Loan, at any date, amounts which are overdue in respect of that Loan and which as at that date have been included in the Current Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

Capitalised Expenses means, in relation to a Loan, the amount of all expenses charges, fees, premiums or payments capitalised and included in the Current Balance in respect of such Loan in accordance with the relevant Mortgage Conditions.

Definition of Available Principal Receipts

Available Principal Receipts means for any Interest Payment Date an amount equal to the aggregate of, (without double counting):

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date (i) received by the Issuer during the immediately preceding Collection Period or retained in the Retained Principal Receipts Ledger on the last Interest Payment Date (less an amount equal to the aggregate of all Further Advance Purchase Prices (as adjusted to take account of the purchase price paid by the Issuer for any Further Advances on the Monthly Pool Date immediately following the Collection Period End Date)) and (ii) received by the Issuer from the Seller (or, as applicable, the Co-operative Bank or one of its subsidiaries) during the immediately preceding Collection Period and on the Monthly Pool Date immediately following the Collection Period End Date in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller (or, as applicable, the Co-operative Bank or one of its subsidiaries) pursuant to the Mortgage Sale Agreement;
- (b) the amount standing to the credit of the Liquidity Reserve Fund (if funded) (to the extent not utilised on such Interest Payment Date pursuant to paragraph (l) of the definition of Available Revenue Receipts);
- (c) (in respect of the first Interest Payment Date only) the amount paid into a Deposit Account on the Closing Date to fund the Retained Principal Ledger for the first Collection Period and an amount

equal to the difference between the aggregate of the proceeds of the Class A Notes and the subscription in the Class B1 VFN minus the Initial Consideration;

- (d) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class B Principal Deficiency Sub-Ledger is reduced;
 - (e) the proceeds of any funding under the Class B2 VFN in circumstances where the purchase of a Further Advance would cause the Asset Conditions to be breached but the Seller has elected not to repurchase the relevant Loan in accordance with the Mortgage Sale Agreement and the Issuer has increased the Class B2 VFN by an amount equal to the Current Balance of the relevant Loan;
 - (f) the proceeds of any further funding under the Class B1 VFN used to fund the increase in the Set-Off Overcollateralisation Amount following the occurrence of the PFL Event;
 - (g) any Account Bank Defaulted Amounts in replacement of those Available Principal Receipts that have not been paid by the Co-operative Bank in its capacity as Co-op Account Bank as a result of an Account Bank Non-Payment Event; and
 - (h) if in a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c);
- less*
- (i) any amounts utilised to pay a Revenue Deficiency pursuant to paragraph (k) of the definition of Available Revenue Receipts.

Application of amounts standing to the credit of the Retained Principal Receipts Ledger

Prior to the service of a Note Acceleration Notice monies standing to the credit of the Retained Principal Receipts Ledger will be applied on each Monthly Pool Date to pay all Further Advance Purchase Prices. To the extent funds are not applied by the Cash Manager on behalf of the Issuer towards Further Advance Purchase Prices, funds standing to the credit of the Retained Principal Receipts Ledger will form part of Available Principal Receipts.

Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Retained Principal Receipts Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Available Principal Receipts Prior to the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full):

- (a) *first*, from and including the date on which the Co-operative Bank ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of BBB and provided such Interest Payment Date is not the final Interest Payment Date in respect of the Class A Notes, to credit the Liquidity Reserve Fund Ledger to the Liquidity Reserve Fund Required Amount;
- (b) *second*, provided such Interest Payment Date is not the final Interest Payment Date of the transaction, towards a credit to the Retained Principal Receipts Ledger of an amount equal to Retained Principal Required Amount;

- (c) *third*, in or towards repayment *pro rata* and *pari passu* of principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (d) *fourth*, in or towards repayment *pro rata* and *pari passu* of the principal amounts outstanding on:
 - (i) the Class B1 VFN; and
 - (ii) the Class B2 VFN,
 in each case until the Principal Amount Outstanding of the subscription under the Class B VFN used to fund the Capital Balance of the Loans has been reduced to zero; and
- (e) *fifth*, the excess (if any) to be applied as Available Revenue Receipts.

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

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than:

- (a) amounts representing any Excess Swap Collateral which shall be returned directly to the Fixed Rate Swap Provider under the Fixed Rate Swap Agreement;
- (b) any Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Fixed Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Fixed Rate Swap Provider to the Issuer on early termination of the Fixed Rate Swap Transaction under the Fixed Rate Swap Agreement which shall be returned directly to the Fixed Rate Swap Provider;
- (c) any Swap Tax Credits which shall be returned directly to the Fixed Rate Swap Provider; and
- (d) Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Fixed Rate Swap Provider) which shall be paid directly to the Fixed Rate Swap Provider,

in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agent Bank, the Registrar, the VFN Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the BNYM Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the BNYM Account Bank under the provisions of the BNYM Account Bank Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iv) if the Swap Collateral Account Bank Agreement is entered into, any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Swap Collateral Account Bank under the provisions of the Swap Collateral Account Bank Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Co-op Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Co-op Account Bank under the provisions of the Co-op Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein; and
 - (v) any amounts then due and payable to the Back-Up Cash Manager Facilitator and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Back-Up Cash Manager Facilitator under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;
- (d) *fourth*, to pay amounts due and payable to the Fixed Rate Swap Provider in respect of the Fixed Rate Swap Agreement (including any termination payment due and payable by the Issuer to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account

Priority of Payments but excluding, where applicable, any related Fixed Rate Swap Excluded Termination Amount);

- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof interest and principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:
 - (i) interest and principal due and payable on the Class B1 VFN; and
 - (ii) interest and principal due and payable on the Class B2 VFN,in each case until the Principal Amount Outstanding on the Class B VFN has been reduced to zero;
- (g) *seventh*, to pay according to the respective outstanding amounts thereof, interest and principal due and payable on the Class C VFN in each case until the Principal Amount Outstanding on the Class C VFN has been reduced to zero;
- (h) *eighth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Fixed Rate Swap Agreement to the Fixed Rate Swap Provider in respect of any Fixed Rate Swap Excluded Termination Amount (to the extent not satisfied by any amounts available to be applied in accordance with the Swap Collateral Account Priority of Payments);
- (i) *ninth*, to pay the Issuer an amount equal to £1,125 to be retained by the Issuer as profit in respect of the business of the Issuer; and
- (j) *tenth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

Swap Collateral

In the event that the Fixed Rate Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Fixed Rate Swap Agreement in accordance with the terms of the Credit Support Annex of the Fixed Rate Swap Agreement (the **Swap Credit Support Annex**), that collateral (and any interest and/or distributions earned thereon) will be credited to a separate Swap Collateral Account and credited to the Fixed Rate Swap Collateral Ledger. Any cash credited to the Swap Collateral Account may be invested by the Cash Manager, in accordance with the terms of the Fixed Rate Swap Agreement and the Cash Management Agreement, in eligible swap collateral investments (which includes money market funds). In addition, upon any early termination of the Fixed Rate Swap Agreement, (a) any Replacement Swap Premium received by the Issuer from a replacement swap provider and/or (b) any termination payment received by the Issuer from the outgoing Fixed Rate Swap Provider will be credited to the Swap Collateral Account or recorded on the Fixed Rate Swap Collateral Ledger.

Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) and recorded on the Fixed Rate Swap Collateral Ledger (other than amounts set out in paragraph (a) of the definition of Fixed Rate Defaulted Swap Amounts which will be applied as set out in "*Credit Structure – Definition of Available Revenue Receipts*") will not be available for the Issuer or the Security Trustee to make payments to the Secured Creditors generally, but may be applied only in accordance with the following provisions (the **Swap Collateral Account Priority of Payments**):

- (a) prior to the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement, solely in or towards payment or discharge of any Return Amounts, Interest Amounts and

Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Fixed Rate Swap Provider in accordance with the terms of the Swap Credit Support Annex;

- (b) following the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement where (A) such Early Termination Date has been designated following a Swap Provider Default or Swap Provider Downgrade Event and (B) the Issuer enters into a replacement swap agreement in respect of the Fixed Rate Swap Agreement on or around the Early Termination Date of the Fixed Rate Swap Agreement, on the later of the day on which such replacement swap agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
 - (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Fixed Rate Swap Agreement being terminated;
 - (ii) *second*, in or towards payment of any termination payment due to the outgoing Fixed Rate Swap Provider; and
 - (iii) *third*, the surplus (if any) (a **Swap Collateral Account Surplus**) on such day to be transferred to the Deposit Accounts;
- (c) following the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement where (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at items (b)(A) above and (B) the Issuer enters into a replacement swap agreement in respect of the Fixed Rate Swap Agreement on or around the Early Termination Date of the Fixed Rate Swap Agreement, on the later of the day on which such replacement swap agreement is entered into, the day on which a termination payment (if any) payable to the Issuer has been received and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
 - (i) *first*, in or towards payment of any termination payment due to the outgoing Fixed Rate Swap Provider;
 - (ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Fixed Rate Swap Agreement being terminated; and
 - (iii) *third*, any Swap Collateral Account Surplus on such day to be transferred to the Deposit Accounts;
- (d) following the designation of an Early Termination Date in respect of the Fixed Rate Swap Agreement for any reason where the Issuer does not enter into a replacement swap agreement in respect of the Fixed Rate Swap Agreement on or around the Early Termination Date of the Fixed Rate Swap Agreement and, on any day, in or towards payment of any termination payment due to the outgoing Fixed Rate Swap Provider; and
- (e) following payments of amounts due pursuant to (d) above, if amounts remain standing to the credit of a Swap Collateral Account or the Fixed Rate Swap Collateral Ledger, such amounts may be applied only in accordance with the following provisions:
 - (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the

Issuer with respect to the Fixed Rate Swap Agreement to which such Swap Collateral Account relates;

- (ii) *second*, any Swap Collateral Account Surplus remaining after payment of such Replacement Swap Premium to be transferred to the Deposit Account to be applied as Available Revenue Receipts or Available Principal Receipts, as applicable,

provided that for so long as the Issuer does not enter into a replacement swap agreement with respect to the Fixed Rate Swap Agreement to which such Swap Collateral Account relates, on each Interest Payment Date the Issuer or the Cash Manager on its behalf will be permitted to withdraw an amount from the applicable Swap Collateral Account or the Fixed Rate Swap Collateral Ledger (as the case may be) in respect of the Fixed Rate Swap Transaction, equal to the excess of the Fixed Interest Period Swap Provider Amount over the Fixed Interest Period Issuer Amount which would have been paid by the Fixed Rate Swap Provider to the Issuer on such Interest Payment Date but for the designation of an Early Termination Date under the Fixed Rate Swap Agreement to be applied as Available Revenue Receipts on such date; and

provided further that for so long as the Issuer does not enter into a replacement swap agreement with respect to the Fixed Rate Swap Agreement to which such Swap Collateral Account relates on or prior to the earlier of:

- (A) the Calculation Date immediately before the Interest Payment Date on which the Principal Amount Outstanding of all Classes of Notes; or
- (B) the day on which a Note Acceleration Notice is given pursuant to Condition 10,

then the amount standing to the credit of such Swap Collateral Account on such day shall be a **Swap Collateral Account Surplus** and shall be transferred to the Deposit Accounts as soon as reasonably practicable thereafter.

The Swap Collateral Accounts will be opened in the name of the Issuer and will be held at a financial institution which meets the relevant ratings requirements. A separate Swap Collateral Account and Swap Collateral Ledger will be established and maintained in respect of each Swap Agreement. As security for the payment of all moneys payable in respect of the Notes and the other Secured Amounts, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Accounts and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

DESCRIPTION OF THE GLOBAL NOTES AND THE VARIABLE FUNDING NOTES

General

The Class A Notes as at the Closing Date, will be represented by a global note certificate (a **Global Note**). All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be registered in the name of the nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Depository as the owner of the Global Note.

Upon confirmation by the Common Depository that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record in book-entry form interests representing beneficial interests in the Global Note attributable thereto (**Book-Entry Interests**).

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

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

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

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

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

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

Payments on the Global Notes

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

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the **Record Date**) Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date in respect of the Class A Notes, (i) where the Class A Notes are in global registered form, shall be at the close of the Business Day (being for this purpose a day on which Euroclear

and Clearstream, Luxembourg are open for business) prior to the relevant Interest Payment Date and (ii) where the Class A Notes are in definitive registered form, shall be the date falling 15 days prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Joint Arrangers, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

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

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

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

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

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

Redemption

In the event that a Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the order of the Common Depository and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or

portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

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

Transfers and Transfer Restrictions

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

Issuance of Registered Definitive Notes

Holders of Book-Entry Interests in the Global Note will be entitled to receive Definitive Notes in registered form (**Registered Definitive Notes**) in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in the Global Note will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in such Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above and provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Registered Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination. See "*Risk Factors — Denominations*" above.

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

Not later than ten days after receipt by the Issuer of any notices in respect of a Global Note or any notice of solicitation of consents or requests for a waiver or other action by the holder of such Global Note, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Note and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as

applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Note in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the *Financial Times*); provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the *Financial Times* shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. See also Condition 15 (Notice to Noteholders) of the Notes.

Variable Funding Notes

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

TERMS AND CONDITIONS OF THE NOTES

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

1. GENERAL

The £1,448,500,000 Class A mortgage backed floating rate Notes due 2055 (the **Class A Notes**), the £300,000,000 Class B1 variable funding note due 2055 (the **Class B1 VFN**), the £150,000,000 Class B2 variable funding note due 2055 (the **Class B2 VFN** and together with the Class B1 VFN, the **Class B VFN**) and the £150,000,000 Class C variable funding note due 2055 (the **Class C VFN** and, together with the Class A Notes and the Class B VFN, the **Notes**), in each case of Cambric Finance Number One PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 12 December 2012 (the **Closing Date**) and made between, *inter alios*, the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B VFN or the Class C VFN, as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class designation of Notes, the registered holders for the time being of such Class of Notes. The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, among others, the Issuer and HSBC Corporate Trustee Company (UK) Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, HSBC Bank plc as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agents**), HSBC Bank plc as registrar (in such capacity, the **Registrar**), The Co-operative Bank p.l.c. (the **Co-operative Bank**) as VFN registrar (in such capacity, the **VFN Registrar**) and HSBC Bank plc as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

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

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

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

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Class A Notes will initially be represented by a global note certificate in registered form (a **Global Note**). Each of the Class B VFN and the Class C VFN will be in dematerialised registered form.

For so long as any Class A Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Note and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate. Each Global Note will be deposited with and registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg.

For so long as the Class A Notes are represented by Global Notes and Euroclear and Clearstream, Luxembourg so permit, the Class A Notes shall be tradable only in the minimum nominal amount of £100,000 and multiples thereof.

A Global Note will be exchanged for the relevant Class A Notes in definitive registered form (such exchanged Global Note, the **Registered Definitive Notes**) only if either of the following applies:

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

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

Registered Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in registered form only.

The minimum denomination of the Class A Notes in global and (if issued and printed) definitive form will be £100,000.

Each Class of the VFNs have a minimum denomination of £100,000 and may be issued and redeemed in integrals of £100. No certificate evidencing entitlement to the Class of VFNs will be issued.

The Class B1 VFN will be issued on the Closing Date with a nominal principal amount of £300,000,000 and a Principal Amount Outstanding of £235,800,000 will be subscribed for on the Closing Date. The Class B2 VFN will be issued on the Closing Date with a nominal principal amount of £150,000,000 and a Principal Amount Outstanding of £4,000,000 will be subscribed for on the Closing Date. The Class C VFN will be issued on the Closing Date with a nominal principal amount of £150,000,000 and a Principal Amount Outstanding of £48,600,000 will be subscribed for on the Closing Date. If a further funding is made in respect of any of the Class B VFN or the Class C VFN, the VFN Registrar shall record such increase in the Principal Amount Outstanding of the relevant Class B VFN or the Class C VFN in the register for the VFNs (the **VFN Register**).

References to **VFN** in these Conditions means the Class B VFN and the Class C VFN.

References to **Notes** in these Conditions shall include the Global Notes, the VFN and the Registered Definitive Notes.

2.2 Title

Title to the Global Notes shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of a Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Registered Definitive Note or a VFN shall only pass by and upon registration of the transfer in the Register or the VFN Register (as applicable) provided that no transferee shall be registered as a new Class B VFN Holder or a new Class C VFN Holder (as the case may be) unless (a) the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee has been obtained (the Note Trustee shall only give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders) and (b) such transferee has certified to, *inter alios*, the VFN Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder.

Qualifying Noteholder means:

- (a) a person which is beneficially entitled to interest in respect of the VFN and is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of section 19 of the Corporation Tax Act 2009 (the **CTA**)) of that company; or
 - (iii) a partnership each member of which is:
 - (A) a company resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of

section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or

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

Registered Definitive Notes may be transferred upon the surrender of the relevant Registered Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. Such transfers shall be subject to the minimum denominations specified in Condition 2.1 (Form and Denomination) above. All transfers of Registered Definitive Notes are subject to any restrictions on transfer set forth on the Registered Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

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

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

The Notes are not issuable in bearer form.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class A Notes rank *pro rata* and *pari passu* without preference or priority amongst themselves in relation to payment of interest and principal at all times.
- (b) The Class B VFN and the Class C VFN constitute direct, secured and (subject as provided in Condition 17 (Subordination by Deferral) and the limited recourse provisions in Condition 11 (Enforcement)) unconditional obligations of the Issuer. The Class B VFN rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. The Class C VFN rank *pari passu* without preference or priority amongst themselves, but junior to the Class A Notes and the Class B VFN as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class B VFN Holder will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding); and the interests of the Class C VFN Holder will be subordinated to the interests of the Class A Noteholders and the Class B VFN Holder (so long as any Class A Notes or Class B VFN remain outstanding).

- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise) but requiring the Note Trustee and the Security Trustee in any such case to have regard only to the interests of (i) the Class A Noteholders if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class A Noteholders and, on the other, each or any of the Class B VFN Holder and/or the Class C VFN Holder; or (ii) the Class B VFN Holder if, in the Note Trustee's, or as the case may be, the Security Trustee's opinion, there is a conflict between the interests of, on the one hand, the Class B VFN Holder and, on the other, each or any of the Class C VFN Holder. As long as the Notes are outstanding but subject to Condition 12.5, the Security Trustee shall not have regard to the interests of the other Secured Creditors.
- (d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class B VFN Holder and the Class C VFN Holder to request or direct the Note Trustee or the Security Trustee to take any action or to sanction a direction according to the effect thereof on the interests of the Class A Noteholders.
- (e) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B VFN Holder and the Class C VFN Holder.

3.2 Security

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

4. COVENANTS

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

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Deposit Accounts and the Swap Collateral Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or
- (j) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

5. INTEREST

5.1 Interest Accrual

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

5.2 Interest Payment Dates

The first Interest Payment Date will be the Interest Payment Date falling in March 2013.

Interest will be payable quarterly in arrear on the 21st day of March, June, September and December, in each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**), for all classes of Notes.

In these Conditions, **Interest Period** shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date.

5.3 Rate of Interest and Step-up Margins

- (a) The rate of interest payable from time to time in respect of each class or sub-class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:
- (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for three and four month deposit in Sterling) of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (I) the Relevant Margin and (II) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
 - (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest.

- (b) On the Interest Payment Date falling in March 2017 (the **Step-up Date**) and thereafter, a higher interest amount will be payable by the Issuer with respect to each of the Class A Notes. The Class A Notes (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to attract a relevant Step-up Margin from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (Payments), payment of the principal in respect of the Class A Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event the Step-up Margin shall continue to accrue as provided in the Trust Deed.
- (c) The Step-up Margin set out in paragraph (d)(vi) below will be payable quarterly in arrear on each Interest Payment Date from (and including) the Interest Payment Date following the Step-up Date for each of the Notes.
- (d) In these Conditions (except where otherwise defined), the expression:
- (i) **Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;

- (ii) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply;
- (iii) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
- (iv) **Relevant Margin** means:
 - (A) prior to the Step-up Date, in respect of each Class of the Notes the following percentage per annum:
 - I. in respect of the Class A Notes, 1.25 per cent. per annum (the **Class A Margin**);
 - II. in respect of the Class B1 VFN, 0.21 per cent. per annum (the **Class B1 Margin**);
 - III. in respect of the Class B2 VFN, 0.21 per cent. per annum (the **Class B2 Margin**); and
 - IV. in respect of the Class C VFN, 0.21 per cent. per annum (the **Class C Margin**); and
 - (B) on and after the Step-up Date, the Step-up Margin;
- (v) **Relevant Screen Rate** means in respect of the Notes the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period, the rate which represents the linear interpolation of LIBOR for three and four month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01;
- (vi) **Step-up Margin** means, from and including the Step-Up Date:
 - (A) in respect of the Class A Notes, 2.50 per cent. per annum;
 - (B) in respect of the Class B1 VFN, the Class B1 Margin;
 - (C) in respect of the Class B2 VFN, the Class B2 Margin; and
 - (D) in respect of the Class C VFN, the Class C Margin;

5.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the **Interest Amounts**) in respect of the Notes payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 and rounding the figure downwards to the nearest penny.

5.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest, the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar, the VFN Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (Notice to Noteholders) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

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

5.7 Notifications, etc to be Final

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

5.8 Agent Bank

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

5.9 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period, a **Determination Period**), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.9 (Determinations and Reconciliation). When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly made on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 5.9(b) and/or 5.9(c), shall be deemed to be made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) Where, in respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio (as defined below) by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (A) the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**); and
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (A) 1 minus the Interest Determination Ratio and (B) all collections received by the Issuer during such Determination Period (the **Calculated Principal Receipts**).
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.9(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount (as defined below) as follows:
- (i) if the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger); and
 - (ii) if the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

Interest Determination Ratio means (a) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports (or, where there are not at least three previous Servicer Reports, any

previous Servicer Reports) divided by (b) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports.

Reconciliation Amount means in respect of any Collection Period, (a) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (b) the Calculated Principal Receipts in respect of such Collection Period, plus (c) any Reconciliation Amount not applied in previous Collection Periods.

Servicer Report means a report to be provided by the Servicer on the day falling three Business Days after the Monthly Test Date following each Calculation Date and detailing the information relating to the Portfolio necessary to produce the Investor Report.

6. PAYMENTS

6.1 Payment of Interest and Principal

Payments of principal and interest shall be made by Sterling cheque in the case of the Notes, or upon application by the relevant Noteholder to the specified office of the Principal Paying Agent (or the VFN Registrar in respect of any VFN) not later than the 15th day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Note or Registered Definitive Notes (as the case may be) at the specified office of any Paying Agent.

6.2 Laws and Regulations

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto and (ii) Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, U.S. Treasury regulations or administrative guidance promulgated thereunder or any law or agreement implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (Interest Accrual) and Condition 5.3(b) (Rate of Interest and Step-up Margins) will be paid, in respect of a Global Note, as described in Condition 6.1 (Payment of Interest and Principal) above and, in respect of any Registered Definitive Note, in accordance with this Condition 6.

6.4 Change of Paying Agents

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

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

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents, the Registrar or the VFN Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (Notice to Noteholders) and will notify the Rating Agencies of such change or addition.

6.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 Partial Payment

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

6.7 Payment of Interest

If interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (No Payment on non-Business Day)) or by reason of non-compliance by the Noteholder with Condition 6.1 (Payment of Interest and Principal), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (Notice to Noteholders).

7. REDEMPTION

7.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in June 2052.

7.2 Mandatory Redemption

- (a) Each of the Class A Notes and the Class B VFN shall, subject to Condition 7.3 (Optional Redemption of the Class A Notes in Full) and 7.4 (Optional Redemption for Taxation or Other Reasons), be redeemed on each Interest Payment Date and prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose (to the extent not used to credit the Retained Principal Receipts Ledger and the Liquidity Reserve Fund (if funded)) which shall be applied (i) to repay the Class A Notes until they are each repaid in full and thereafter be applied (ii) on a *pari passu* and *pro rata* basis, to repay (I) the Class B1 VFN until they are each repaid in full and, (II) the Class B2 VFN until they are repaid in full.
- (b) The Class C VFN will be redeemed on each Interest Payment Date prior to the service of a Note Acceleration Notice in an amount equal to the Available Revenue Receipts available for such purpose until they are repaid in full.

- (c) The principal amount redeemable in respect of each of the Notes (the **Note Principal Payment**) on any Interest Payment Date shall be in the case of the Notes (other than the Class C VFN), the Available Principal Receipts available for such purpose on the Calculation Date immediately preceding the Interest Payment Date to be applied in redemption of that Class divided by the number of Notes in that Class in the relevant denomination then outstanding. With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) the fraction expressed as a decimal to the sixth decimal point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of the Class A Notes, is 100,000 and, in the case of the Class B1 VFN, the Class B2 VFN and the Class C VFN, is 100. Each determination by or on behalf of the Issuer of any principal repayment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.
- (d) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and, in the case of the Class A Notes only, Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Class A Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange) the London Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (Notice to Noteholders) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given to the Noteholders.

7.3 Optional Redemption of the Class A Notes in Full

- (a) On giving not more than 60 nor less than ten days' notice to the Class A Noteholders in accordance with Condition 15 (Notice to Noteholders), the Note Trustee and the Fixed Rate Swap Provider, and provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the **Optional Redemption Date**), no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Class A Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Priority of Payments); and
 - (iii) the Optional Redemption Date is (A) the Interest Payment Date falling in March 2017 or any Interest Payment Date thereafter (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount outstanding of the Class A Notes on the Closing Date,

the Issuer may redeem on any Optional Redemption Date all of the Class A Notes on such Optional Redemption Date.

- (b) Any Class A Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A Note to be redeemed together with accrued

(and unpaid) interest on the Principal Amount Outstanding of the relevant Class A Note up to but excluding the Optional Redemption Date.

7.4 Optional Redemption for Taxation or Other Reasons

If:

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

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Class A Notes and the Trust Deed, provided that (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Class A Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on (A) any written confirmation from each of the Rating Agencies that the then current ratings of the Class A Notes would not be adversely affected by such substitution) or (B) a written certification from the Cash Manager to the Note Trustee that such proposed action (i) (while any Class A Notes remain outstanding) has been notified to the Rating Agencies, (ii) would not have an adverse impact on the Issuer's ability to make payment when due in respect of the Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) would not have an adverse effect on the rating of the Class A Notes) (upon which confirmation or certificate the Note Trustee shall be entitled to rely absolutely without liability to any person for so doing), and (ii) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (a) or (b) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Fixed Rate Swap Provider and Class A Noteholders in accordance with Condition 15 (Notice to Noteholders), redeem all (but not some only) of the Class A Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that (i) one or more of the circumstances referred to in subparagraph (a) or (b) above prevail(s), (ii) setting out details of such circumstances

and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents and the Fixed Rate Swap Provider has or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Class A Noteholders.

The Issuer may only redeem the Class A Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Class A Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Class A Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 Principal Amount Outstanding

The **Principal Amount Outstanding** of the Class A Notes on any date shall be their original principal amount of £1,448,500,000 less the aggregate amount of all principal payments in respect of such Class A Notes which have been made since the Closing Date.

The Principal Amount Outstanding of the Class B1 VFN shall be, as at a particular day (the **Reference Date**), the total principal amount of all drawings under the Class B1 VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class B1 VFN which have been made since the Closing Date and not later than the Reference Date.

The Principal Amount Outstanding of the Class B2 VFN shall be, as at a Reference Date, the total principal amount of all drawings under the Class B2 VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class B2 VFN which have been made since the Closing Date and not later than the Reference Date.

The Principal Amount Outstanding of the Class C VFN shall be, as at a Reference Date, the total principal amount of all drawings under the Class C VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class C VFN which have been made since the Closing Date and not later than such Reference Date.

7.6 Notice of Redemption

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

7.7 No Purchase by the Issuer

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

7.8 Cancellation

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

Each VFN will be cancelled when redeemed in full on the VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

VFN Commitment Termination Date means the date on which the commitment of the VFN Holder in respect of each of the Class B VFN and the Class C VFN will be extinguished, such date being the earlier to occur of:

- (a) December 2055; and
- (b) an Event of Default.

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, subject to Condition 7.4, the Issuer or, as the case may be, the relevant Paying Agent or the VFN Registrar shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer, the VFN Registrar nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. PRESCRIPTION

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

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (Notice to Noteholders).

10. EVENTS OF DEFAULT

10.1 Class A Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (a **Note Acceleration Notice**) to the Issuer and the Fixed Rate Swap Provider that all Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

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

10.2 Class B VFN

This Condition 10.2 (Class B VFN) shall not apply as long as any Class A Note is outstanding. Subject thereto, for so long as any Class B VFN is outstanding, the Note Trustee shall if so directed by the Class B VFN Holder, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class B VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (Class A Notes) occurs with references, where applicable, to Class A Noteholders being read as Class B VFN Holder.

10.3 Class C VFN

This Condition 10.3 (Class C VFN) shall not apply as long as any Class A Note or Class B VFN is outstanding. Subject thereto, for so long as any Class C VFN is outstanding, the Note Trustee shall if so directed by the Class C VFN Holder, (subject, in each case, to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class C VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (Class A Notes) occurs with references, where applicable, to Class A Noteholders being read as Class C VFN Holder.

10.4 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (Class A Notes), Condition 10.2 (Class B VFN) and Condition 10.3 (Class C VFN), all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

11. ENFORCEMENT

11.1 General

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including these Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders (including the provisions set out in Clause 10 (*Action, Proceedings and Indemnification*) and Schedule 3 to the Trust Deed), it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders for so long as there are any Class A Notes outstanding or directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or (if there are no Class A Notes outstanding) it shall have been directed in writing by the Class B VFN Holder or (if there are no Class A Notes or Class B VFN outstanding) it shall have been directed in writing by the Class C VFN Holder; and
- (b) in all cases, it shall have been indemnified and/or prefunded and/or secured to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable period of time and such failure is continuing.

11.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders) (or (i) once all of the Class A Noteholders have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto), (ii) once all the Class A Noteholders and the Class B VFN Holder have been repaid, to the Class C VFN Holder (and all persons ranking in priority thereto)), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (or (A) once all of the Class A Noteholders have been repaid, to the Class B VFN Holder (and all persons ranking in priority thereto), (B) once all the Class A Noteholders and the Class B VFN Holder have been repaid, to the Class C VFN Holder (and all persons ranking in priority thereto)). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer. The Security Trustee shall be entitled to rely upon any financial or other professional advice referred to in this Condition 11.2 without further enquiry and shall incur no liability to any person for so doing.

11.3 Limitations on Enforcement

No Noteholder shall be entitled to take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer.

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

11.4 Limited Recourse

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

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any) or interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium

(if any) or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- 12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.
- 12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class B VFN Holder and the Class C VFN Holder irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed will not take effect unless: (a) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B VFN Holder or it shall have been sanctioned by a direction of the Class B VFN Holder; and (b) either the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C VFN Holder or it shall have been sanctioned by a direction of the Class C VFN Holder, subject to Condition 12.4 (Quorum) and shall be notified by the Issuer to Moody's.
- 12.3 Other than in respect of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice, a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of only one class shall be deemed to have been duly passed if passed at a separate meeting of the holders of that Class of Notes of that class; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of more than one class but does not give rise to a conflict of interest between such holders of Class of Notes of any of the classes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of that Class of Notes of all the classes so affected; a resolution which, in the opinion of the Note Trustee, affects the interests of the holders of any Class of Notes of more than one class and gives or may give rise to a conflict of interest between the holders of such Class of Notes of one class or group of classes so affected and the holders of that Class of Notes of another class or group of classes so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of that Class of Notes of each class or group of classes so affected.

12.4 Quorum

- (a) Subject as provided below, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Class of Notes, or, at any adjourned meeting, one or more persons being or representing a Class A Noteholder of the relevant Class or Classes, whatever the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding held or represented by it or them.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (iv) alter the currency in which payments under the Notes are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or

cancellation of the Notes or (vii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding. Notwithstanding the above, the Co-operative Bank will not have any voting rights in respect of the Class A Notes (unless it holds all of the Class A Notes).

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

12.5 Subject as provided in Condition 12.15, the Note Trustee or, as the case may be, the Security Trustee, may agree with the Issuer and any other parties but without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document):

- (a) other than in respect of a Basic Terms Modification, to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is not materially prejudicial to the interests of the Noteholders of any Class; or
- (b) to any modification to these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error, provided that

in respect of any changes to any of the Transaction Documents which would have the affect of altering the amount, timing or priority of any payments due from the Issuer to the Fixed Rate Swap Provider, the written consent of the Fixed Rate Swap Provider is required.

12.6 Subject as provided in Condition 12.15, the Note Trustee may also, without the consent or sanction of the Noteholders or the other Secured Creditors, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders of any Class, waive or authorise any breach or proposed breach or determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution or by a direction under Condition 10 (Events of Default) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

12.7 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (Notice to Noteholders).

12.8 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies.

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

- 12.10 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee and the Security Trustee may, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Class A Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.
- 12.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.
- 12.12 **Extraordinary Resolution** means in respect of the Class A Noteholders:
- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than two thirds of persons eligible to attend and vote at such meeting and voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes cast on such poll; or
 - (b) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the Notes which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.
- 12.13 Details of any Extraordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to Moody's by the Principal Paying Agent on behalf of the Issuer.

12.14 Issuer Substitution Condition

The Note Trustee may concur, with the Issuer to any substitution under these Conditions and subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations,

provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (Covenants). In the case of a substitution pursuant to this Condition 12.14, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

12.15 Mandatory consents

Without prejudice to the provisions of Conditions 12.5 and 12.6, the Issuer, the Cash Manager (only so long as the Co-operative Bank is the sole Cash Manager) and/or the Fixed Rate Swap Provider (but, in the case of the Fixed Rate Swap Provider, only in respect of Transaction Amendments (as defined below) relating to a Transaction Document to which it is a party) (each a **Requesting Party**) may, at any time during the term of the Trust Deed, request that the Note Trustee and/or the Security Trustee agree amendments to or waivers in respect of any Transaction Documents, enter into new Transaction Documents or consent to any other relevant party doing so (as the case may be) to effect:

- (a) the appointment of a swap collateral account bank and the entry into of related documentation (including any swap collateral account bank agreement), in accordance with the terms of the Fixed Rate Swap Agreement; and/or
- (b) the closure of the NatWest Collection Account held with the NatWest Collection Account Bank, the appointment of the Co-operative Bank as the replacement collection account bank (the **Co-operative Collection Account Bank**), the opening of a replacement collection account with the Co-operative Collection Account Bank (the **Co-operative Collection Account**), the transfer of any monies from the NatWest Collection Account to the Co-operative Collection Account and the entry into of all related documentation (including any declaration of trust over the Co-operative Collection Account)

(together the **Transaction Amendments**),

irrespective of whether such Transaction Amendments are or may be materially prejudicial to the interests of the Noteholders of any Class or any other parties to any Transaction Documents and irrespective of whether such Transaction Amendments constitute or may constitute a Basic Terms Modification and the Note Trustee and the Security Trustee (as the case may be) shall enter into, or (where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document) provide their consent in respect of, such Transaction Amendments without the consent of the Noteholders or any other Secured Creditors if the Amendment Conditions are satisfied. **Amendment Conditions**, means:

- (i) confirmation in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that such Requesting Party is of the opinion based on its discussions with the relevant Rating Agency or Rating Agencies that the credit ratings then assigned by them to the Class A Notes will not be adversely affected by such Transaction Amendments;
- (ii) confirmation in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the

Security Trustee that each of the Rating Agencies have been notified of such proposed Transaction Amendments and have not raised any objections thereto;

- (iii) confirmation in writing from the relevant Requesting Party (where the Requesting Party is the Fixed Rate Swap Provider, such confirmation to be countersigned by the Cash Manager for so long as the Co-operative Bank is the sole Cash Manager) to the Note Trustee and the Security Trustee that none of the Priority of Payments will be amended as a result of such Transaction Amendments; and
- (iv) the Note Trustee and the Security Trustee are satisfied that the proposed Transaction Amendments would not, in their opinion, impose any more onerous obligations on or create any additional liabilities for the Note Trustee or the Security Trustee or otherwise prejudice their interests.

For the avoidance of doubt and notwithstanding anything to the contrary in the other Transaction Documents, neither the Note Trustee nor the Security Trustee shall consider the interests of any other person in entering into (or, where the Note Trustee or, as the case may be, the Security Trustee is not a party to the relevant Transaction Document, providing their consent in respect of) such Transaction Amendments. Each of them shall rely without further investigation on any confirmation provided to it in connection with the Transaction Amendments and shall not monitor or investigate whether the Issuer, the Cash Manager (in its capacity as the Requesting Party, where applicable) or the Fixed Rate Swap Provider (as the case may be) is acting in a commercially reasonable manner, nor shall either of them be responsible for any liability that may be occasioned to any person by acting in accordance with these provisions based on any written notification or confirmation it receives from the Issuer, the Cash Manager (in its capacity as the Requesting Party, where applicable) or the Fixed Rate Swap Provider (as the case may be).

Reference in this Condition 12.15 to a confirmation in writing of a Requesting Party shall be to a written confirmation signed by, in the case of the Issuer, two directors thereof and in all other cases two authorised signatories of such Requesting Party.

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

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

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

14. REPLACEMENT OF NOTES

If any Class A Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed

Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 Publication of Notice

- (a) Subject to paragraph (c) below any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, provided that if, at any time, (i) the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a **Relevant Screen**), or (ii) paragraph (c) below applies and the Issuer has so elected, publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.
- (b) In respect of Class A Notes in definitive form, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the 4th day after the date of posting.
- (c) Whilst the Class A Notes are represented by Global Note, notices to Noteholders (other than the Class B VFN Holder and the Class C VFN Holder) will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class B VFN Holder and the Class C VFN Holder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (d) In respect of the VFN, notices to Holders will be sent to them by the fax number or email address notified to the Issuer from time to time in writing.

15.2 Note Trustee's Discretion to Select Alternative Method

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

16. REPLACEMENT NOTES

- 16.1 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is satisfied, the Issuer may, without the consent of the Noteholders, issue one or more classes of replacement notes (**Replacement Notes**) to replace one or more classes of the Notes, each class of which shall have terms and conditions which may differ from the terms and conditions of the class of Notes which it replaces and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding

of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (Optional Redemption of the Class A Notes in Full).

- 16.2 If the Issuer Substitution Condition (the terms and conditions to the substitution of the Issuer as principal debtor as set out in the Trust Deed) is not satisfied, the Issuer may, without the consent of the Noteholders, issue one or more classes of Replacement Notes to replace one or more classes of the Notes, each class of which shall have the same terms and conditions in all respects as the class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**)) and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the class of Notes which it replaces, provided that the class or classes of Notes to be replaced are redeemed in full in accordance with Condition 7.3 (Optional Redemption of the Class A Notes in Full), in respect of such issue of Replacement Notes and provided further that, for the purposes of this Condition 16.2, where interest in respect of the Replacement Notes or the class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the class of Notes being replaced.

17. SUBORDINATION BY DEFERRAL

17.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 17, include any interest previously deferred under this Condition 17.1 and accrued interest thereon) payable in respect of the Class B VFN, and/or the Class C VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the **Deferred Interest**) in respect of the Class B VFN (unless there are no Class A Notes then outstanding), and/or the Class C VFN (unless there are no Class A Notes and Class B VFN then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class B VFN, and/or the Class C VFN, as appropriate).

17.2 General

Any amounts of Deferred Interest in respect of the Class B VFN, and/or Class C VFN shall accrue interest (**Additional Interest**) at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 17.1 (Interest) applies) or on such earlier date as the Class B VFN, and/or the Class C VFN become due and repayable in full in accordance with these Conditions.

17.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class B VFN, and/or the Class C VFN will be deferred or that a payment previously deferred will be made in accordance with this Condition 17, the Issuer will give notice thereof to the Class B VFN Holder, and/or the Class C VFN Holder, as appropriate, in accordance with Condition 15 (Notice to Noteholders). Any deferral of interest in accordance with this Condition 17 will not constitute an

Event of Default. The provisions of this Condition 17 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and accrued interest thereon shall become due and payable.

18. INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE VFN AND ADJUSTING THE MAXIMUM VFN AMOUNT

18.1 Class B1 VFN

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that the PFL Event has occurred and therefore the Set-Off Overcollateralisation Amount has increased, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class B1 VFN (the **Class B1 VFN Holder**) requesting that such Class B1 VFN Holder further fund the Class B1 VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
- (i) the amount of increase in the Set-Off Overcollateralisation Amount since the Closing Date; and
 - (ii) the Maximum B1 VFN Amount less the current Principal Amount Outstanding of the Class B1 VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class B1 VFN on the following Interest Payment Date).
- (b) The Class B1 VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class B1 VFN Holder further fund the Class B1 VFN, shall notify the Issuer that the relevant Class B1 VFN Holder is prepared to make such further funding (the **Further B1 VFN Funding**), provided the relevant Class B1 VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 18.1(d) below.
- (c) The proceeds of the Further B1 VFN Funding shall be applied by the Issuer to fund the increase in the Set-Off Overcollateralisation Amount following the occurrence of the PFL Event.
- (d) The Class B1 VFN Holder shall advance the amount of such Further B1 VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further B1 VFN Funding (or such lesser time as may be agreed by the Class B1 VFN Holder), the relevant Class B1 VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore, receipt of which shall oblige the relevant Class B1 VFN Holder to accept the amount of the Further B1 VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further B1 VFN Funding, the aggregate amount plus all Further B1 VFN Funding made in respect of the relevant Class B1 VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class B1 VFN which has already been repaid) would not exceed the Maximum B1 VFN Amount;

- (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further B1 VFN Funding; or
 - (B) the relevant Class B1 VFN Holder agrees in writing (notwithstanding any matter mentioned at (i) above) to make such Further B1 VFN Funding available; and
- (iv) the proposed date of such Further B1 VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

18.2 Class B2 VFN

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that (i) a Further Advance has been made, there are insufficient funds standing to the credit of the Retained Principal Receipts Ledger to fund the purchase of the Further Advance Purchase Price and of the amount of the Further Advance Purchase Price and/or such shortfall which is insufficiently funded by Retained Principal Receipts and/or (ii) the Seller, instead of repurchasing a Loan for breach of the Asset Conditions has elected to fund such Loan through the Class B2 VFN, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class B2 VFN (the **Class B2 VFN Holder**) requesting that such Class B2 VFN Holder further funds the Class B2 VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
 - (i) (A) in respect of (i) above, the Further Advance Purchase Price less Retained Principal Amounts available to pay such the Further Advance Purchase Price;
 - (B) in respect of (ii) above, the Current Balance of such Loan or Loan(s) that the Seller, instead of repurchasing for a breach of the Asset Conditions has elected to fund such Loan through the Class B2 VFN; and
 - (ii) the Maximum B2 VFN Amount less the current Principal Amount Outstanding of the Class B2 VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class B2 VFN on the following Interest Payment Date).
- (b) The Class B2 VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class B2 VFN Holder further funds the Class B2 VFN, shall notify the Issuer that the relevant Class B2 VFN Holder is prepared to make such further funding (the **Further B2 VFN Funding**), provided the relevant Class B2 VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 18.2(d) below.
- (c) The proceeds of the Further B2 VFN Funding shall be applied by the Issuer towards (i) the Further Advance Purchase Price and/or (ii) the funding of such Loan(s) that the Seller, instead of repurchasing for a breach of the Asset Conditions, has elected to fund such Loans through the Class B2 VFN.
- (d) The Class B2 VFN Holder shall advance the amount of such Further B2 VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
 - (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further B2 VFN Funding (or such lesser time as may be agreed by the Class B2 VFN

Holder), the relevant Class B2 VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore, receipt of which shall oblige the relevant Class B2 VFN Holder to accept the amount of the Further B2 VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;

- (ii) as a result of the making of such Further B2 VFN Funding, the aggregate amount plus all Further B2 VFN Funding made in respect of the relevant Class B2 VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class B2 VFN which has already been repaid) would not exceed the Maximum B2 VFN Amount;
- (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further B2 VFN Funding; or
 - (B) the relevant Class B2 VFN Holder agrees in writing (notwithstanding any matter mentioned at (i) above) to make such Further B2 VFN Funding available; and
- (iv) the proposed date of such Further B2 VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

18.3 Class C VFN

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the VFN Commitment Termination Date notifying the Issuer that (i) amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount, (ii) the Issuer Fee Amount is required to be paid under the Fixed Rate Swap Agreement, (iii) the Co-op Collateral Amount has increased, (iv) any premiums are required to be paid under the Fixed Rate Swap Agreement, and (v) there is a shortfall in respect of the amount to be retained by the Issuer in accordance with item (l) of the Pre-Acceleration Revenue Priority of Payments, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class C VFN (the **Class C VFN Holder**) requesting that such Class C VFN Holder further funds the Class C VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
 - (i)
 - (A) in respect of (i) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund;
 - (B) in respect of (ii) above, the Issuer Fee Amount;
 - (C) in respect of (iii) above, the amount of increase in the Co-op Collateral Amount since the Closing Date;
 - (D) in respect of (iv) above, the amount of any premium payable under any Fixed Rate Swap Agreement; or
 - (E) in respect of (v) above, the amount of any shortfall in respect of the amount to be retained by the Issuer in accordance with item (l) of the Pre-Acceleration Revenue Priority of Payments; and
 - (ii) the Maximum C VFN Amount less the current Principal Amount Outstanding of the Class C VFN (taking into account any likely reductions to the Principal Amount Outstanding of the Class C VFN on the following Interest Payment Date).

- (b) The Class C VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the relevant Class C VFN Holder further funds the Class C VFN, shall notify the Issuer that the relevant Class C VFN Holder is prepared to make such further funding (the **Further C VFN Funding**), provided the relevant Class C VFN Holder shall not be obliged to make any such further subscription unless and until such time as the Issuer has complied with the requirements of Condition 18.3(d) below.
- (c) The proceeds of the Further C VFN Funding shall be applied by the Issuer to (i) fund the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount, (ii) fund the Issuer Fee Amount, (iii) fund the increase in the Co-op Collateral Amount, (iv) any premiums payable under the Fixed Rate Swap Agreement and (v) any shortfall in respect of the amount to be retained by the Issuer in accordance with item (l) of the Pre-Acceleration Revenue Priority of Payments.
- (d) The Class C VFN Holder shall advance the amount of such Further C VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further C VFN Funding (or such lesser time as may be agreed by the Class C VFN Holder), the relevant Class C VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase (or other written direction to advance such funds) therefore, receipt of which shall oblige the relevant Class C VFN Holder to accept the amount of the Further C VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further C VFN Funding, the aggregate amount plus all Further C VFN Funding made in respect of the relevant Class C VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class C VFN which has already been repaid) would not exceed the Maximum C VFN Amount;
 - (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further C VFN Funding; or
 - (B) the relevant Class C VFN Holder agrees in writing (notwithstanding any matter mentioned at (b) above) to make such Further C VFN Funding available; and
 - (iv) the proposed date of such Further C VFN Funding falls on a Business Day prior to the VFN Commitment Termination Date.

In this Condition, the expression:

Notice of Increase means a notice, substantially in the form set out in the Trust Deed.

Maximum B1 VFN Amount for the Class B1 VFN shall be £300,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class B1 VFN Holder, and notified such amount to the Note Trustee.

Maximum B2 VFN Amount for the Class B2 VFN shall be £150,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class B2 VFN Holder, and notified such amount to the Note Trustee.

Maximum C VFN Amount for the Class C VFN shall be £150,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class C VFN Holder, and notified such amount to the Note Trustee.

19. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

20. RIGHTS OF THIRD PARTIES

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

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (HMRC) practice relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Each prospective purchaser is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the prospective purchaser may be subject to tax.

In this summary references to "Notes" and "Noteholder" excludes the Class B VFN and the Class C VFN and the Class B VFN Holder and the Class C VFN Holder

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The London Stock Exchange is a recognised stock exchange for such purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the regulated market of the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Further United Kingdom Income Tax Issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom income tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable) in which case tax may be levied on the United Kingdom branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Taxation of Chargeable Gains

A disposal of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

Accrued Income Scheme

On a disposal of Notes by an individual Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable.

The Notes are likely to constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme on a disposal of Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable, the Noteholder may be charged to income tax on an amount of income which is just and reasonable in the circumstances. The purchaser of such a Note will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Notes.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue or transfer of the Class A Notes (whether in global or definitive form).

SUBSCRIPTION AND SALE

The Co-operative Bank p.l.c. (the **Co-operative Bank**) has, pursuant to a note purchase agreement dated on or about 10 December 2012 between the Co-operative Bank, the Seller, the Joint Arrangers and the Issuer (the **Note Purchase Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for, the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes. The Co-operative Bank has, pursuant to the Note Purchase Agreement, agreed with the Issuer (subject to certain conditions) to subscribe and pay for the Class B VFN and the Class C VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class B VFN and the Class C VFN respectively as at the Closing Date.

The Issuer has agreed to indemnify the Co-operative Bank and the Joint Arrangers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Class A Notes to the Official List and the admission of the Class A Notes to trading on the London Stock Exchange's Regulated Market, no action has been taken by the Issuer, the Co-operative Bank or the Joint Arrangers, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Pursuant to the Note Purchase Agreement, the Co-operative Bank will covenant that it will retain a material net economic interest of not less than 5 per cent. in the securitisation pursuant to paragraphs (a) to (d) (as applicable) of Article 122a(1) of Directive 2006/48/EC (as amended) (which does not take into account any implementing rules of the CRD in a relevant jurisdiction) and to comply with the disclosure obligations imposed on sponsor and originator credit institutions under paragraph 7 of Article 122a of Directive 2006/48/EC, subject always to any requirement of law, provided that the Co-operative Bank will not be in breach of such undertaking if the Co-operative Bank fails to so comply due to events, actions or circumstances beyond the Co-operative Bank's control. As at the Closing Date, such retention requirement will be satisfied by the Co-operative Bank holding the first loss tranche and other tranches having the same or a more severe risk profile than those transferred or sold to investors as required by Article 122a (comprising the Class B VFN and the Class C VFN). Any change to the manner in which such interest is held will be notified to the Noteholders.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

The Co-operative Bank has agreed that, except as permitted by the Note Purchase Agreement, it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions and Investor Representations*" below.

United Kingdom

The Co-operative Bank has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Co-operative Bank has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Class A Notes to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, no further action has been or will be taken in any jurisdiction by the Co-operative Bank that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

General

The Co-operative Bank has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Registrar, the Joint Arrangers, the VFN Registrar and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN

ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Additional representations and restrictions applicable to a VFN

Any holder of a VFN may only make a transfer of the whole of its VFN or create or grant any Encumbrance in respect of such VFN if all of the following conditions are satisfied:

- (a) the holder of such VFN making such transfer or subjecting the VFN to such Encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such VFN or any other person in relation to such transfer or Encumbrance;
- (b) the holder of such VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall only give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders);
- (c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A to the Insolvency Act;
- (d) the transferee of such VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (e) the transferee is a Qualifying Noteholder.

The VFN Registrar shall not pay any relevant Interest Amount to the holder of a VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 2 (Form of Tax Certificate) to the Agency Agreement (the **Tax Certificate**) and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the VFN Registrar that such Interest Amount in respect of the VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the VFN Register. These transfer provisions are subject to the covenant of the Co-operative Bank to maintain a material net economic interest in the transaction as required under Article 122a.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Class A Notes to the Official List and the admission of the Class A Notes to trading on the London Stock Exchange's Regulated Market will be granted on or around 12 December 2012. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction.
2. None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 18 September 2012 (being the date of incorporation of each of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Class A Notes are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. For so long as the Class A Notes are admitted to the Official List and to trading on the London Stock Exchange's Regulated Market, the Issuer shall maintain a Paying Agent in the United Kingdom.
5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
6. Since 18 September 2012 (being the date of incorporation of each of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
7. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 30 November 2012.
8. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISINs and Common Codes:

<u>Class of Notes</u>	<u>ISIN</u>	<u>Common Code</u>
Class A Notes	XS0846311834	084631183

9. From the date of this Prospectus and for so long as the Class A Notes are listed on the London Stock Exchange's Regulated Market, copies of the following documents may be inspected at the registered office of the Issuer (and, with the exception of (a) below, at the specified office of the Paying Agents) during usual business hours, on any weekday (public holidays excepted):
 - (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
 - (b) copies of the following documents:
 - (i) the Agency Agreement;
 - (ii) the Deed of Charge;

- (iii) the Cash Management Agreement;
- (iv) the Master Definitions and Construction Schedule;
- (v) the Mortgage Sale Agreement;
- (vi) the Corporate Services Agreement;
- (vii) the BNYM Bank Account Agreement;
- (viii) the Co-op Bank Account Agreement;
- (ix) the declaration of trust dated on or about the Closing Date between, *inter alios*, NatWest, the Issuer and the Security Trustee (the **NatWest Collection Account Declaration of Trust**);
- (x) the Servicing Agreement;
- (xi) the Swap Collateral Account Bank Agreement (if applicable);
- (xii) the Fixed Rate Swap Agreement; and
- (xiii) the Trust Deed.

10. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports (i) will be published on the website at www.britannia.co.uk/bts and (ii) will also be available for inspection on the National Storage Mechanism located at www.hemscott.com/nsm/do. Investor Reports will also be made available to the Seller and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
11. The Issuer confirms that the Loans backing the issue of the Class A Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Class A Notes. Investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Class A Notes. Investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

INDEX OF TERMS

£	3	Buy to Let Loans	110
€	3	Calculated Principal Receipts	211
1999 Regulations	36	Calculated Revenue Receipts	211
Account Bank Defaulted Amount	170	Calculation Date	159
Account Bank Non-Payment Event	170	Capital Balance	188
Account Bank Rating	79, 172	Capitalisation	104
Account Banks	10	Capitalisation Policy	104
Accrued Interest	188	Capitalised Arrears	190
Act	233	Capitalised Expenses	190
Additional Interest	227	Capitalised Interest	188
Advance Date	153	Cash Manager	9
Agency Agreement	202	CCA	23, 32, 50
Agent Bank	10, 202	CCA 2006	33
Amendment Conditions	21, 224	CCA Mortgages Trust	106
Appointee	188	CCA Trust	50, 145
Approved Conveyancers	148	CCJ	109
Approved Solicitors	148	Certificate of Title	149
Arrears	106	Charged Assets	220
Arrears of Interest	188	CIS	94
Article 122a	iii, 85	CISGIL	94
AS 32	152	Class	202
Asset Conditions	155	Class A Margin	209
Assured Shorthold Tenancy	151	Class A Notes	58, 202
Authorised Denomination	197	Class B Principal Deficiency Limit	177
Authorised Investments	165	Class B VFN	58, 202
Available Principal Receipts	70, 190	Class B1 Margin	209
Available Revenue Receipts	68, 183	Class B1 VFN	58, 202
Back-Up Cash Manager	78, 171	Class B1 VFN Holder	228
Back-Up Cash Manager Facilitator	11	Class B2 Margin	209
Back-Up Servicer	79, 164	Class B2 VFN	58, 202
Back-Up Servicer Facilitator	10	Class B2 VFN Holder	229
Banking Act	41	Class C Margin	209
Base Rate	103	Class C VFN	58, 202
Base Rate Mortgage Rate	103	Class C VFN Holder	230
Base Rate Mortgages	103	Clearstream, Luxembourg	203
Base Rate Tracker Discount Mortgages	103	Closing Date	i, 202
Base Rate Tracker Mortgages	103	Closing Date Portfolio	114
Basel Committee	46	Collection Account Bank	11
Basel II	46	Collection Period	159
Basel III	46	Collection Period End Date	159
Basic Terms Modification	222	Collection Period Start Date	159
Belmont Decision	40	Condition	202
Block Buildings Insurance Policy	113	Conditions	ii, 202
BNYM Account Bank	10	Co-op Account Bank	10
BNYM Deposit Account	76	Co-op Bank Accounts	76
BO	109	Co-op Collateral Account Ledger	77, 169
Book-Entry Interests	197	Co-op Collateral Amount	77
Borrower	52, 102	Co-op Deposit Account	76
Britannia	144	Co-op Deposit Limit	77
Britannia Businesses	95	Co-operative Bank	2, 202, 236
Business Day	159, 208	Co-operative Bank Businesses	95
Buy To Let	50	Co-operative Collection Account	20, 224

Co-operative Collection Account Bank.....	20, 224	Further Advance	153
Co-operative Group	94	Further Advance Purchase Price.....	153
Corporate Services Provider.....	11	Further Advances.....	153
CPUTR	38	Further B1 VFN Funding.....	228
CRA Regulation	ii	Further B2 VFN Funding.....	229
CRD.....	iii	Further C VFN Funding.....	231
CRD II	46	GBP	3
CRD III.....	46	General Reserve Fund.....	168, 174
CRD IV.....	47	General Reserve Ledger	168
CTA	204	General Reserve Required Amount	175
Current Balance	51, 52, 159	Global Note.....	1
Current Indexed LTV	51	Global Note.....	197
CWS	94	Global Note.....	203
Deed of Charge.....	58, 202	HMRC	233
Deferred Interest.....	227	Holdings.....	9
Deposit Accounts.....	76	Housing Indices	137
Deposit Set Off Amount.....	176	HSBC.....	1
Determination Period.....	211	Indirect Participants	197
Early Repayment Charge.....	104	Industry CPR	136
Early Repayment Fee	188	Initial Advance	153
Early Repayment Fee Receipts.....	189	Initial Class A Note Purchaser.....	11
Early Termination Event	181	Initial Consideration	145
ECB	45	Interest Amounts.....	209
Effective Date.....	50, 145	Interest Amounts.....	209
Eligibility Criteria.....	146	Interest Determination Ratio.....	211
EU Savings Directive	42	Interest Payment Date.....	207
EUR.....	3	Interest Period.....	189, 207
Euro	3	Interest-only Loan.....	103
Euroclear	203	Investor Report	65
Event of Default	217, 218, 219	Issuer.....	i, 9, 202
Excess Swap Collateral	189	Issuer Accounts.....	79
Existing Tenancy Agreements.....	151	Issuer Fee Amount.....	170, 180
Extraordinary Resolution.....	63, 223	Issuer Fee Amount Ledger.....	169, 170
Fast Track	51	Issuer Profit Ledger	169
FCA	32	ITA 2007.....	205
Financial Guarantee.....	227	IVA	110
Fitch.....	ii	Joint Arrangers	11
Fixed Interest Period Issuer Amount.....	179	LBG.....	26, 99
Fixed Interest Period Swap Provider Amount..	179	LBSF.....	40
Fixed Interest Reference Date	179	Ledgers	168
Fixed Notional Amount.....	179	Lending Criteria.....	54, 108
Fixed Rate Defaulted Swap Amount.....	184	Liquidity Reserve Fund Ledger.....	169
Fixed Rate Loan	158	Liquidity Reserve Fund Required Amount.....	175
Fixed Rate Swap Agreement.....	189	Loan.....	108
Fixed Rate Swap Collateral Ledger.....	169	Loan To Value Ratios.....	115, 122, 129
Fixed Rate Swap Excluded Termination Amount	189	Loans	50, 145
Fixed Rate Swap Provider	10, 76, 189	Loans	50
Fixed Rate Swap Transaction	189	Loans	108
Fixed Reverting to Base Rate Tracker		London Stock Exchange	ii
Mortgages.....	103	LTV	96, 109
Flexible Loans	152	LTV Ratios	115, 122, 129
FRS 25	152	Markets in Financial Instruments Directive.....	ii
FSA.....	ii	Master Definitions and Construction Schedule	202
FSA Rules.....	151	Maximum B1 VFN Amount.....	231
FSMA	26	Maximum B2 VFN Amount.....	231

Maximum C VFN Amount.....	232	PRA	32
MCOB	31	Pre-Acceleration Principal Priority of Payments	191
Member State.....	35	Pre-Acceleration Revenue Priority of Payments	185
Merger	94	Presentation Date	213
Minimum Further Advance Spread	158	Principal Amount Outstanding	216
Minimum Product Switch Spread.....	158	Principal Deficiency Ledger	169, 177
Monthly Period.....	160	Principal Deficiency Ledgers	177
Monthly Period End Date.....	160	Principal Ledger	168
Monthly Pool Date	160	Principal Paying Agent.....	10, 198, 202
Monthly Test Date.....	160	Principal Receipts	190
Moody's	ii	Priority of Payments	192
Morgan Stanley	1	Product Switch.....	154
Mortgage	160	Product Switches	153
Mortgage	108	Project Verde	26
Mortgage Account.....	31, 34	Properties	108
Mortgage Accounts	114	Property	108, 160
Mortgage Conditions.....	152	Prospectus	ii, 9
Mortgagee.....	152	Prospectus Directive	ii
Mortgages.....	145	Provisional Pool.....	103
Mortgages.....	106	Put Option.....	107
N(M).....	30	Qualifying Noteholder	204
NatWest Collection Account Bank.....	11	Rate of Interest.....	208
Net Payment	180	Rates of Interest	208
New Loan Type	160	Rating Agencies.....	ii
Note Acceleration Notice	217	Rating Agency Tests.....	158
Note Principal Payment.....	214	Ratings Confirmation	18
Note Purchase Agreement	236	Re Leyland Daf.....	40
Note Trustee	10, 202	Reasonable, Prudent Mortgage Lender.....	53
Noteholders	58	Reconciliation Amount.....	212
Notes.....	i, 58, 202, 204	Record Date	198
Notice of Increase.....	231	Redemption Fee.....	189
Official List	ii	Reference Banks	209
OFT	32	Reference Date	216
Ombudsman.....	37	Register	204
Optional Redemption Date	214	Registered Definitive Notes.....	200, 203
Other Tenancy Agreement	151	Registrar.....	11, 202
Overcollateralisation Amount.....	76, 176	Regulated Mortgage Contract.....	30
Owner Occupied Loan.....	114	Regulation S	2
Participants	197	Related Security.....	145
Paying Agents.....	202	Related Security.....	160
Payment Ratio	180	Relevant Date	217
Perfection Event	146	Relevant Margin	209
Permitted Product Switch	154	Relevant Screen	226
PFL	1, i, 114	Relevant Screen Rate.....	209
PFL Event.....	176	Relevant Spread	158
PHL	111, 113	Repayment Loan.....	103
PHL Mandate Holders.....	111	Replacement Notes	226
Platform	97	Replacement Swap Premium.....	189
Pool Factor	214	repurchase	50
Portfolio.....	145	repurchased.....	50
Portfolio.....	i, 50, 114	Requesting Party.....	20, 224
Portfolio Reference Date	25	Required Fixed Rate Swap Rating.....	180
Post-Acceleration Priority of Payments	192	Restricted Certificate of Title	149
Post-FSCS Borrower Account Balance.....	177	Retained Principal Receipts.....	176
Pounds	3	Retained Principal Receipts Ledger.....	169

Retained Principal Required Amount.....	176	Swap Collateral Account Surplus.....	195, 196
Revenue Deficiency.....	175	Swap Collateral Excluded Amounts.....	189
Revenue Ledger.....	168	Swap Credit Support Annex.....	194
Revenue Receipts.....	183	Swap Payment Date.....	180
Right to Buy Loan.....	160	Swap Provider Default.....	189
sale.....	50, 145	Swap Provider Downgrade Event.....	190
Scheduled Reversion Date.....	159	Swap Provider Fee Amount.....	171, 180
SDRT.....	235	Swap Provider Fee Amount Ledger.....	169
Secured Creditors.....	165	Swap Tax Credits.....	190
Securities Act.....	1, 2, 238	Tax Certificate.....	239
Security.....	58, 165	Taxes.....	217
Security Trustee.....	10, 202	Terms and Conditions of the Notes.....	56
Self-certified Loans.....	50	Third Party Amounts.....	69, 184
sell.....	50	Third Party Buildings Policy.....	113
Seller.....	i, 9	Title Insurance Policy.....	149
Seller Insolvency Event.....	146	Transaction Amendments.....	20, 224
Seller's Policy.....	161	Transaction Documents.....	166
Servicer.....	9	Transfer Costs.....	190
Servicer Report.....	212	Treasury.....	98
Servicer Termination Event.....	163	Trust Deed.....	202
Servicer Termination Events.....	82	TSC Regulations.....	43
Services.....	82	U.S. Persons.....	2
Servicing Related Fees.....	69, 184	UK.....	3
Set-Off Overcollateralisation Amount.....	76	UK Listing Authority.....	ii
Share Trustee.....	11, 92	Underpayments or Payment Holidays.....	153
sold.....	50	Underwriting Criteria.....	149
SSM.....	45	Unfair Practices Directive.....	37
Step-up Date.....	208	United Kingdom.....	3
Step-up Margin.....	209	UTCCR.....	36
Sterling.....	3	Valuer.....	148
Sub-Accounts.....	114	VAT.....	186
Sub-Servicer.....	9, 161	VFN.....	204
Sub-Servicing Agreement.....	161	VFN Commitment Termination Date.....	217
Swap Calculation Period.....	180	VFN Holder.....	10
Swap Collateral.....	189	VFN Register.....	204
Swap Collateral Account.....	170	VFN Registrar.....	11, 202
Swap Collateral Account Bank.....	170	VFNs.....	58
Swap Collateral Account Bank Agreement.....	170	WMS.....	1, 26, 55, 161
Swap Collateral Account Priority of Payments.....	194	WTS.....	144

ISSUER

Cambric Finance Number One PLC

35 Great St. Helen's
London, EC3A 6AP

SELLER

Platform Funding Limited

Cheadle Road,
Leek, Staffordshire ST13 5RG

SERVICER, CASH MANAGER, CO-OP ACCOUNT BANK AND VFN REGISTRAR

The Co-operative Bank p.l.c.

1 Balloon Street
Manchester M60 4EP

BNYM ACCOUNT BANK

The Bank of New York Mellon

One Canada Square
London
E14 5AL

JOINT ARRANGERS

HSBC Bank plc
8 Canada Square
London E14 5HQ

Morgan Stanley & Co. International plc.
25 Cabot Square,
Canary Wharf
London E14 4QA

NOTE TRUSTEE AND SECURITY TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ

**AGENT BANK, REGISTRAR, PRINCIPAL
PAYING AGENT AND FIXED RATE SWAP
PROVIDER**

HSBC Bank plc
8 Canada Square
London E14 5HQ

LEGAL ADVISERS TO THE SELLER, THE ISSUER AND THE SERVICER

Allen & Overy LLP
One Bishops Square
London E1 6AD

LEGAL ADVISERS TO THE JOINT ARRANGERS

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ