IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS WHO ARE ALSO QUALIFIED PURCHASERS (EACH AS DEFINED BELOW)

IMPORTANT: You must read the following before continuing. The following applies to the base prospectus attached to this electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the base prospectus. In accessing the base 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 OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (**THE SECURITIES ACT**) OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that the base prospectus has been delivered to you on the basis that you are a person into whose possession this base prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the base prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the lead managers or any affiliate of the lead managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the lead managers or such affiliate on behalf of the issuer in such jurisdiction.

By accessing the base 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 base prospectus by electronic transmission, (c) you are either (i) 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 e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia or (ii) a qualified institutional buyer (QIB) within the meaning of Rule 144A under the Securities Act (**Rule 144A**) and a qualified purchaser (QP) within the meaning of Section 2(a)(51)(A) of the United States Investment Company Act of 1940, as amended (the **Investment Company Act**), and the rules and regulations thereunder, in each case acting for your own account or for the account of one or more QIBs who are also QPs in reliance on Rule 144A and (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **FPO**) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO (all such persons together being referred to as relevant persons). This prospectus must not be acted on or relied on by persons

who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

This base prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Silverstone Master Issuer PLC nor Nationwide Building Society nor any dealers or nor any person who controls, nor any director, officer, employee or agent of Silverstone Master Issuer PLC or Nationwide Building Society or any dealer nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the base prospectus distributed to you in electronic format and the hard copy version available to you on request from Silverstone Master Issuer PLC or Nationwide Building Society.

SILVERSTONE MASTER ISSUER PLC
(incorporated in England and Wales with limited liability with registered number 06612744)

£35,000,000,000
Residential Mortgage Backed Note Programme
(ultimately backed by the mortgages trust)

Programme establishment	Silverstone Master Issuer PLC, (the **issuer**) established a £20,000,000,000 mortgage backed note programme (the **programme**) on 25 July 2008 (the **programme date**). The size of the programme was subsequently increased to £35,000,000,000 on 9 December 2008.
Issuance in series	Notes issued under the programme have been and will be issued in series (other than any class Z GIC collateral note which will not be linked to a particular series). Each series will normally: (a) be issued on a single date; (b) be subject to the terms and conditions; and (c) consist of one or more classes of notes. Notes of the same class rank *pari passu* and *pro rata* among themselves. Each series of the same class will not, however, be subject to identical terms in all respects (for example, interest rates, interest calculations, expected maturity and final maturity dates will differ). The issuer may from time to time issue class A notes, class B notes, class M notes, class C notes, class D notes and/or class Z notes in one or more series (together, the **notes**). Each series will consist of one or more classes of notes.
The notes	The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S persons (as defined in Regulation S under the Securities Act (**Regulation S**)) (**U.S. persons**) unless an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act is available and in accordance with all applicable state or local securities laws. The programme provides that the issuer may issue notes to be sold outside the United States to non-U.S. persons in reliance on Regulation S. Such notes are collectively referred to herein as **Reg S notes**. In addition to Reg S notes, the issuer may also issue notes that will be sold within the United States only to qualified institutional buyers (**QIBs**) within the meaning of Rule 144A under the Securities Act (**Rule 144A**) in reliance on Rule 144A who are also qualified purchasers (**QP**s) within the meaning of Section 2(a)(51)(A) of the United States Investment Company Act of 1940, as amended (the **Investment Company Act**), and the rules and regulations thereunder, in each case acting for their own account or for the account of one or more QIBs who are also QPs in reliance on Rule 144A. Such notes are collectively referred to herein as **Rule 144A notes**. Prospective purchasers are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on offers, sales and transfers of notes in this base prospectus, see "**Subscription and sale**" below and "**Transfer restrictions and investor representations**" below. Notwithstanding any provision in this base prospectus to the contrary, each prospective investor (and each employee, representative, or other agent of each such prospective investor) may disclose to any and all

	persons, without limitation of any kind, the U.S. federal income tax treatment and U.S. federal income tax structure of any transaction contemplated in this base prospectus and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such U.S. federal income tax treatment and U.S. federal income tax structure. A note is not a deposit and neither the notes nor the underlying receivables will be insured or guaranteed by any United Kingdom or United States governmental agency.
Final terms	Each series of notes (other than exempt notes) will be subject to final terms, which, for the purpose of that series only, supplements the terms and conditions of the notes in this base prospectus and must be read in conjunction with this base prospectus. The final terms of a series of listed notes (including the classes and/or sub-classes of the notes of such series, the aggregate nominal amounts of such notes, interest (if any) payable in respect of the notes, the issue price of the notes and any other terms and conditions not described in this base prospectus) will be determined by the issuer in accordance with the prevailing market conditions at the time of the issue of the relevant notes and will be set out in a separate document (the **final terms**). The final terms for listed notes will be submitted to the UK Listing Authority for filing and made available to the public in accordance with the prospectus rules made pursuant to the Financial Services and Markets Act 2000 (the **FSMA**) (the **Prospectus Rules**).
Rating agencies	Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's** or **S&P**), Moody's Investors Service Limited (**Moody's**) and Fitch Ratings Ltd. (**Fitch,** and together with S&P and Moody's, the **rating agencies**). Whether or not each credit rating applied for in relation to a relevant series of notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the final terms (or, in the case of exempt notes, the pricing supplement). In general, European regulated investors are restricted from using a rating 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). Each of Standard & Poor's, Moody's and Fitch have been registered under Regulation (EC) No 1060/2009. Standard & Poor's operates under its trading name Standard & Poor's Rating Services.

Credit ratings	Ratings may be assigned to all or some of the notes of a series on or before each closing date and such ratings will be set out in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the relevant series. As a condition to the issue of the class A notes, the class B notes, the class M notes, the class C notes and the class D notes, as applicable, the class A notes, the class B notes, the class M notes, the class C notes and the class D notes (together, the **rated notes**) are expected, on issue, to be assigned certain minimum ratings upon issue by at least one of **S&P**, **Moody's** and **Fitch**, which are described in "**Overview of the notes—Issuance**" below. The ratings assigned to the rated notes comprising each series will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The issue of the class Z notes is not conditional upon a rating and the issuer has not requested any rating of the class Z notes. The ratings assigned by Fitch and S&P to each class or sub-class of rated notes address the likelihood of (a) full and timely payment of interest due to the noteholders on each interest payment date in accordance with the terms of the transaction documents and the conditions of the notes and (b) ultimate payment of principal by a date that is not later than the final maturity date. The ratings assigned by Moody's address the expected loss to a noteholder in proportion to the initial principal amount of the class or sub-class of rated notes held by the noteholder by the final maturity date. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**
Underlying assets	The issuer's primary source of funds to make payments on the notes will be derived from, *inter alia*, its rights pursuant to the intercompany loan agreement entered into between the issuer and Funding 1 (although the issuer will have a shared security interest under the Funding 1 deed of charge in the Funding 1 share of the trust property), which are ultimately backed by residential mortgage loans comprising the portfolio from time to time originated and/or acquired by Nationwide Building Society (**Nationwide)** and secured over residential properties located in England, Wales, Scotland and Northern Ireland. Each loan in the portfolio (and any drawing under flexible loans and any further advances) will be secured by either first legal charges over freehold, leasehold or common hold properties located in England or Wales, first ranking legal charges or first ranking legal mortgages over freehold or leasehold properties located in Northern Ireland or first ranking standard securities over heritable or long leasehold properties located in Scotland except in relation to (i) flexible advances linked to loans entered into before 1 September 2002, in which case the mortgage securing the relevant advance constitutes a valid and subsisting second ranking charge by way of legal mortgage or (in Scotland) second ranking standard security over the relevant property or (in Northern Ireland) a valid and subsisting second charge (in relation to registered land) or a valid and subsisting second mortgage by

	way of demise or sub-demise (in relation to unregistered land) behind the existing first ranking mortgage securing the balance of the relevant loan and (ii) in relation to a right to buy loan, subject to any charge or security which may arise or be granted in favour of the relevant local authority (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, and subject to, in certain appropriate cases, the completion of an application for registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland. The loans included in the portfolio will consist of several different types with a variety of characteristics relating to, among other things, calculation of interest and repayment of principal and include or will include: • loans which are subject to variable rates of interest set by reference to a variable base rate of interest, which the servicer determines based on general interest rates and competitive forces in the UK mortgage market from time to time; • loans which track a variable rate of interest other than a variable base rate set by the seller or the servicer (currently this rate is the Bank of England base rate); and • loans which are subject to fixed rates of interest. See "**The loans—Characteristics of the loans**" below for a more detailed description of the loans offered by the seller which may be included in the portfolio and the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for statistical information on the portfolio as at, or prior to, the date of such applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). All loans are originated by the seller in accordance with the seller's lending criteria for mortgage loans applicable at the time of origination or were originated by another member of the Nationwide group in accordance with such member's lending criteria for mortgage loans applicable at the time of origination. The seller may from time to time change its lending criteria, and any other terms applicable to loans or their related security assigned to the mortgages trust after the programme closing date so that all loans originated after the date of that change will be subject to the new lending criteria and such other amended terms. Notwithstanding any change to the lending criteria or other terms applicable to the loans, the loans and their related security may only be assigned to the mortgages trust if those loans and their related security comply with the seller's warranties in the mortgage sale agreement. If, at the time it is assigned to the mortgages trustee, a loan or its related security does not comply with these warranties, then the seller will have not more than 20 London business days following receipt of notice to such effect in which to cure the default, failing which it will be required to repurchase the loan or loans and their related security from the mortgages trustee. If the seller does not repurchase such loan and its related security within the time periods set out in the mortgage sale agreement then, pursuant to the terms of the mortgages trust deed, the size of the seller share of the trust property will be deemed to be reduced; there will be no corresponding reduction

	in the other beneficiaries' shares in the trust property. However, each of the beneficiaries' share percentage (including the seller and Funding 1) of the trust property will alter accordingly. See "**The mortgage sale agreement—Repurchase of loans**". The seller's current lending criteria are described further in "**The loans—Lending criteria**".
Replenishment	From time to time, Nationwide (in its capacity as seller) may, subject to satisfaction of the conditions to sale in "**The mortgage sale agreement—Conditions for sale of loans**", sell loans and their related security (which is the security for the repayment of a loan, including the relevant mortgage) to the mortgages trustee pursuant to the mortgage sale agreement to increase or maintain the size of the trust property. The loans will be residential mortgage loans originated by Nationwide in accordance with its lending criteria applicable at the time of origination or originated by another member of the Nationwide group in accordance with such member's lending criteria for mortgage loans applicable at the time of origination and secured over residential properties located in England, Wales, Scotland and Northern Ireland. These loans will be purchased by the mortgages trustee on transfer dates, subject to certain criteria being satisfied (see "**The mortgage sale agreement—Conditions for sale of loans**") and held on trust for certain beneficiaries (including Funding 1) (see "**The mortgage sale agreement—Sale of loans and their related security to the mortgages trustee**").
Credit enhancement	• The potential availability of excess portions of Funding 1 available revenue receipts (which consist of revenue receipts on the loans paid by the mortgages trustee to Funding 1 and other amounts set out in "**Cashflows—Definition of Funding 1 available revenue receipts**") and of **Funding 1 principal receipts** (which are principal receipts on the loans paid by the mortgages trustee to Funding 1 and other amounts set out in "**Cashflows—Definition of Funding 1 available principal receipts**"); • a reserve fund called the general reserve fund to be used in certain circumstances by Funding 1 to meet any deficit in Funding 1 available revenue receipts or to repay amounts of principal (see "**Credit structure—General reserve fund**"); and • subordination of junior classes of notes (see "**Credit structure—Priority of payments among the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes**").
Liquidity support	• Use of principal to cover interest shortfall (see "**Credit Structure—Use of Funding 1 principal receipts to pay Funding 1 income deficiency**"); • establishment of a Funding 1 liquidity reserve fund; (if established following a seller rating downgrade) (see "**Credit Structure—Funding 1 liquidity reserve fund**"); and • the general reserve fund may provide liquidity in certain circumstances (see "**Credit structure—General reserve fund**").

Redemption provisions	Information on any optional and mandatory redemption of the Notes is summarised in "**Overview of the notes—Payment and ranking of the notes**" and "**Overview of the notes—Mandatory or optional redemption of the notes**" and is set out in full in Condition 5 of the terms and conditions of the notes.
Listing	This document (including any documents incorporated by reference) comprises a base prospectus (the **base prospectus**) in respect of all notes other than any exempt notes issued under the programme, for the purpose of Directive 2003/71/EC (the **Prospectus Directive**). This base prospectus supersedes any previous base prospectus describing the programme. Any notes issued under the programme on or after the date of this base prospectus are issued subject to the provisions described herein. An application has been made to the Financial Conduct Authority (the **FCA** (previously known as the Financial Services Authority, the **FSA**)) in its capacity as competent authority (the **UK Listing Authority** or **UKLA**) under the FSMA in order for the base prospectus to be approved. An application will be made to the UK Listing Authority for the notes specified as listed notes in the applicable final terms (the **listed notes**) and issued under the programme during the period of 12 months from the date of this base prospectus to be admitted to the Official List (the **Official List**) and application will be made to the London Stock Exchange plc (the **London Stock Exchange**) for such notes to be admitted to trading on the London Stock Exchange's regulated market. The regulated market of the London Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (the **Markets in Financial Instruments Directive** or **MiFID**). The requirement to publish a prospectus under the Prospectus Directive only applies to notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this base prospectus to **exempt notes** are to notes for which no prospectus is required to be published under the Prospectus Directive. The programme provides that the issuer may issue unlisted notes and/or notes not admitted to trading on any market and/or notes which may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the issuer, the note trustee and the relevant dealers (which will be set forth in a drawdown or supplemental prospectus). Any such notes will be exempt notes. The UKLA has neither approved nor reviewed information contained in this base prospectus in connection with exempt notes and such exempt notes do not form part of this base prospectus. The class Z notes will not be listed.
Obligations	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 dealers, the underwriters, the joint bookrunners, Nationwide, the arranger, the note trustee, the issuer security trustee, the Funding 1 security trustee, the seller, the servicer, the cash manager, the issuer cash manager, Funding

	1, the mortgages trustee, Holdings, the issuer corporate services provider, the Funding 1 corporate services provider, the post-enforcement call option holder corporate services provider, the Holdings corporate services provider, the mortgages trustee corporate services provider, the Funding 1 swap provider, the issuer swap providers or their guarantors, as applicable, the paying agents, the registrar, the exchange rate agent, the transfer agent, the agent bank 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 dealers, the underwriters, the joint bookrunners, Nationwide, the arranger, the note trustee, the issuer security trustee, the Funding 1 security trustee, the seller, the servicer, the cash manager, the issuer cash manager, Funding 1, the mortgages trustee, Holdings, the issuer corporate services provider, the Funding 1 corporate services provider, the post-enforcement call option holder corporate services provider, the Holdings corporate services provider, the mortgages trustee corporate services provider, the Funding 1 swap provider, the issuer swap providers or their guarantors, as applicable, the paying agents, the registrar, the exchange rate agent, the transfer agent, the agent bank or any other party to the transaction documents (but without prejudice to the obligations of Funding 1 to the issuer under the intercompany loan agreement).
Definitions	Please refer to the section entitled "**Defined terms and conventions**" below and the Glossary for a list of defined terms and their meanings.
Risk Retention	If it sells one or more new loans and their related security to the mortgages trustee on or after 1 January 2015, the seller, in its capacity as the originator, (i) on or immediately following the relevant sale date, will retain, on an on-going basis, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures in accordance with the text of Article 405 of Regulation (EU) No 575/2013 (the **CRR**) and Article 51 of Regulation (EU) No 231/2013 (the **AIFM Regulation**), (ii) will agree not to hedge, sell or otherwise mitigate such risk and (iii) will disclose via an RNS announcement or in an investor report (or in such other manner as the seller may determine) such retained interest and the manner in which it is held. Please refer to the section entitled "**Risk Retention**" below.

THE *"RISK FACTORS"* SECTION STARTING ON PAGE 11 CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.

Neither the United States Securities and Exchange Commission nor any state securities commission in the United States nor any other United States regulatory authority has approved or disapproved the notes or determined that this base prospectus is truthful or complete. Any representation to the contrary is a criminal offence in the United States.

Arranger for the programme

Nationwide Building Society

Base prospectus dated 11 December 2014

IMPORTANT NOTICE

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. ACCORDINGLY, (A) THE REG S NOTES ARE BEING OFFERED AND SOLD ONLY TO PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT AND (B) THE RULE 144A NOTES ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QIBS (THAT ARE ALSO QPS) PURSUANT TO RULE 144A. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS".

THE ERISA ELIGIBILITY OF THE RULE 144A NOTES WILL BE SET FORTH IN THE APPLICABLE FINAL TERMS (OR, IN THE CASE OF EXEMPT NOTES, THE APPLICABLE PRICING SUPPLEMENT). THE REG S NOTES AND ANY RULE 144A NOTES NOT SPECIFIED IN THE APPLICABLE FINAL TERMS (OR, IN THE CASE OF EXEMPT NOTES, THE APPLICABLE PRICING SUPPLEMENT) AS ERISA-ELIGIBLE ARE NOT DESIGNED FOR, AND MAY NOT BE PURCHASED OR HELD BY, ANY "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**), WHICH IS SUBJECT THERETO, OR ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), OR BY ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH AN "**EMPLOYEE BENEFIT PLAN**" OR "**PLAN**," OR BY A GOVERNMENTAL, CHURCH, NON-US OR OTHER PLAN WHICH IS SUBJECT TO ANY US OR NON-US, FEDERAL, STATE OR LOCAL LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND/OR LAW OR REGULATION THAT PROVIDES THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE "PLAN ASSETS" OF SUCH PLAN; AND EACH PURCHASER OF SUCH NOTE WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE, SUCH AN "**EMPLOYEE BENEFIT PLAN**", "**PLAN**," PERSON, OR GOVERNMENTAL, CHURCH, NON-US OR OTHER PLAN. SEE "**ERISA CONSIDERATIONS**".

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

Available Information

The issuer has agreed that, for so long as any of the Rule 144A notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the issuer will furnish, upon request of a holder or of any beneficial owner of such a Rule 144A note or of any prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Enforceability of Judgments

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

Description of the Prime Collateralised Securities initiative

The Prime Collateralised Securities initiative (**PCS**) was launched on 14 November 2012 and is administered by Prime Collateralised Securities (PCS) UK Limited (**PCS Secretariat**). In summary, PCS is an industry-led non-profit initiative which seeks to define and promote certain best practice standards in the asset-backed securities market by identifying standards for certain types of securitisations of quality, transparency, simplicity and liquidity and by providing a process whereby a corresponding label (**PCS Label**) for compliant transactions (on an issuance, rather than programme, basis) may be sought.

The seller may apply to the PCS Secretariat for the PCS Label with respect to notes issued under the programme. It is not yet known whether an application will be made by the seller for the PCS Label in relation to notes issued under this base prospectus or whether the PCS Label will be provided, if sought. Following an award of the PCS Label, any amendment to (i) the transactions contemplated herein, (ii) this base prospectus (through the approval of a supplementary prospectus) or (iii) the application documentation submitted to the PCS Secretariat which affect the correctness or changes the details of the original application for the PCS Label shall be notified by the seller to the PCS Secretariat. Any failure to adhere to the PCS eligibility criteria may result in a subsequent withdrawal of the PCS Label and a retraction of a confirmation letter. For PCS purposes, (a) the underlying assets under the programme are residential mortgage loans secured over properties located in England, Wales, Scotland and Northern Ireland and none of the underlying assets under the programme are tranched debt securities themselves and (b) the programme does not involve a securitisation of one or more underlying assets (i) where risk transfer is achieved through the use of credit derivatives or other similar financial instruments and (ii) where there is no sale or granting of a security interest in the underlying assets to the mortgages trustee or Funding 1, as applicable.

For any notes issued under this programme in respect of which a PCS Label is awarded: (A) the first investor report that follows the award of the PCS Label will disclose the amount of the notes (i) privately placed with investors which are not in the originator group; (ii) retained by a member of the originator group; and (iii) publicly placed with investors which are not in the originator group; and (B) in relation to any amount initially retained by a member of the originator group, but subsequently placed with investors which are not in the originator group, the next investor report will (to the extent permissible) disclose such placement. For the purpose of this paragraph originator group means the originator and (i) its holding company; (ii) its subsidiaries; and (iii) any other affiliated company as set out in the published accounts of any such company but excluding entities within the group that are in the business of investing in securities and whose investment decisions are taken independently of, and at arm's length from, the originator.

As a private sector initiative, neither the PCS Label nor the activity of it being provided is endorsed or regulated by any regulatory and/or supervisory authority. The PCS Secretariat is not regulated by any regulator and/or supervisory authority.

In general, it should be noted that the PCS Label operates only as a confirmation that the relevant securities satisfy (at the time of award) certain specific standards referred to in the PCS standards and corresponding eligibility criteria. The PCS Label is not an opinion on the creditworthiness of the relevant securities or on the level of risk associated with an investment in the relevant securities. In addition, it is not an indication of the suitability of the relevant securities for any investor and/or a recommendation to buy, sell or hold securities. It is not clear what significance (if any) may be attributed to the PCS Label by prospective investors and, as such, it is not clear what impact the final determination (be it positive or negative) in respect of the seller's application (if an application is made in relation to notes issued under this base prospectus) for the PCS Label may have with respect to the market value and/or liquidity of the notes issued under the programme.

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 NATIONWIDE BUILDING SOCIETY, THE DEALERS, THE ARRANGER, THE UNDERWRITERS, THE BOOKRUNNERS, THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE FUNDING 1 SECURITY TRUSTEE, THE SERVICER, THE CASH MANAGER, THE ISSUER CASH MANAGER, FUNDING 1, THE MORTGAGES TRUSTEE, HOLDINGS, THE ISSUER CORPORATE SERVICES PROVIDER, THE FUNDING 1 CORPORATE SERVICES PROVIDER, THE POST-ENFORCEMENT CALL OPTION HOLDER CORPORATE SERVICES PROVIDER, THE HOLDINGS CORPORATE SERVICES PROVIDER, THE MORTGAGES TRUSTEE CORPORATE SERVICES PROVIDER, THE FUNDING 1 SWAP PROVIDER, THE ISSUER SWAP PROVIDERS OR THEIR GUARANTORS, AS APPLICABLE, THE PAYING AGENTS, THE REGISTRAR, THE EXCHANGE RATE AGENT, THE TRANSFER AGENT, THE AGENT BANK OR ANY OTHER COMPANY IN THE SAME GROUP OF COMPANIES AS NATIONWIDE BUILDING SOCIETY 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 NATIONWIDE BUILDING SOCIETY, THE DEALERS, THE ARRANGER, THE UNDERWRITERS, THE BOOKRUNNERS, THE NOTE TRUSTEE, THE ISSUER SECURITY TRUSTEE, THE FUNDING 1 SECURITY TRUSTEE, THE SERVICER, THE CASH MANAGER, THE ISSUER CASH MANAGER, FUNDING 1, THE MORTGAGES TRUSTEE, HOLDINGS, THE ISSUER CORPORATE SERVICES PROVIDER, THE FUNDING 1 CORPORATE SERVICES PROVIDER, THE POST-ENFORCEMENT CALL OPTION HOLDER CORPORATE SERVICES PROVIDER, THE HOLDINGS CORPORATE SERVICES PROVIDER, THE MORTGAGES TRUSTEE CORPORATE SERVICES PROVIDER, THE FUNDING 1 SWAP PROVIDER, THE ISSUER SWAP PROVIDERS OR THEIR GUARANTORS, AS APPLICABLE, THE PAYING AGENTS, THE REGISTRAR, THE EXCHANGE RATE AGENT, THE TRANSFER AGENT, THE AGENT BANK OR ANY OTHER COMPANY IN THE SAME GROUP OF COMPANIES AS NATIONWIDE BUILDING SOCIETY OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (BUT WITHOUT PREJUDICE TO THE OBLIGATIONS OF FUNDING 1 TO THE ISSUER UNDER THE INTERCOMPANY LOAN AGREEMENT).

The issuer accepts responsibility for the information contained in this base prospectus. To the best of the knowledge of the issuer (having taken all reasonable care to ensure that such is the case), the information contained in this base prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The issuer accepts responsibility accordingly.

The seller accepts responsibility for the section entitled "**Risk Retention Requirements**" on page 71 and declares that, having taken all reasonable care to ensure such is the case, the information in such section, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect is import.

None of the dealers or the underwriters makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this base prospectus, each final terms (or, in the case of exempt notes, each pricing supplement) or part hereof or thereof or any other information provided by the issuer in connection with the notes. To the fullest extent permitted by law, none of the dealers or the underwriters accepts any liability in relation to the information contained in this base prospectus and each final terms (or, in the case of exempt notes, each pricing supplement) or any other information provided by the issuer in connection with the notes. Each potential purchaser of notes should determine the relevance of the information contained in this base prospectus and the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) or part hereof or thereof and the purchase of notes should be based upon such investigation as each purchaser deems necessary. None of the dealers or the underwriters undertakes or shall undertake to review the financial condition or affairs of the issuer nor to advise any investor or potential investor in the notes of any information coming to the attention of the dealers or the underwriters.

A copy of this base prospectus and each of the final terms relating to listed notes will be available for inspection at the registered office of the issuer and at the specified office of the paying agents in accordance with the Prospectus Rules. A copy of the pricing supplement relating to exempt notes (if any) will be made available at the specified office of each paying agent.

If at any time the issuer shall be required to prepare a supplemental prospectus pursuant to section 87G of the FSMA, the issuer will prepare and make available an appropriate amendment or supplement to this base prospectus which, in respect of any subsequent issue of a series of notes to be listed on the Official List and admitted to trading on the London Stock Exchange's regulated market, shall constitute a supplemental prospectus as required by the UK Listing Authority and section 87G of the FSMA.

No person is or has been authorised in connection with the issue and sale of the notes to give any information or to make any representation not contained in this base prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of issuer, the directors of the issuer, Funding 1, the mortgages trustee, Holdings, the dealers, the underwriters, the joint bookrunners, Nationwide, the arranger, the note trustee, the issuer security trustee, the Funding 1 security trustee, the seller, the servicer, the cash manager, the issuer cash manager, the issuer corporate services provider, the Funding 1 corporate services provider, the post-enforcement call option holder corporate services provider, the Holdings corporate services provider, the mortgages trustee corporate services provider, the Funding 1 swap provider, the issuer swap providers or their guarantors, as applicable, the paying agents, the registrar, the exchange rate agent, the transfer agent, the agent bank or any other party to the transaction documents.

Neither the delivery of this base prospectus nor any sale or allotment made in connection with the offering of any of the notes shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the issuer, Funding 1, the mortgages trustee, Holdings, the dealers, the underwriters, the joint bookrunners, Nationwide, the arranger, the note trustee, the issuer security trustee, the Funding 1 security trustee, the seller, the servicer, the cash manager, the issuer cash manager, the issuer corporate services provider, the Funding 1 corporate services provider, the post-enforcement call option holder corporate services provider, the Holdings corporate services provider, the mortgages trustee corporate services provider, the Funding 1 swap provider, the issuer swap providers or their guarantors, as applicable, the paying agents, the registrar, the exchange rate agent, the transfer agent, the agent bank or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof or that there has been no change in any other information supplied in connection with the programme as of any time subsequent to the date indicated in the document containing the same or that such information is correct at any time subsequent to the date thereof.

Other than the approval of this base prospectus by the UK Listing Authority, the filing of this base prospectus with the UK Listing Authority and making the base prospectus available to the public in accordance with the Prospectus Rules, no action has been or will be taken to permit a public offering of any notes or the distribution of this base prospectus in any jurisdiction where action for that purpose is required. The distribution of this base prospectus and the offering of notes in certain jurisdictions may be restricted by law. Persons into whose possession this base prospectus (or any part hereof) comes are required by the issuer and the dealers (if any) to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of notes and distribution of this base prospectus, see "**Subscription and sale**" below. Neither this base prospectus, nor any part hereof, constitutes an offer of, or an invitation by, or on behalf of, the issuer or the dealers (if any) to subscribe for or purchase any of the notes and neither this base prospectus, nor any part hereof, may be used for or in connection with an 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.

Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this base prospectus, nor any part hereof, nor any other offering document, prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

U.S. INFORMATION

This base prospectus is being distributed in the United States to a limited number of QIBs that are also QPs for informational use solely in connection with the consideration of the purchase of certain notes issued under the programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part.

Registered notes may be offered or sold within the United States only to QIBs that are also QPs in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act or any other applicable exemption. Each U.S. purchaser of registered notes is hereby notified that the offer and sale of any registered notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of notes represented by a Rule 144A global note or any notes issued in registered form in exchange or substitution therefor will be deemed, by its acceptance or purchase of any such notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such notes, as set out in "**Transfer restrictions and investor representations**" below. Unless otherwise stated, terms used in this paragraph have the meanings given to them in "**Form of the Notes**".

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES ANNOTATED (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN

APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The issuer is a corporation organised under the laws of England. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England upon the issuer or such persons, or to enforce judgments against them obtained in courts outside England predicated upon civil liabilities of the issuer or such directors and officers under laws other than English law, including any judgment predicated upon United States federal securities laws. The issuer has been advised by Allen & Overy LLP, its counsel, that there is doubt as to the enforceability in England in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

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

A note is not a deposit and neither the notes nor the underlying receivables are insured or guaranteed by any United Kingdom or United States governmental agency.

Currently, there is no public market for the notes.

Forward-looking statements

This base prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this base prospectus, including, but not limited to, statements made under the captions "**Risk Factors**", "**The loans**", "**Nationwide Building Society**" and "**The servicing agreement**". These forward-looking statements can be identified by the use of forward-looking terminology, such as the words "believes", "expects", "may", "will", "continues", "intends", "plans", "should", "could" or "anticipates", or similar terms. These statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results and performance of the notes, Nationwide or the UK residential mortgage industry to differ materially from any future results or performance expressed or implied in the forward-looking statements. These risks, uncertainties and other factors include, among others: general economic and business conditions in the United Kingdom; currency exchange and interest rate fluctuations; government, statutory,

regulatory or administrative initiatives affecting Nationwide; changes in business strategy, lending practices or customer relationships; and other factors that may be referred to in this base prospectus. 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. Some of the most significant of these risks, uncertainties and other factors are discussed under the caption "**Risk Factors**", and you are encouraged to consider those factors carefully prior to making an investment decision. The arranger has not attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto. Without prejudice to any requirements under applicable laws and regulations, the issuer expressly disclaims any obligation or undertaking to disseminate after the date of this base prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

Defined terms and conventions

Key defined terms used in this base prospectus are set out in the Glossary. Where terms first appear in the text, such terms are also defined there or refer you to a definition elsewhere.

References in this document to **issuer**, **we** or **us** mean Silverstone Master Issuer PLC and references to **you** mean potential investors in the notes.

References in this base prospectus to **Funding 1** mean Silverstone Funding (No. 1) Limited.

References in this base prospectus to a **pricing supplement** are to the pricing supplements for exempt notes, if any (including notes not offered under this base prospectus). Pricing supplements will be based on the form of pricing supplement set forth in this base prospectus.

References in this base prospectus to **Nationwide** means Nationwide Building Society.

References in this base prospectus to the **UKLA** or the **UK Listing Authority** mean the United Kingdom Listing Authority.

References in this base prospectus to **£**, **pounds** or **sterling** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

References in this base prospectus to **US$**, **$**, **U.S. dollars** or **dollars** are to the lawful currency of the United States of America.

References in this base prospectus to **€**, **euro** or **Euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time.

References in this base prospectus to an alternative currency shall be construed as references to a currency other than sterling, euro or U.S. dollars which is the currency of denomination of a note.

None of the notes has 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 described in "**Subscription and sale**" and "**Transfer restrictions and investor representations**".

Any series of notes issued by the issuer to be sold outside the United States to non-U.S. persons in reliance on Regulation S are collectively referred to herein as **Reg S notes**. Any series of notes issued by the issuer to be sold within the United States only to qualified institutional buyers (QIBs) (who are also QPs) within the meaning of Rule 144A under the Securities Act (**Rule 144A**) in reliance on Rule 144A are collectively referred to herein as **Rule 144A notes**.

References to a **class** of notes are to the class A notes or the class B notes or the class M notes or the class C notes or the class D notes of any series or the class Z notes of any series and the class Z GIC collateral notes or, if applicable, any sub-class of such class of notes.

Important notice about information provided in this base prospectus and the applicable final terms or, in the case of exempt notes, the applicable pricing supplement

Information about each series of notes is contained in two separate documents: (a) this base prospectus, which provides general information, some of which may not apply to a particular series; and (b) the final terms for a particular series (or, in the case of exempt notes, the pricing supplement), which describes the specific terms of the notes of that series, including:

- the timing of interest and principal payments
- financial and other information about the assets of the issuer, Funding 1 and the mortgages trustee
- information about enhancement for your series or class (or sub-class) of notes
- the ratings for your class of rated notes
- other terms and conditions not contained herein that are applicable to such series and class (or sub class).

This base prospectus may be used to offer and sell any series and class (or sub-class) of notes only if accompanied by the final terms (or, in the case of exempt notes, the pricing supplement) for that series and class (or sub-class).

Although the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for a particular series of notes cannot contradict the information contained in this base prospectus, insofar as such final terms (or, in the case of exempt notes, such pricing supplement) contain specific information about the series that differs from the more general information contained in this base prospectus, you should rely on the information in such final terms (or, in the case of exempt notes, such pricing supplement).

In relation to a series of notes, you should rely only on the information contained in this base prospectus and the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for such notes. We have not authorised anyone to provide you with information in relation to such notes that is different from that contained in this base prospectus and such applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The information in this base prospectus or the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) is only accurate as of the dates on their respective covers.

We include cross-references in this base prospectus and each final terms (or, in the case of exempt notes, each pricing supplement) to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in each final terms (or, in the case of exempt notes, each pricing supplement) provide the pages on which these captions are located.

References in this base prospectus to the **applicable final terms** are, in relation to a series and class (or sub-class) of notes, to the final terms (or the relevant provisions thereof) attached to, or endorsed on such notes. References in this base prospectus to the **applicable pricing supplement** are, in relation to a series and class (or sub-class) of exempt notes, to the pricing supplement (or the relevant provisions thereof) attached to, or endorsed on such exempt note.

Incorporation by reference

The financial statements of Funding 1 for the periods ended 4 April 2013 and 4 April 2014, which have been prepared in accordance with International Financial Reporting Standards, together with the audit reports thereon are incorporated by reference into this document. Copies of the financial statements for the periods ended 4 April 2013 and 4 April 2014 may be obtained at Funding 1's registered office at Third Floor, 1 King's Arms Yard, London, EC2R 7AF and may be viewed online at http://www.nationwide.co.uk/investorrelations. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of Funding 1 for the periods ended 4 April 2013 and 4 April 2014. PricewaterhouseCoopers LLP has no material interest in Funding 1.

The financial statements of the issuer for the periods ended 4 April 2013 and 4 April 2014, which have been prepared in accordance with International Financial Reporting Standards, together with the audit reports thereon are incorporated by reference into this document. Copies of the financial statements for the periods ended 4 April 2013 and 4 April 2014 may be obtained at the issuer's registered office at Third Floor, 1 King's Arms Yard, London, EC2R 7AF and may be viewed online at http://www.nationwide.co.uk/investorrelations. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of the issuer for the periods ended 4 April 2013 and 4 April 2014. PricewaterhouseCoopers LLP has no material interest in the issuer.

The terms and conditions of the notes contained in previous base prospectuses dated 16 July 2008, pages 276 to 320 (inclusive), dated 27 October 2009, pages 287 to 332 (inclusive), dated 22 October 2010, pages 294 to 286 (inclusive), 17 October 2011, pages 370 to 418 (inclusive) and 9 March 2012, pages 344 to 392 (inclusive) prepared by the issuer in connection with the programme are incorporated by reference into this document and all non-incorporated parts of such base prospectuses are not relevant to investors. Copies of such previous base prospectuses may be obtained at the issuer's registered office at Third Floor, 1 King's Arms Yard, London, EC2R 7AF and may be viewed online at http://www.nationwide.co.uk/investorrelations.

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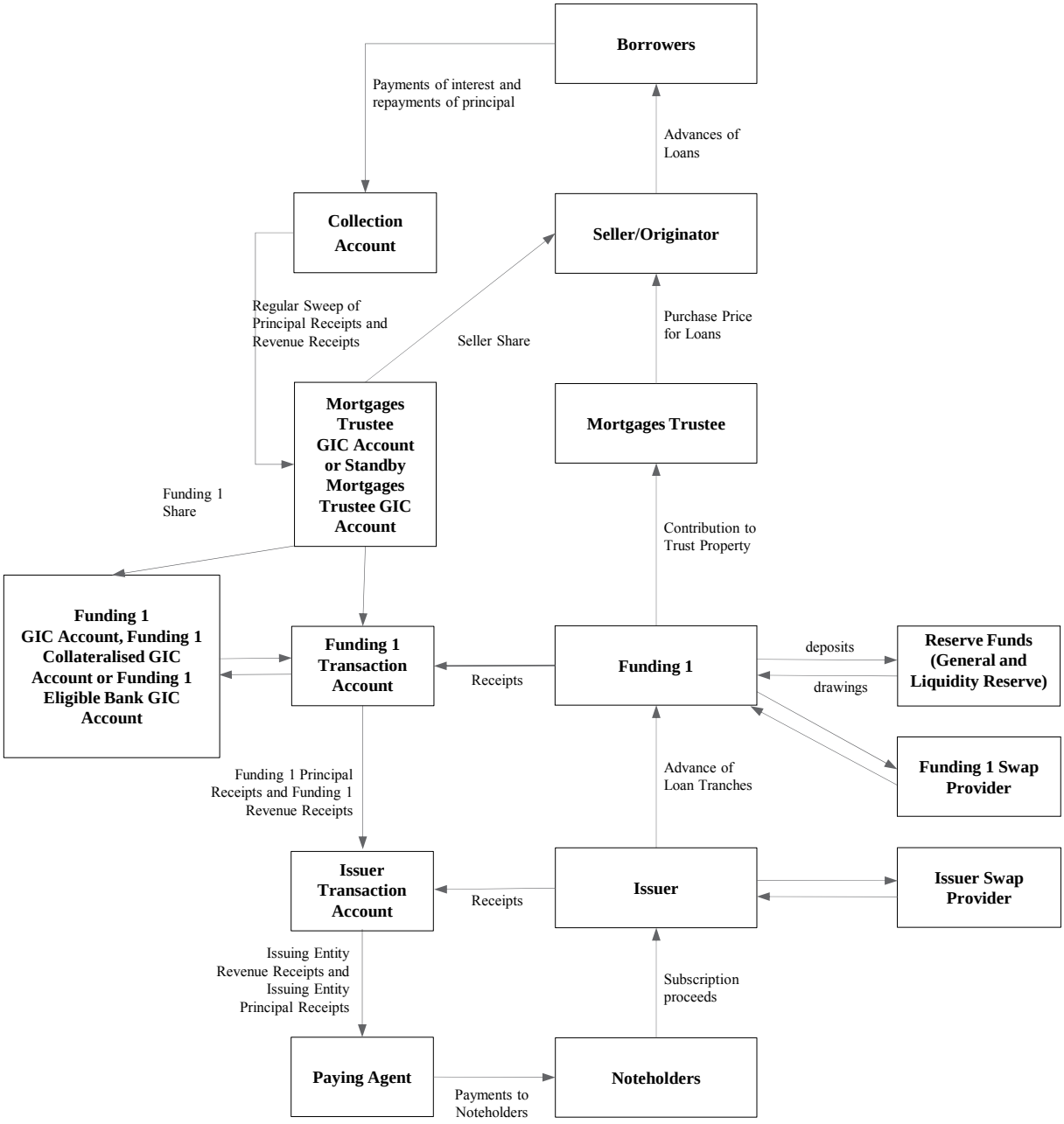
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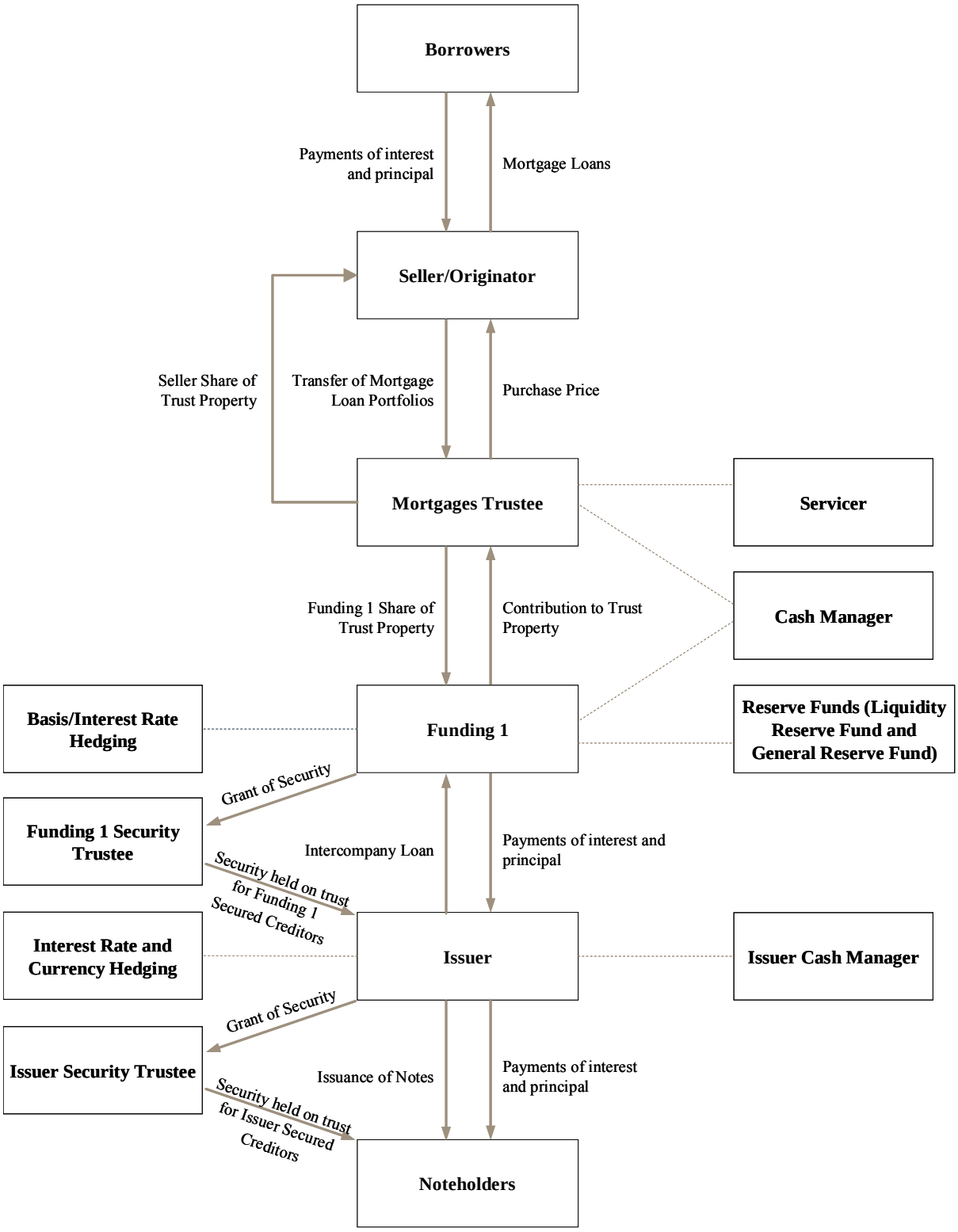
OVERVIEW

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

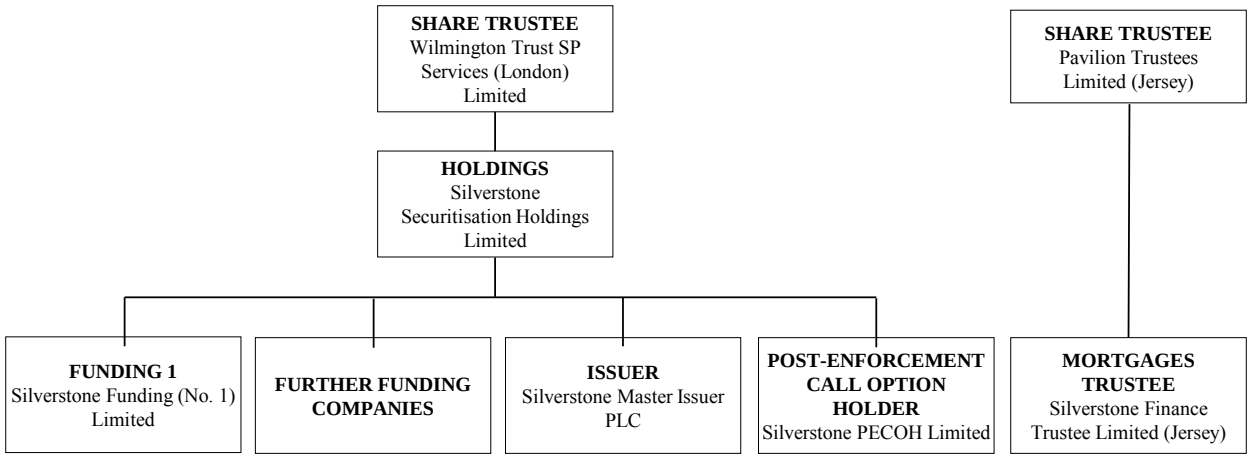
Diagrammatic overview of the transaction



Diagrammatic overview of on-going cashflows



Diagrammatic overview of ownership structure of special purpose vehicles



This diagram illustrates the ownership structure of the principal special purpose entities in respect of the programme, as follows:

- 49,999 shares in the issuer are held legally and beneficially by Silverstone Securitisation Holdings Limited (**Holdings**). The remaining share is held by Wilmington Trust SP Services (London) Limited as nominee for Holdings. Any new issuer is expected to have the same holding structure. See "**The issuer**".

- The post-enforcement call option holder is a wholly-owned subsidiary of Holdings. See "**Silverstone PECOH Limited**".

- The authorised share capital of Funding 1 is 100 shares of £1.00 each, of which the sole share issued is held by Holdings. Any further funding company is also expected to be a wholly-owned subsidiary of Holdings.

- Wilmington Trust SP Services (London) Limited holds one share of £1.00 in Holdings under the terms of a discretionary trust for the benefit of certain discretionary objects (which do not include Nationwide or any entity connected with Nationwide). See "**Silverstone Securitisation Holdings Limited**".

- The entire issued share capital of the mortgages trustee is held beneficially on trust by Pavilion Trustees Limited, which is not affiliated with the seller, under the terms of a discretionary trust for the benefit of one or more discretionary objects (which do not include Nationwide or any entity connected with Nationwide). See "**The mortgages trustee**".

- Nationwide, who will organise and initiate each transaction under the programme, has no ownership interest in any of the entities in the diagrams above. As a result, any transaction under the programme will not be directly linked to the credit of Nationwide, and Nationwide has no obligation to support such transaction financially, although Nationwide or other group companies may still have a connection with such transaction for other reasons (such as acting as the seller of the loans and their related security to the mortgages trustee and as a beneficiary under the mortgages trust, which is the bare trust of the trust property held by the mortgages trustee or as maturity purchaser in respect of a series and class of maturity purchase notes).

- New issuers may, after the date of this base prospectus, be established and, in connection with Funding 1, any further funding company or otherwise, issue new notes from time to time, the proceeds of which will be applied in acquiring an interest in the trust property. Thus, all new notes issued will ultimately be secured by the same trust property as the other notes already

issued under the programme. See "**Risk Factors—Holdings may establish further funding companies, which will be additional beneficiaries under the mortgages trust; conflicts of interest between beneficiaries**" below.

– In certain circumstances (including when new issuers are established in connection with Funding 1 or any further funding company), the Funding 1 security trustee and/or the issuer security trustee may consent to modifications to be made to some of the transaction documents relating to the programme described in this base prospectus and any supplemental prospectus. Your consent will not be obtained in relation to those modifications. See "**Risk Factors—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**" below.

Transaction parties

Party	Name	Address	Document under which appointed / Further Information
Arranger	Nationwide Building Society	Nationwide House, Pipers Way Swindon SN38 1NW	N/A
Dealer in respect of the Reg S Notes	Nationwide Building Society and such other dealers as may be appointed from time to time	Nationwide House, Pipers Way Swindon SN38 1NW	N/A
Issuer	Silverstone Master Issuer PLC	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	Please see "**The Issuer**" for more information.
Mortgages trustee	Silverstone Finance Trustee Limited	13 Castle Street, St. Helier, Jersey, JE4 5UT, Channel Islands	Please see "**The mortgages trustee**" for more information.
Funding 1	Silverstone Funding (No. 1) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	Please see "**Silverstone Funding (No. 1) Limited**" for more information.
Post-enforcement call option holder	Silverstone PECOH Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	Please see "**Silverstone PECOH Limited**" for more information.
Holdings	Silverstone Securitisation Holdings Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	Please see "**Silverstone Securitisation Holdings Limited**" for more information.
Seller	Nationwide Building Society	Nationwide House, Pipers Way Swindon SN38 1NW	Please see "**The mortgage sale agreement**" and "**Nationwide Building Society**" for more information.

Party	Name	Address	Document under which appointed / Further Information
Start-up loan provider	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The start-up loan provider was appointed pursuant to the start-up loan agreement. Please see "**The start-up loan agreement**" for more information.
Second start-up loan provider	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The second start-up loan provider was appointed pursuant to the second start-up loan agreement. Please see "**The second start-up loan agreement**" for more information.
Servicer	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The servicer was appointed pursuant to the servicing agreement. Please see "**The servicing agreement**" for more information.
Funding 1 security trustee	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The Funding 1 security trustee was appointed pursuant to the Funding 1 deed of charge. Please see "**The note trustee, issuer security trustee and Funding 1 security trustee**" for more information.
Issuer security trustee	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The issuer security trustee was appointed pursuant to the issuer deed of charge. Please see "**The note trustee, issuer security trustee and Funding 1 security trustee**" for more information.

Party	Name	Address	Document under which appointed / Further Information
Note trustee	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The note trustee was appointed pursuant to the note trust deed. Please see "**The note trustee, issuer security trustee and Funding 1 security trustee**" for more information.
Cash manager	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The cash manager was appointed pursuant to the cash management agreement. Please see "**The cash management agreements**" for more information.
Issuer cash manager	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The issuer cash manager was appointed pursuant to the issuer cash management agreement. Please see "**The cash management agreements**" for more information.
Mortgages trustee corporate services provider	Sanne Corporate Services Limited	13 Castle Street, St. Helier, Jersey, JE4 5UT	The mortgages trustee corporate services provider was appointed pursuant to the mortgages trustee corporate services agreement. Please see "**Other agreements—the corporate services agreements**" for more information.
Funding 1 corporate services provider	Wilmington Trust SP Services (London) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	The Funding 1 corporate services provider was appointed pursuant to the Funding 1 corporate services agreement. Please see "**Other agreements—The corporate services agreements**" for more information.

Party	Name	Address	Document under which appointed / Further Information
Issuer corporate services provider	Wilmington Trust SP Services (London) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	The issuer corporate services provider was appointed pursuant to the issuer corporate services agreement. Please see "**Other agreements—The corporate services agreements**" for more information.
Holdings corporate services agreement	Wilmington Trust SP Services (London) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	The Holdings corporate services provider was appointed pursuant to the Holdings corporate services agreement. Please see "**Other agreements—The corporate services agreements**" for more information.
Post-enforcement call option holder corporate services provider	Wilmington Trust SP Services (London) Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	The post-enforcement call option holder corporate services provider was appointed pursuant to the post-enforcement call option holder corporate services agreement. Please see "**Other agreements—The corporate services agreements**" for more information.
Mortgages trustee account bank	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The mortgages trustee account bank was appointed pursuant to the mortgages trustee bank account agreement. Please see "**The bank account agreements—The mortgages trustee bank account agreement**" for more details.

Party	Name	Address	Document under which appointed / Further Information
Funding 1 account bank	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The Funding 1 account bank was appointed pursuant to the Funding 1 bank account agreement as amended. Please see "**The bank account agreements—The Funding 1 bank account agreement**" for more details.
Issuer account bank	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The issuer account bank was appointed pursuant to the issuer bank account agreement. Please see "**The bank account agreements—The issuer bank account agreement**" for more details.
Funding 1 swap provider	Nationwide Building Society	Nationwide House, Pipers Way, Swindon, SN38 1NW	The Funding 1 swap provider was appointed pursuant to the Funding 1 swap agreement. Please see "**The swap agreements—The Funding 1 swaps**" for further details.
Issuer swap provider	Nationwide Building Society or such other issuer swap provider disclosed as such in a supplemental prospectus	Nationwide House, Pipers Way, Swindon, SN38 1NW	Please see "**The swap agreements—The issuer swaps**" for further details.
Principal paying agent	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The principal paying agent was appointed pursuant to the paying agent and agent bank agreement.
Agent bank	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The agent bank was appointed pursuant to the paying agent and agent bank agreement.

Party	Name	Address	Document under which appointed / Further Information
Registrar	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The registrar was appointed pursuant to the paying agent and agent bank agreement.
Transfer agent	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The transfer agent was appointed pursuant to the paying agent and agent bank agreement.
Exchange rate agent	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	The exchange rate agent was appointed pursuant to the paying agent and agent bank agreement.
U.S. paying agent	Citibank, N.A.	338 Greenwich Street, New York 10012	The U.S. paying agent was appointed pursuant to the paying agent and agent bank agreement.
Listing Authority	UK Listing Authority	N/A	N/A
Stock Exchange	London Stock Exchange's Regulated Market	N/A	N/A
Clearing systems	Euroclear, Clearstream, Luxembourg and DTC	N/A	N/A
Rating agencies	Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited and Fitch Ratings Ltd.	N/A	N/A

RISK FACTORS

The following factors may affect the ability of the issuer to fulfil its obligations under the notes issued under this base prospectus. Most of these factors are contingencies which may or may not occur, and none of the parties to this base prospectus are in a position to express a view on the likelihood of any such contingency occurring.

The factors described below represent the material and principal risks inherent in investing in the notes issued under this base prospectus, but the inability of the issuer to pay interest, principal or other amounts on or in connection with any notes may occur for other reasons, and the issuer does not represent that the statements below regarding the risks of holding any notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this base prospectus and reach their own views prior to making any investment decision.

You cannot rely on any person other than the issuer to make payments on your notes

The notes will not represent an obligation or be the responsibility of any member of Nationwide, the underwriters, the dealers, the joint bookrunners, the arranger, the mortgages trustee, the Funding 1 swap provider, the issuer swap providers or their guarantors, the note trustee, the issuer security trustee, the Funding 1 security trustee, the seller, the servicer, the cash manager, the issuer cash manager, the paying agents, the registrar, the exchange rate agent, the transfer agent, the agent bank, Funding 1, any further funding companies, any new issuers or any other party to the transaction other than the issuer.

Restrictions on transfers of the notes; lack of liquidity

Each issue of a new series and class (or sub-class) of notes will be a new issue of securities for which there will initially be no market. Furthermore, neither the issuer nor the arranger intends to create a market for the notes. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes. Because of the restrictions on transfers of the notes, investors must be able to bear the risks of their investment in the notes for an indefinite period of time.

The issuer has limited resources available to it to make payments on your notes

The issuer's ability to make payments of principal and interest on the notes and to pay its operating and administrative expenses will depend primarily on the payments being received by it under the intercompany loan agreement. In addition, the issuer will rely on the issuer swaps to provide currency and/or interest rate hedging (as appropriate) so as to meet its obligations under the relevant notes.

Funding 1 is not obliged to make payments on the term advances if it does not have enough money to do so, which could adversely affect payments on your notes

Funding 1's ability to pay amounts payable on the term advances will depend upon:

- Funding 1 receiving enough funds in respect of its share in the trust property on or before each Funding 1 payment date;
- Funding 1 receiving the required funds from the Funding 1 swap provider;
- subject to the limits and conditions on the purposes for which the general reserve fund may be utilised, the amount of funds credited to the general reserve fund (as described in "**Credit structure—General reserve fund**" and "**—Funding 1 liquidity reserve fund**");

- subject to the limits and conditions on the purposes for which the Funding 1 liquidity reserve fund may be utilised, any amount of funds credited to Funding 1 liquidity reserve fund, if any (as described in "**Credit structure**"); and

- the allocation of funds between the term advances made by the issuer to Funding 1 and any new term advances made by any new issuers to Funding 1.

You should be aware however that not all classes of notes are scheduled to receive payments from the reserve funds referred to above. Payments out of the reserve funds referred to above are described under "**Credit structure—general reserve fund** and "**—Funding 1 liquidity reserve fund**" below.

Subject to the terms of the mortgages trust deed, the mortgages trustee is obliged to pay to Funding 1 the Funding 1 share percentage of revenue receipts by crediting those amounts to the Funding 1 GIC account or other applicable Funding 1 account on each distribution date. The mortgages trustee is obliged to pay to Funding 1 the relevant amounts of principal receipts on the loans to which Funding 1 is entitled pursuant to the terms of the mortgages trust deed, by crediting those amounts to the Funding 1 GIC account or other applicable Funding 1 account.

Funding 1 will be obliged to pay amounts due and payable to the issuer under each term advance only to the extent that it has funds available to it after making payments ranking in priority to such term advance, such as payments of certain fees and expenses of Funding 1 (including payment of a facility fee pursuant to the intercompany loan agreement to cover certain fees and expenses of the issuer and payments on term advances of a more senior ranking), and after taking into account payments ranking equally with such term advance (such as other term advances of the same tier). See "**Cashflows**".

If Funding 1 does not pay amounts due to the issuer in respect of a term advance under the intercompany loan agreement because it does not have sufficient funds available, those amounts will remain due but not payable until funds are available to pay those amounts in accordance with the relevant Funding 1 priority of payments. Funding 1's failure to pay those amounts to the issuer when due in such circumstances will not constitute an event of default under the intercompany loan agreement until the last occurring final repayment date of any term advance advanced under the intercompany loan agreement that is outstanding. Following enforcement of the Funding 1 security and application of the proceeds of enforcement, any remaining shortfall will be extinguished.

If there is a shortfall between the amounts paid by Funding 1 to the issuer in respect of a term advance under the intercompany loan agreement and the amounts due by the issuer on the related series and class of notes, you may not, depending on what other sources of funds are available to the issuer and to Funding 1, receive the full amount of interest and/or principal and/or other amounts which would otherwise be payable on such notes.

On each Funding 1 payment date, Funding 1 may be required to credit to a non-monthly term advance ledger amounts (subject to the application of amounts ranking in priority thereto and as specified further in "**Cashflows**") to provide for the payment of amounts that will become due and payable on future Funding 1 payment dates. On each interest payment date in respect of a series or class (or sub-class) of non-monthly notes, Funding 1 will apply amounts standing to the credit of a non-monthly term advance ledger for the related non-monthly term advance in or towards payment in respect of such notes. Amounts which have been credited to a non-monthly term advance ledger in respect of a non-monthly term advance may not be applied towards payments in respect of any other term advance or any non-related notes. However, to the extent that any amounts are retained in such ledger, such amounts will be paid out within 18 months of any receipt thereof. It should be noted however that amounts standing to the credit of a non-monthly term advance principal ledger may be applied in certain circumstances to make up a Funding 1 revenue deficit.

Funding 1's ability to pay amounts on the term advances due and payable to the issuer will depend, among other things, on the minimum yield. It will be a condition to the sale of loans to the mortgages trustee (or to the retention in the portfolio of loans subject to further advances or product switches) that, as at the date of sale of the loans (or, in the case of further advances or product switches, as at the trust calculation date following the trust calculation period in which such further advances or product switches were made), the yield generated by, *inter alia*, loans (including the loans to be sold on that date) is at least the minimum yield. Unless specified in any supplement or amendment by way of supplementary prospectus to this base prospectus, on an issuance of notes, the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will specify such minimum yield.

The minimum yield may be changed at any time, without the consent of the noteholders, provided that confirmation has been obtained from S&P that the change will not result in the reduction, qualification or withdrawal of its then current rating of any outstanding rated notes (and advance notice in writing of such change 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).

Enforcement of the issuer security is the only remedy for a default on the issuer's obligations, and the proceeds of that enforcement may not be enough to make all the payments due on your notes

The only remedy for recovering amounts on the notes is through the enforcement of the issuer security. The issuer security is only enforceable in certain circumstances and such enforcement may be subject to certain conditions, including a requirement that the issuer security trustee be indemnified and/or secured to its satisfaction. The issuer will not have any recourse to the assets of Funding 1 unless Funding 1 has also defaulted on its obligations under the intercompany loan agreement and the Funding 1 security has been enforced.

If the security created pursuant to the terms of the issuer deed of charge is enforced, the proceeds of enforcement may be insufficient to pay all principal and interest and/or other amounts due on your notes.

In relation to notes issued on or after 22 October 2010, such notes will be subject to the limited recourse provisions set out in condition 10.2 whereby all obligations of the issuer to such noteholders are limited in recourse to the property, assets and undertakings of the issuer which are the subject of any security created by the issuer deed of charge. If there are no such assets remaining which are capable of being realised or otherwise converted into cash and following application of such amounts in accordance with the issuer deed of charge there are insufficient amounts available to pay in full amounts outstanding under such notes, then noteholders shall have no further claim against the issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

In relation to notes issued prior to 22 October 2010, see also "**Other Agreements—The post-enforcement call option agreement**" for a description of the post enforcement call option, which, in relation to such notes, may be exercised following a note acceleration notice and application of enforcement proceeds.

Investors should note that in the case of BNY Corporate Trustee Services Limited v Eurosail-UK 2007-3BL plc and Others [2010] EWHC 2005 (Ch), the High Court in determining whether the assets of the Eurosail entity were less than its liabilities, after taking into account its contingent and prospective liabilities, (such state of affairs constituting "balance sheet insolvency") expressed a view that a post-enforcement call option agreement in respect of full recourse notes (such as the notes issued prior to 22 October 2010) does not operate so as to prevent the issuer from becoming balance sheet insolvent (in circumstances where it might otherwise be so insolvent) and therefore (where applicable) prevent the triggering of an event of default as a result of, among other things, a

deterioration in asset performance. The decision of the High Court was affirmed by both the Court of Appeal and the Supreme Court ([2013] UKSC 28) who clarified that the balance sheet test cannot be reduced to a single formula or set of principles that apply to all companies—the court instead has to exercise its judgement over whether the company "has reached the point of no return".

Investors should further note that the holders of the class Z notes issued prior to 22 October 2010 have covenanted in favour of the issuer that notwithstanding any other condition or any provision of any transaction document, such noteholders agree that all obligations of the issuer in relation to such class Z notes are limited in recourse to the property, assets and undertaking of the issuer subject to security created by the issuer deed of charge. Further, the holders of the class Z notes issued prior to 22 October 2010 have covenanted in favour of the issuer that (i) if there are no assets remaining which are capable of being realised or otherwise converted into cash and following application of such amounts in accordance with the issuer deed of charge there are insufficient amounts available to pay in full amounts outstanding under such class Z notes, then they shall have no further claim against the issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease and (ii) they will not transfer any of the class Z notes to any other person unless (a) the issuer consents to such transfer and (b) the ratings of the notes are not adversely affected by such transfer.

Subordination of other note classes may not protect noteholders from all risk of loss

Funds which are available to be applied in the payment of interest on all notes will be allocated towards payment (in the case of monthly notes and monthly term advances) or towards provision for payment (in the case of non-monthly notes and non-monthly term advances, which provisioning will apply only prior to the occurrence of a pass-through trigger event) on a monthly basis. The class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of all series will be subordinated in right of such monthly payment of interest or such monthly provision for payment of interest to the class A notes of all series. The class M notes, the class C notes, the class D notes and the class Z notes of all series will be subordinated in right of such monthly payment of interest or such monthly provision for payment of interest to the class B notes of all series. The class C notes, the class D notes and the class Z notes of all series will be subordinated in right of such monthly payment of interest or such monthly provision for payment of interest to the class M notes of all series. The class D notes and the class Z notes of all series will be subordinated in right of such monthly payment of interest or such monthly provision for payment of interest to the class C notes of all series. The class Z notes of all series will be subordinated in right of such monthly payment of interest or such monthly provision for payment of interest to the class D notes of all series.

Any amount that has been allocated in any month towards the payment, or provision for payment, of interest on any class (or sub-class) of notes of any series may only be applied on the interest payment date for such notes (whether or not such interest payment date occurs before or after the occurrence of a pass-through trigger event) in payment of such interest amount on such class (or sub-class) of notes and will not be available for the payment of interest due on any other class (or sub-class) of notes of such series (or of any other series).

The class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series will be subordinated in right of payment of principal to the class A notes of any series. The class M notes, the class C notes, the class D notes and the class Z notes of any series will be subordinated in right of payment of principal to the class B notes of any series. The class C notes, the class D notes and the class Z notes of any series will be subordinated in right of payment of principal to the class M notes of any series. The class D notes and the class Z notes of any series will be subordinated in right of payment of principal to the class C notes of any series. The class Z notes of any series will be subordinated in right of payment of principal to the class D notes of any series.

However, prior to the occurrence of a pass-through trigger event (and in a manner similar to that for the payment or provision for payment of interest), funds which are available to be applied in the repayment of principal on pass-through notes will be allocated towards repayment (in the case of monthly notes and monthly term advances) or for the provision for repayment (in the case of non-monthly notes and non-monthly term advances) on a monthly basis. Any amount that has been allocated in any month towards the repayment, or provision for repayment of principal on any class (or sub-class) of pass-through notes of any series may only be applied on the interest payment date for such notes in repayment of such principal amount on such class (or sub-class) of notes and will not be available for the repayment of principal (or the payment of interest) due on any other class (or sub-class) of notes of such series (or of any other series). However, such amounts may be applied in certain circumstances to make up a Funding 1 revenue deficit.

There is no assurance that these subordination rules will protect the class A noteholders from all risks of loss, the class B noteholders from all risks of loss, the class M noteholders from all risks of loss, the class C noteholders from all risks of loss or the class D noteholders from all risks of loss. If the losses borne by the class Z notes are in an amount equal to the aggregate principal amount outstanding of the class Z notes, then losses on the loans will thereafter be borne by the class D notes. Similarly, if the losses borne by the class Z notes and the class D notes are in an amount equal to the aggregate principal amount outstanding of the class Z notes and the class D notes, then losses on the loans will thereafter be borne by the class C notes. If the losses borne by the class Z notes, the class D notes and the class C notes are in an amount equal to the aggregate principal amount outstanding of the class Z notes, the class D notes and the class C notes, then losses on the loans will thereafter be borne by the class M notes. If the losses borne by the class Z notes, the class D notes, the class C notes and the class M notes are in an amount equal to the aggregate principal amount outstanding of the class Z notes, the class D notes, the class C notes and the class M notes, then losses on the loans will thereafter be borne by the class B notes. Finally, if the losses borne by the class Z notes, the class D notes, the class C notes, the class M notes and the class B notes are in an amount equal to the aggregate principal amount outstanding of the class Z notes, the class D notes, the class C notes, the class M notes and the class B notes, then losses on the loans will thereafter be borne by the class A notes at which point there will be an asset trigger event.

You should be aware that not all classes of notes are scheduled to receive payments of principal on the same interest payment dates. The interest payment dates for the payment of interest and principal in respect of each series and class (or sub-class) of notes will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Each series and class (or sub-class) of notes may have interest payment dates in respect of interest and/or principal that are different from other notes of the same class (but of a different series) or of the same series (but of a different class or sub-class). Despite the principal priority of payments described above, subject to no trigger event having occurred and satisfaction of the repayment tests, lower-ranking classes of notes may nevertheless be repaid principal before higher-ranking classes of notes, and a series and class (or sub-class) of notes may be repaid principal before other series of notes of the same class. Payments of principal are expected to be made to each class of notes in amounts up to the amounts set forth under "**Cashflows—Distribution of issuer principal receipts before note acceleration**", "**—Distribution of issuer principal receipts after note acceleration but before intercompany loan acceleration**" and "**—Distribution of issuer principal receipts and issuer revenue receipts following note acceleration and intercompany loan acceleration**".

Payments of class B notes, class M notes, class C notes, class D notes, and class Z notes may be delayed or reduced in certain circumstances

If, on any interest payment date on which a repayment of principal is due on any series of class B notes, class M notes, class C notes, class D notes or class Z notes at a time when, if the repayment was made, the principal amount outstanding of the remaining subordinate classes of notes would not be sufficient to provide the level of credit enhancement required to support the ratings on the more senior classes of rated notes then outstanding and the issuer is unable to issue additional notes of such class

B notes, class M notes, class C notes, class D notes or class Z notes or obtain acceptable alternative forms of credit enhancement, such subordinated class of notes will not be entitled to receive payments of principal until all more senior classes of notes outstanding have their required level of subordination. See "**Cashflows**".

On any interest payment date on which a payment of principal is due on any series of class B notes, class M notes, class C notes, class D notes or class Z notes and a more senior class of notes of any series is outstanding on such date, the issuer's obligation to make such principal payments will be subject to the satisfaction of the repayment tests described under "**Cashflows—Distribution of Funding 1 available principal receipts**", including an arrears test, a general reserve fund requirement and a principal deficiency sub-ledger test.

The required subordination for a class of notes may be changed

The issuer may change the required subordinated amount for any class of notes, or the method of calculating the required subordinated amount for such class, at any time without the consent of any noteholders if certain conditions are met, including confirmation from S&P that such change would not cause a reduction, qualification or withdrawal of its then-current rating of any outstanding rated notes that would be affected by such change (and advance notice in writing of such change 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).

In certain circumstances some of the conditions for issuance of notes may be waived

If the issuer obtains confirmation from S&P that the issuance of a new series and class (or sub-class) of notes would not cause a reduction, qualification or withdrawal of the then-current rating of any outstanding rated notes rated by that rating agency (and advance notice in writing of such issuance of a new series and class (or sub-class) 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), then some of the other conditions to issuance of notes (e.g., the absence of a note event of default in respect of a series and/or class of notes) may be waived by the note trustee. For a description of the conditions to issuance and the waiver of such conditions see "**The issuance of notes**".

The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests

As a consequence of the terms of the note trust deed, the issuer deed of charge and the Funding 1 deed of charge, the note trustee may, without the consent or sanction of the noteholders at any time and from time to time:

(a) concur with the issuer or any other person;

(b) direct the issuer security trustee to concur with the issuer or any other person; or

(c) direct the issuer security trustee to direct the Funding 1 security trustee to concur with Funding 1 or any other person,

in making any modification to any of the transaction documents or agreeing to the waiver or authorisation of any breach or proposed breach of the transaction documents which in the sole opinion of the note trustee it may be proper to make, provided that:

- the note trustee is of the sole opinion that such modification or, waiver or authorisation will not be materially prejudicial to the interests of the holders of any series and class (or sub-class) of notes; or

- in the sole opinion of the note trustee, such modification is of a formal, minor or technical nature or is necessary to correct a manifest error; or

- such modification is expressly provided for in the transaction documents.

In the exercise of any of its powers, trusts, authorities and discretions under the note trust deed, the note trustee shall have regard to the interests of the noteholders (subject to the provisions of the next paragraph), but in the event of a conflict of interest it shall have regard to the interests of the holders of the class of rated notes with the highest rating or, following the payment in full of all amounts outstanding under the rated notes, the holders of the class Z notes.

The note trustee will be entitled to assume that the exercise of its discretions will not be materially prejudicial to your interests if (a) S&P has confirmed in writing that the then current rating by it of such rated notes would not be reduced, withdrawn or qualified by such exercise and (b) advance notice in writing of any exercise of the note trustee's discretions 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 other than in respect of a modification, waiver, determination or authorisation that relates to an amendment of a maturity purchase deed or condition 5.8.

In addition, the note trustee, the Funding 1 security trustee and the issuer security trustee (as applicable) will give its consent to any modifications to the transaction documents or the entering by Funding 1 and/or the issuer into new transaction documents that are requested by Funding 1 or a cash manager, provided that (a) Funding 1 or such cash manager certifies to the Funding 1 security trustee or, as applicable, the issuer security trustee in writing that such modifications are required in order to accommodate, among other things, the establishment of further funding companies and/or new issuers, the creation of new intercompany loan agreements, the issue of new notes by new issuers, the addition of relevant creditors, the making of new term advances by Funding 1, the sale of new types of loans to the mortgages trustee, changes to the Funding 1 reserve required amount or the Funding 1 liquidity reserve fund required amount, changes to the asset trigger events and non-asset trigger events, the entry by Funding 1 into a Funding 1 bank account agreement with an agent account bank and the corresponding opening of Funding 1 eligible bank GIC accounts, the entry by Funding 1 or the mortgages trustee, as applicable, into collateral agreements and eligible custody arrangements and the corresponding opening of GIC collateral custody accounts, and the entry by the mortgages trustee into a mortgages trustee bank account agreement and the corresponding opening of a standby mortgages trustee GIC account, and the entry into any back-up servicing arrangements or back-up cash manager arrangements pursuant to the servicing agreement or the cash management agreement, and (b) S&P has confirmed in writing that the then current rating by it of the rated notes would not be reduced, withdrawn or qualified by such modifications (and advance notice in writing of any such modifications have 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).

Furthermore, following the redemption in full of all notes issued prior to 11 December 2014 (or at any time if noteholders representing 100 per cent. of the outstanding principal balance of such notes issued prior to 11 December 2014 consent), the note trustee shall be obliged, without any consent or sanction of the noteholders, or, in certain circumstances, any of the other issuer secured creditors or the Funding 1 secured creditors (as appropriate), to concur with the issuer, and to direct the issuer security trustee to concur with the issuer or any other person and shall direct the issuer security trustee to direct the Funding 1 security trustee to concur with Funding 1 and any other person, in making any modification (other than in respect of a basic terms modification) to the conditions or any other

transaction document to which it is a party or in relation to which it holds security, provided that the issuer has certified to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate), in writing that such modifications are required in order to (a) comply with, or implement or reflect, any change in the criteria of one or more of the rating agencies which may be applicable from time to time, (b) comply with any obligation applicable to the issuer or a swap provider under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation (**EMIR**) and which accordingly are mandatory under EMIR, (c) comply with any changes in the requirements of Article 405 of the CRR, Article 17 of the AIFMD, Article 51 of the AIFMR or Section 15G of the Securities Exchange Act of 1934, as added by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the **Dodd-Frank Act**), after the closing date, including as a result of the adoption of Regulatory Technical Standards in relation to the CRR or the AIFMR or any other risk retention legislation or regulations or official guidance in relation thereto, (d) enable the notes to be (or to remain) admitted to trading on the regulated market of the London Stock Exchange, (e) enable the issuer or any of the other parties to the transaction documents to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), (f) comply with the provisions of Rule 17g-5 of the Securities Exchange Act of 1934, (g) comply with any changes in the requirements of the Credit Rating Agencies Regulation, including as a result of the adoption of Regulatory Technical Standards in relation to the Credit Rating Agencies Regulation or regulations or official guidance in relation thereto, (h) comply with the requirements of any law, regulation or official guidance introduced after 11 December 2014 relating to securitisation which establishes capital, liquidity or other regulatory treatment for securities or securitisations, or (i) (provided that the issuer certifies that such modifications are not, in its opinion, materially prejudicial to noteholders) comply with the eligibility criteria of PCS required to obtain a PCS Label, in each case (other than as set out with respect to item (i) above), irrespective of whether such modifications are materially prejudicial to the interests of any noteholder or any other secured creditor. The noteholders and the other secured creditors shall be deemed to have instructed the note trustee to (which shall instruct the issuer security trustee to, and to instruct the Funding 1 security trustee to) concur with such amendments and shall be bound by them regardless of whether or not they are materially prejudicial to the interests of the noteholders or the other secured creditors.

If noteholders representing at least 10 per cent. of the aggregate principal amount outstanding of the most senior class of notes then outstanding have notified the note trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such notes may be held) within the notification period set out in Condition 11.8 (Additional right of modification) that they do not consent to the modification, then such modification will not be made unless an extraordinary resolution of the noteholders of the most senior class of notes then outstanding is passed in favour of such modification in accordance with Condition 11.1 (Meetings of Noteholders).

The modifications required to give effect to such matters may include, among other matters, amendments to the provisions of the mortgages trust deed, the Funding 1 deed of charge or the issuer deed of charge relating to the allocation of and entitlement to monies. There can be no assurance that the effect of such modifications to the transaction documents will not ultimately adversely affect your interests.

Holdings may establish further funding companies, which will be additional beneficiaries under the mortgages trust; conflicts of interest between beneficiaries

Holdings may in the future establish separate funding entities (each a **further funding company** and together with Funding 1 the **funding companies**), which may raise debt from time to time and use the proceeds thereof to acquire or increase shares in the trust property. However, any such acquisition of or increase in shares in the trust property by a funding company will be subject to, among other things, obtaining prior written confirmation from S&P that the then current ratings of the rated notes outstanding at that time will not be withdrawn, downgraded or qualified as a result of such funding company acquiring or increasing its share of trust property and to the amendment of certain of the

transaction documents described herein (and advance notice in writing of such funding company acquiring or increasing its share of trust property and/or the amendment of certain of the transaction documents 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). See further "**—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**".

As beneficiaries, the seller and the funding companies will each have a joint and undivided interest in the trust property but their entitlement to the proceeds from the trust property will be in proportion to their respective shares of the trust property. However, if any funding company besides Funding 1 has a cash accumulation requirement at a time when Funding 1 has no cash accumulation requirement, then such further funding company will receive principal receipts from the mortgages trustee in relation to such cash accumulation requirement in priority to Funding 1. In addition, if any funding company besides Funding 1 is in a cash accumulation period, this will affect the amount of principal receipts payable to Funding 1 and the ability of Funding 1 to repay pass-through term advances.

On each distribution date, the mortgages trustee will distribute revenue receipts and principal receipts to the beneficiaries, subject to the terms of the mortgages trust deed.

Where Funding 1 and any other beneficiary, acting together, or the Funding 1 security trustee and the security trustees (or equivalent) with respect to the further funding companies (together, the **funding security trustees**), acting together, are permitted to provide or exercise directions, rights, powers, benefits and/or discretions (or their equivalent) to the mortgages trustee, the beneficiaries or the funding security trustees (as applicable) will be required to provide or exercise such directions, rights, powers, benefits and/or discretions in accordance with the controlling beneficiary deed. Therefore, in circumstances where there is a conflict of interest, the directions of Funding 1 or the Funding 1 security trustee (acting on behalf of the secured creditors of Funding 1) may not prevail over the directions of the other beneficiaries or the other funding security trustees (acting on behalf of the relevant secured creditors), which may adversely affect your interests. For example, it is possible that the relevant funding security trustee in respect of a further funding company might decide, following the occurrence of an event of default, to enforce its security at a time when you would not want assets of the mortgages trust sold, e.g., if all notes issued by the issuer were performing normally.

Issuance of future series of notes may affect the timing and amounts of payments to you

The issuer expects to issue notes in series from time to time. Provided the conditions precedent to such issuance are satisfied (or, in certain limited circumstances, waived), notes may be issued under a new series without notice to existing noteholders and without their consent. Such notes may have different terms from outstanding notes. For a description of the conditions that must be met before the issuer can issue new series of notes, see "**The issuance of notes**".

The issuance of new series of notes by the issuer could adversely affect the timing and amount of payments on outstanding notes. For example, if notes of the same class as your notes issued after your notes have a higher interest rate than your notes, this could result in a reduction in the funds available to pay interest on your notes. Also, when new series of notes are issued, the voting rights of your notes may be diluted.

Other creditors will share in the same security granted by Funding 1 to the Funding 1 security trustee and this may adversely affect payments on your notes

If Funding 1 borrows further term advances from the issuer or a new issuer, it may also be required to enter into a new start-up loan agreement with the start-up loan provider or a new start-up loan provider and the Funding 1 security trustee. If required by the rating agencies in order to support the

rating of the rated notes, Funding 1 will use part of the proceeds of the new start-up loan to further fund the general reserve fund or, if applicable, the Funding 1 liquidity reserve fund.

Similarly, if necessary, Funding 1 will also enter into a new Funding 1 swap with either the Funding 1 swap provider or a new Funding 1 swap provider and the Funding 1 security trustee.

A second start-up loan agreement was entered into on 13 September 2011 to allow Funding 1 to pay the restructuring fees on or about the date of that agreement (see "**The second start-up loan agreement"** below).

Any new start-up loan provider and any new Funding 1 swap provider will become party to the Funding 1 deed of charge pursuant to a deed of accession and will be entitled to share in the security granted by Funding 1 for the issuer's benefit (and the benefit of the other Funding 1 secured creditors) under the Funding 1 deed of charge. In addition, the liabilities owed to the Funding 1 swap provider which are secured by the Funding 1 deed of charge may increase each time that Funding 1 borrows further term advances. These factors could ultimately cause a reduction in the payments you receive on your notes. Your consent to the requisite changes to the transaction documents may not be required to be sought. See "**—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**" above.

The yield to maturity of your notes may be adversely affected by prepayments or redemptions on the loans

The yield to maturity of the notes of each class will be affected by the amount and timing of payment of principal on the loans in the portfolio and the price paid by the noteholders of each class of notes.

The yield to maturity of the notes of each class may be adversely affected by a higher or lower than anticipated rate of prepayments on the loans in the portfolio. The factors affecting the rate of prepayment on the loans are described in "**—The issuer's ability to redeem the notes on their final maturity dates may be affected by the rate of prepayment on the loans**".

No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation period relating to each bullet term advance and/or each scheduled amortisation instalment to enable it to repay to the issuer the bullet term advances and scheduled amortisation instalments, in full, on the relevant scheduled repayment dates so that the equivalent amounts relating to the corresponding classes (or sub-classes) of notes will be redeemed in full on their scheduled redemption dates. The extent to which sufficient funds are saved by Funding 1 during a cash accumulation period or received by it from its share in the mortgages trust for application on a scheduled repayment date will depend on whether the actual principal prepayment rate of the loans in the portfolio is the same as the assumed principal prepayment rate.

If Funding 1 is not able to save enough money during a cash accumulation period or does not receive enough money from its share in the mortgages trust to pay the full amount scheduled to be repaid on a bullet term advance or scheduled amortisation instalment on their scheduled repayment dates and the issuer is therefore unable to redeem, in an equivalent amount, the corresponding series and classes (or sub-classes) of notes on their scheduled redemption dates, then Funding 1, subject to any swap payments which it may have to make, will be required to pay to the issuer on those scheduled redemption dates only the amount that it has actually saved or received. Accordingly, the issuer will only be obliged to pay the amount of funds received from Funding 1 to holders of the corresponding series and classes (or sub-classes) of notes. Any shortfall will be deferred and paid on subsequent Funding 1 payment dates when Funding 1 has money available to make the payment. In these circumstances, there will be a variation in the yield to maturity of the relevant classes (or sub-classes) of notes.

During the cash accumulation period for a bullet term advance, payments of principal in respect of scheduled amortisation term advances will be restricted and may not be made if certain constant repayment rate (**CPR**) tests and other repayment tests are not met as set out in "**Cashflows—Distribution of Funding 1 available principal receipts**". Additionally, during the cash accumulation period for a bullet term advance and/or a scheduled amortisation instalment, payments of principal or provisions for the payment of principal on pass-through term advances will be restricted and may not be made if certain CPR, cash accumulation shortfall and other repayment tests are not met as set out in the repayment tests under "**Cashflows—Distribution of Funding 1 available principal receipts**".

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

Increases in the Bank of England base rate and/or other applicable variable rates may result in 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, being exposed to increased monthly payments as and when 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 these 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 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 and losses.

Continuing market volatility may accelerate the repayment of certain notes and/or delay the repayment of other notes

Although loan origination levels have improved since the market volatility and associated liquidity constraints that began in the summer of 2007 there is no guarantee that the rate at which the seller originates loans will remain the same or increase. If the rate at which loans are originated declines significantly, then the risk of a non-asset trigger event occurring increases. If a non-asset trigger event occurs, this may cause certain series and classes (or sub-classes) of notes to be repaid more rapidly than expected and other series and classes (or sub-classes) of notes to be repaid more slowly than expected (with the result that such notes may not be paid in full by their final maturity date). See also, "**—The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**".

If the intercompany loan (or any part thereof) is refinanced, your notes could be repaid early

Funding 1 may refinance some or all of the term advances through proceeds received from the issuer or a new issuer under further term advances. The issuer would fund such term advances through the issuance of a new series and classes (or sub-classes) of notes. For example, an existing term advance might be re-financed in order to provide the issuer with funds to redeem a class (or sub-class) of notes on or after its step-up date. If the proceeds of a refinanced term advance were used by the issuer to exercise an optional redemption of notes prior to their expected maturity, your notes could be repaid early. This, in turn, could have an adverse effect on the yield on your notes.

The issuer's ability to redeem the notes on their scheduled redemption dates or their final maturity dates may be affected by the rate of prepayment 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, local and regional economic conditions and homeowner mobility. For instance, prepayments on loans may be due to borrowers refinancing their loans and sales of mortgaged properties by borrowers (either voluntarily or as a result of enforcement action taken). In addition, if the seller is required to repurchase a loan and its related security because, for example, it does not materially comply with the representations and warranties in the mortgage sale agreement, then the payment received by the mortgages trustee will have the same effect as a prepayment of such loan. Because these factors are not within the issuer's control or the control of Funding 1 or the mortgages trustee, the issuer cannot give any assurances as to the level of prepayments that loans in the portfolio may experience.

Variation in the rate of prepayments of principal on the loans in the portfolio including loans being subject to a product switch or a further advance may affect each series and class (or sub-class) of notes differently depending upon amounts already repaid by Funding 1 to the issuer under the intercompany loan agreement, whether a trigger event has occurred, whether a loan is subject to a product switch, further advance, overpayment, underpayment or payment holiday, whether drawings have been made under flexible loans, whether the seller is required (or has exercised its option) to repurchase loans subject to a product switch or further advance or whether the security granted by the issuer under the issuer deed of charge has been enforced. If prepayments on the loans in the portfolio occur less frequently than anticipated, there may be insufficient funds available to the issuer to redeem notes in full on their respective scheduled redemption dates.

In the wake of the financial crisis the rate of prepayment of the loans in the portfolio remained relatively low in line with other UK mortgage loan portfolios as a result of reduced levels of activity in the housing market and mortgage finance market although prepayments have begun to pick up with the recovery in the economy. The impact of low prepayment rates on the timing of repayment of all or a particular class of notes is only partly mitigated by an extension of the Funding 1 anticipated cash accumulation period in respect of such notes and there is a risk that there will not be sufficient funds in the Funding 1 accumulation ledger to fully redeem a class of notes on their scheduled repayment date.

Although the seller has previously acquired part of the Funding 1 share of the trust property in circumstances where the proceeds were used to repay certain loan tranches, which repayment in turn funded payment of the corresponding series and classes of notes, there is no obligation on the seller to take such action and there is no guarantee or assurance that the seller would or will acquire any part of the Funding 1 share of the trust property on any future date.

The issuer's ability to pay interest on and/or redeem the notes on the scheduled interest, redemption or final maturity dates may be affected by a high rate of default on the loans

The amounts required to pay interest on and/or redeem the notes are generated substantially from payments of interest and principal on the loans. If defaults in payment on the loans increase, there is a risk that the payments made under the remaining loans (where no default has occurred) may not be sufficient in order to pay interest on and/or redeem the notes on the interest payment dates or scheduled redemption dates, or at all.

The default by a borrower under a loan in payment of interest and/or principal gives rise to the lender's rights to enforce its security (for example by selling the property) in order to repay the debt secured. There are, however, several requirements which would need to be complied with before the proceeds of realisation of such security could be applied in or towards repayment of the relevant loan.

These include complying with any applicable current or future codes of practice and protocols relating to possession proceedings (see "**The servicing agreement**" section below), obtaining a court order for possession and marketing the property for a reasonable period in order to ensure a proper price is obtained.

Certain legislation (namely the Mortgage Repossessions (Protection of Tenants etc.) Act 2010 and the Dwelling Houses (Execution of Possession Orders by Mortgagees) Regulations 2010) has extended with effect from 1 October 2010 protections granted to occupiers of mortgaged properties by requiring, before any possession order can be enforced, notice to be given to all unauthorised tenants (namely tenants to whom the mortgagee has not consented) and giving such tenants the right to ask for the execution of the possession order to be postponed for up to 2 months. Similar legislation is in effect in Scotland.

The combined effect of the above is that there may be several months between the date of any default occurring under any loan and the time when the proceeds of the sale of security for such loan are available to repay such loan. During this period there may be no payments made under the relevant loan (thus increasing the amount of the arrears) and there may also be costs and expenses (for example insurance premiums, and/or the costs of providing services and/or enforcing the security) relating to the property which would need to be discharged. There can be no assurance, at the end of such process, that such realisation proceeds would be sufficient to discharge payments due in respect of the relevant loan.

The criteria for the sale of loans to the mortgages trustee may change over time without your consent

The criteria for loans to be sold to the mortgages trustee may be amended in the future without your consent. As a result, the mortgages trust may include types of loans in the future with different characteristics from those currently in the mortgages trust. This may occur, for example, due to the development of new mortgage loan products in response to changing market conditions. Any such amendments, as provided for in the mortgage sale agreement, would require the consent of the parties to the mortgage sale agreement as well as confirmation in writing by S&P that the then current rating by it of the rated notes would not be reduced, withdrawn or qualified as a result of such amendments (and advance notice in writing of any such amendment to the criteria for loans 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). See "**—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**".

As loans are sold to the mortgages trustee, the characteristics of the trust property may change from those existing at the relevant closing date, and those changes may adversely affect payments on your notes

There is no guarantee that any loans sold to the mortgages trustee will have the same characteristics as the loans in the portfolio as at the closing date applicable to your notes. In particular, loans may have payment characteristics that differ from those of the loans in the portfolio as at the relevant closing date. The ultimate effect of this could be to delay or reduce the payments you receive on your notes. However, any loans will be required to meet the conditions described in "**The mortgage sale agreement—Sale of loans and their related security to the mortgages trustee**". See further "**—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**".

(a) *Risks in relation to some types of loans may adversely affect the value of the portfolio or any part thereof*

As described herein, the sale by the seller to the mortgages trustee of English loans and Northern Irish loans has been or will be given effect by an equitable assignment, with each sale of Scottish loans being given effect by a Scottish declaration of trust. As a result, legal title to the English loans, Northern Irish loans and the Scottish loans and their related security sold by the seller to the mortgages trustee will remain with the seller. Therefore, the rights of the mortgages trustee may be subject to the direct rights of the borrowers against the seller, including rights of set-off (which, in this risk factor, will be deemed to include analogous rights in Scotland) existing prior to notification to the borrowers of the assignment or assignation (as appropriate) of the loans. Some of the loans in the portfolio may have increased risks of set-off because the seller is required to make payments under them to the borrowers. For instance:

- under a flexible loan, the borrower will be permitted (subject to certain conditions which may, in some circumstances, require notification to and/or consent of the seller) to make, among other things, additional drawings on the loan account and/or to overpay or underpay interest and principal in a given month and/or to take a payment holiday (referred to as **re-draws**); and

- the property that secures a loan will also secure a flexible advance made to the relevant borrower. A flexible advance made prior to 31 October 2004 which forms part of a loan which was entered into before 1 September 2002 is secured by a separate mortgage. Other flexible advances are secured by the same mortgage as the loan to which they relate. Flexible advances permit the borrower to draw additional amounts in aggregate up to the fixed credit limit under the terms of the mortgage conditions at the inception of such flexible advance. Such draws under a flexible advance are collectively referred to as **further draws**. Such further draws will be funded by the seller.

(b) *New products offered by the seller in the future may have similar characteristics involving payments due by the seller to the borrower*

If the seller, in circumstances where the seller is obliged to advance a re-draw or further draw, fails to advance the re-draw or further draw in accordance with the relevant loan, then the relevant borrower may set-off any damages claim (or exercise analogous rights in Scotland) 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, the mortgages trustee's) claim for payment of principal and/or interest under the flexible loan or flexible advance as and when it becomes due. In addition, a borrower under a flexible loan or flexible advance may attempt to set off any such damages claim against the seller's claim for payment of principal and/or interest under any other loan which the borrower has with the seller.

(c) *Such set-off claims as described in the immediately preceding risk factor will constitute transaction set-off*

The amount of the claim in respect of a re-draw or further draw will, in many cases, be the cost to the borrower of finding an alternative source of funds, although, in the case of re-draws or further draws which relate to Scottish loans, it is possible that the borrower's rights of set-off could extend to the full amount of the relevant drawing. The borrower may obtain a mortgage loan elsewhere in which case the damages would be equal to any difference in the borrowing costs together with any consequential losses, 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

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 against his or her mortgage payments an amount greater than the amount of his or her damages claim. 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.

Further, there may be circumstances in which:

- a borrower may seek to argue that amounts comprised in the true balance of his or her loan as a consequence of previous re-draws or further draws are unenforceable by virtue of non-compliance with the consumer credit regime;

- a borrower may seek to argue that flexible advances and their related security may be unenforceable or unenforceable without a court order because of non-compliance with the consumer credit regime, although such an argument is unlikely to succeed in the context of a flexible advance that can be demonstrated to be a regulated mortgage contract under the FSMA and an exempt agreement for the purpose of the consumer credit regime;

- certain re-draws or further draws may rank behind liens or other security created by a borrower after the date upon which the borrower entered into its mortgage with the seller; or

- a borrower may seek to argue that a loan, being a regulated mortgage contract, is unenforceable by virtue of non-compliance with the FSMA or has been provided to it by the seller in a manner in breach of a relevant FCA rule, thus enabling the borrower to make a claim for damages under the FSMA in respect of such breach (see "—**Mortgage regulation under the FSMA**" below).

The exercise of set-off rights by borrowers, or any such claims as to unenforceability in particular with respect to re-draws and further draws or postponement of ranking, may adversely affect the realised value of the portfolio and/or the ability of the issuer to make payments under the notes.

The seller may change the lending criteria relating to loans that are sold to the mortgages trustee, which could affect the characteristics of the trust property and which may adversely affect payments on your notes

Each of the loans sold to the mortgages trustee by the seller will have been originated in accordance with the lending criteria of the seller or relevant member of the Nationwide group in effect at the time of origination of such loans. The current lending criteria of Nationwide as originator are set out in the section "**The loans—characteristics of the loans—lending criteria**". These lending criteria comply with FCA rules on affordability assessments and product regulation (as further set out in "**—General impact of regulatory changes on Nationwide in its various roles under the programme**" below) and consider a variety of factors such as a potential borrower's credit history, employment history and status and repayment ability, as well as the value of the property to be mortgaged.

In the event of the sale of any loans and their related security to the mortgages trustee, the seller will warrant that such loans and their related security were originated in accordance with the seller's or, as the case may be, originator's lending criteria applicable at the time of their origination. However, the seller retains the right to revise its lending criteria from time to time, so the lending criteria applicable to any loan originated by the seller or other member of the Nationwide group at the time of its origination may not be or have been the same as those set out in the section "**The loans—**

characteristics of the loans—lending criteria". Additionally, none of the issuer, the dealers, the underwriters or the joint bookrunners, or any third party hired by any such person, has made any independent investigation to verify that any loan sold to the mortgages trustee by the seller was originated in accordance with the lending criteria of the seller or relevant member of the Nationwide group in effect at the time of origination of such loan.

If loans that have been originated under revised lending criteria are sold to the mortgages trustee, the characteristics of the trust property could change. This could lead to a delay or reduction in the making of payments on your notes.

The seller has adopted procedures relating to investigations and searches for remortgages which could affect the characteristics of the trust property and which may adversely affect payments on your notes

The seller does not require a solicitor or a licensed conveyancer or (in Scotland) a qualified conveyancer to conduct a full investigation of the title to a mortgaged property in all cases. Where the borrower is remortgaging, there may be a more limited investigation to carry out some but not all of the searches and investigations which would normally be carried out by a solicitor conducting a full investigation of the title to a mortgaged property. Mortgaged properties 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 mortgaged properties not being accepted as security for a loan had such matters been revealed. However, no search indemnity insurance is obtained in respect of such mortgaged properties to mitigate against this risk. The introduction of loans secured by such mortgaged properties into the trust property could result in a change of the characteristics of the trust property. This could lead to a delay or reduction in the payments received on your notes.

The timing and amount of payments on the loans could be affected by various factors which may adversely affect payments on your notes

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. Other factors in borrowers' individual, personal or financial circumstances may affect the ability of such borrowers to repay loans. Loss of earnings, illness, divorce and 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 loans.

Prepayments may also be affected by the characteristics of the loans

The ability of a borrower to sell a mortgaged property given as security for a loan at a price sufficient to repay the amounts outstanding under the loan will depend upon a number of factors, including the availability of buyers for that mortgaged property, the value of that mortgaged property and property values in general at the time.

Further, the mortgage loan industry in the United Kingdom is highly competitive. This competitive environment may affect the rate at which the seller originates loans and may also affect the repayment rate of the seller's existing borrowers.

The inclusion of certain types of loans may affect the rate of repayment and prepayment of the loans

The portfolio contains flexible loans. Flexible loans provide the borrower with a range of options that gives that borrower greater flexibility in the timing and amount of payments made under the loan. Subject to the terms and conditions of the loans (which may require in some cases notification to the seller and in other cases the consent of the seller), under a flexible loan a borrower may (among other things) redraw amounts that have been repaid. For a detailed summary of the characteristics of the flexible loans, see "**The loans—Characteristics of the loans—Flexible loans**" below.

To the extent that borrowers under flexible loans exercise any of the options available to them, the timing of payments on your notes may be adversely affected.

The mortgages trustee's entitlement to be indemnified for liabilities undertaken during the enforcement process may adversely affect the funds available to Funding 1 to pay amounts due under the intercompany loan agreement, which may in turn adversely affect the funds available to the issuer to make payments on the notes

In order to enforce a power of sale in respect of a mortgaged property, the relevant mortgagee or (in Scotland) heritable creditor (which may be the seller or the mortgages trustee) must first obtain possession of the mortgaged property unless the property is vacant. Possession is usually obtained by way of a court order although this can be a lengthy process and the mortgagee or heritable creditor must assume certain risks. The mortgages trustee is entitled to be indemnified to its satisfaction against personal liabilities which it could incur if it were to become a mortgagee or heritable creditor in possession before it is obliged to seek possession. It should also be noted that, in relation to Scottish loans, the Mortgage Rights (Scotland) Act 2001 confers upon the court a discretion (upon application by the borrower or other specified persons) to suspend the exercise of the lender's statutory enforcement remedies for such period and to such extent as the court considers reasonable having regard, among other factors, to the nature of the default, the applicant's ability to remedy it and the availability of alternative accommodation.

The issuer and Funding 1 are reliant on third parties in order to meet their secured obligations

The principal source of income for repayment of the notes by the issuer is the intercompany loan. The principal source of income for repayment by Funding 1 of the intercompany loan is its beneficial interest in the trust property (which includes the loans in the portfolio). If the timing and payment of the loans in the portfolio is adversely affected by any of the risks described in this section, then the payments on the notes could be reduced or delayed.

Both Funding 1 and the issuer are, respectively, parties to contracts with third parties that have agreed to perform certain services for each of them in relation to the intercompany loan (in respect of Funding 1) and the notes (in respect of the issuer). For example, the Funding 1 swap provider has agreed and each issuer swap provider will be required to agree to provide certain interest rate and currency swaps (as applicable) to Funding 1 and the issuer, respectively; the Funding 1 corporate services provider and the issuer corporate services provider have also agreed to provide corporate services to each of Funding 1 and the issuer respectively; the agent bank and paying agents have agreed to provide payment and calculation services to the issuer in connection with each series of notes. In the event that any relevant third party were to fail to perform its obligations under the respective agreements to which it is a party, payments on your notes may be adversely affected.

To the extent that there are principal amounts outstanding on remarketable notes on any mandatory transfer date, the ability of the issuer to procure payment of the mandatory transfer price will be dependent upon the remarketing agent, as agent for the issuer, agreeing terms for the sale of the remarketable notes to third party purchasers on or prior to the relevant mandatory transfer date or exercising the issuer's rights under the conditional purchase agreement to require the conditional purchaser to acquire the remarketable notes. (See "**—Certain events may affect the eligibility of any series or class of money market notes for investment by money market funds**".)

If property values decline payments on the notes could be adversely affected

The security granted by Funding 1 in respect of its obligations under the intercompany loan agreement, which is the principal source of funding for your notes, consists, among other things, of Funding 1's interest in the mortgages trust. Since the value of the portfolio held by the mortgages trustee may increase or decrease, the value of that security may increase or decrease and will decrease if there is a general decline in property values.

In the past six years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Global economic conditions deteriorated significantly between 2007 and 2009 and many countries, including the United Kingdom, went through a prolonged recession. In particular, during the second half of 2008 and continuing to the second half of 2009, the UK recorded negative GDP growth and the UK property market began a significant correction as a consequence of housing demand being constrained by a combination of subdued earnings growth, greater pressure on housing finances, rising unemployment, changes in interest rates, a decline in the availability of mortgage finance and the continued effect of global market volatility. Despite the initial fall in prices, a lack of housing supply (both new build and existing properties coming to market) led to a significant rebound during the latter part of 2009 and the first half of 2010. Whilst evidence of recovery has emerged in the UK economy, including increased house price inflation, the possibility of a renewed economic downturn and a further decline in residential property values is a risk. Such a decline could increase the number of borrowers who may have insufficient resources to pay amounts in respect of their loans as and when they fall due, and may have insufficient equity to refinance their loans with lenders other than the seller. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on your notes.

If a borrower fails to repay its loan and the related property is repossessed, the likelihood of there being a net loss on the disposition or conveyance (as applicable) of the property is adversely affected by a higher loan-to-value ratio. 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 the 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 and, ultimately, may materially adversely affect the ability of the issuer to make payments on the notes. The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will provide information on the distribution of the loan-to-value ratios at origination of the loans sold to the mortgages trustee in connection with a particular issuance of notes.

It cannot be guaranteed that the value of a property will remain at the same level as on the date of origination of the related loan.

The portfolio may be subject to geographic concentration risks

To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the loans in such a region may be expected to exacerbate all of the risks relating to the loans described in this section. The economy of each geographic region within the United Kingdom is dependant on different mixtures of industries and other factors. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of borrowers in that region or the region that relies most heavily on that industry. Any natural or other disasters in a particular region may reduce the value of affected mortgaged properties. This may result in a loss being incurred upon sale of such mortgaged properties. These circumstances could affect receipts on the loans in the portfolio and ultimately result in losses on the notes. For an overview of the geographical distribution of the loans in the portfolio, see "**Geographical distribution**" in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

No loans may be sold to the mortgages trustee if the step-up date in respect of any notes issued by the issuer has occurred and the issuer has not exercised its option to redeem the notes

No sale of loans to the mortgages trustee may occur if, at the relevant sale date, the step-up date in respect of any class (or sub class) of notes has occurred and the issuer has not exercised its option to redeem the relevant class (or sub class) of notes at that date. If the minimum trust size is not maintained, then this could result in the occurrence of a non-asset trigger event. See "**The mortgage sale agreement—Sale of loans and their related security to the mortgages trustee**" for further details of the conditions loans are required to meet.

The occurrence of an asset trigger event or enforcement of the issuer security or the Funding 1 security may accelerate the repayment of certain notes and/or delay the repayment of other notes

If an asset trigger event has occurred or a loan acceleration notice or a note acceleration notice has been delivered (and whether or not a non-asset trigger event has occurred), the mortgages trustee will distribute principal receipts on the mortgage loans to Funding 1, any further funding company and the seller proportionally based on their percentage shares of the trust property. Funding 1 will, on each Funding 1 payment date following the occurrence of an asset trigger event or the enforcement of the Funding 1 security or the issuer security, apply those principal receipts received by it from the mortgages trustee, after making higher ranking payments, to repay:

- *first*, the term AAA advances until each of the term AAA advances is fully repaid;
- *then*, the term AA advances until each of the term AA advances is fully repaid;
- *then*, the term A advances until each of the term A advances is fully repaid;
- *then*, the term BBB advances until each of the term BBB advances is fully repaid;
- *then*, the term BB advances until each of the term BB advances is fully repaid; and
- *then*, the term NR advances until each of the term NR advances is fully repaid.

The above priority of payments may cause certain series and classes (or sub-classes) of notes to be repaid more rapidly than expected and other series and classes (or sub-classes) of notes to be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date.

The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes

If a non-asset trigger event has occurred and until the occurrence of an asset-trigger event or delivery of acceleration notices, the mortgages trustee will distribute all principal receipts to Funding 1 and any further funding company in proportion to the size of their respective shares in the trust property until the Funding 1 share percentage and the share percentage attributable to each such further funding company of the trust property are each zero and will thereafter apply all principal receipts to the seller. Funding 1 will, on each Funding 1 payment date following the occurrence of a non-asset trigger event, apply these principal receipts received by it from the mortgages trustee, after making higher ranking payments, to repay:

- *first*, the term AAA advances in order of final repayment date, beginning with the earliest final repayment date until each of the term AAA advances is fully repaid;
- *then*, the term AA advances until each of the term AA advances is fully repaid;

- *then*, the term A advances until each of the term A advances is fully repaid;
- *then*, the term BBB advances until each of the term BBB advances is fully repaid;
- *then*, the term BB advances until each of the term BB advances is fully repaid; and
- *then,* the term NR advances until each of the term NR advances is fully repaid.

The above priority of payments may cause certain series and classes (or sub-classes) of notes to be repaid more rapidly than expected and other series and classes (or sub-classes) of notes to be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date.

The occurrence of a pass-through trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes

A pass-through trigger event will be any of the following events: (a) a trigger event; (b) the service of a note acceleration notice by the note trustee on the issuer; or (c) the service of an intercompany loan acceleration notice by the issuer security trustee on Funding 1.

Following the occurrence of a pass-through trigger event:

- each series and class of notes will become a series and class of pass-through notes and each term advance will become a pass-through term advance (to the extent not already constituted as a series and class of pass-through notes or a pass-through term advance);
- if not already so calculated, interest on each term advance will be calculated on a monthly basis and will be due and payable by Funding 1 to the issuer on each Funding 1 payment date and interest on each series and class of notes will also be calculated on a monthly basis and will be due and payable by the issuer to you on each issuer payment date; and
- principal repayments in respect of each term advance (as to which see "**—The occurrence of an asset trigger event or enforcement of the issuer security or the Funding 1 security may accelerate the repayment of certain notes and/or delay the repayment of other notes**" and "**—The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**") will be made by Funding 1 on each Funding 1 payment date and the issuer will, also on each issuer payment date, apply the proceeds of such principal repayments, which are available for payment, in repayment of the notes in accordance with the applicable issuer priority of payments but without regard to the scheduled amounts due in respect of the bullet notes and the scheduled amortisation notes and the dates on which such amounts would otherwise have been due.

This may cause certain series and classes of notes to be repaid more rapidly than expected and other series and classes of notes to be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date.

The enforcement of the issuer security may accelerate the repayment of certain notes and/or delay the repayment of other notes.

If the issuer security is enforced, then the issuer security trustee will distribute funds in the manner described in "**Cashflows—Distribution of issuer principal receipts and issuer revenue receipts following note acceleration and intercompany loan acceleration**". As a consequence, certain series and classes (or sub-classes) of notes may be repaid more rapidly than expected and other series and classes (or sub-classes) of notes may be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date.

In certain circumstances, loans subject to product switches and further advances will be repurchased by the seller from the mortgages trustee, which will affect the payment rate of the loans, and this may affect the yield to maturity of your notes

In certain circumstances, loans subject to product switches and further advances will be repurchased by the seller from the mortgages trustee, which will affect the prepayment rate of the loans and this may affect the yield to maturity of your notes.

Loans in the portfolio subject to product switches and further advances will only be required to be repurchased by the seller if (i) as at the date of such product switch or further advance, the relevant loan does not materially comply with the representations and warranties set out in the mortgage sale agreement and/or (ii) as of the trust calculation date immediately following the end of the trust calculation period in which the product switch or further advance takes place, the relevant loan does not comply with the conditions precedent applicable to such loan, as described below in "**The mortgage sale agreement—Conditions for product switches and further advances**". If the seller is required to repurchase any such loans and their related security from the mortgages trustee, the repurchase price will be equal to the true balance of those loans at the end of the trust calculation period in which the product switch or further advance takes place, as calculated on the trust calculation date immediately following the end of such trust calculation period. Other than as described above the seller will be entitled but not obliged to remove any loans that are subject to further advances and/or product switches. If the seller exercises its option to repurchase any such loans and their related security from the mortgages trustee, the repurchase price will be equal to the true balance of those loans at the end of the trust calculation period in which the product switch or further advance takes place, as calculated on the trust calculation date immediately following the end of such trust calculation period.

If the seller is required, or elects to, repurchase such loans and their related security, the loans will be repurchased on the distribution date following the end of the trust calculation period in which the product switch or further advance took place.

See further "**Summary of the transaction documents—The mortgage sale agreement—Product switches and further advances**" below as to the circumstances in which a loan in the portfolio will be subject to a product switch or further advance.

The yield to maturity of your notes may be affected by the repurchase of loans subject to product switches or further advances.

Ratings assigned to your notes may be qualified, downgraded or withdrawn after you purchase the notes, which may lower the market value of your notes

The ratings assigned by S&P and Fitch to each class or sub-class of rated notes address the likelihood of full and timely payment to noteholders of all payments of interest on each interest payment date under that class (or sub-class) of notes in accordance with the terms of the transaction documents and the conditions of the notes. The ratings also address the likelihood of "ultimate" payment of principal by the final maturity date of each class (or sub-class) of rated notes. The ratings assigned by Moody's to each class (or sub-class) of rated notes address the expected loss in proportion to the initial principal amount of such class (or sub-class) and express Moody's opinion that the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. The expected ratings of each class (or sub-class) of rated notes of a series on the relevant closing date will be set out in the applicable final terms for such notes (or, in the case of exempt notes, the applicable pricing supplement). Any rating agency may lower, qualify or withdraw its rating if, in the sole judgment of the rating agency, the credit quality of the rated notes has declined or is in question. If any rating assigned to the rated notes is lowered, qualified or withdrawn, the market value of the notes may be reduced and, in the case of money market notes, such money market notes may no longer be eligible for investment by money market funds. A change to the ratings

assigned to each class (or sub-class) of rated notes will not affect the relevant term advance ratings (to the extent applicable) assigned to each relevant term advance under the intercompany loan.

The issuance of unsolicited ratings on your notes could adversely affect the market value of your notes and/or liquidity of your notes

Credit rating agencies that have not been engaged to rate the notes by the issuer may issue unsolicited credit ratings on the notes at any time. Any unsolicited ratings in respect of the notes may differ from the ratings expected to be assigned by Fitch, Moody's and S&P and may not be reflected in any final terms (or, in the case of exempt notes, any pricing supplement). Issuance of an unsolicited rating which is lower than the ratings assigned by Fitch, Moody's or S&P in respect of the notes may adversely affect the value and/or the liquidity of your notes.

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

The terms of certain transaction documents require (a) S&P to confirm that any action proposed to be taken by the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee, a funding company, the issuer or a new issuer will not have an adverse effect on the then current rating of the rated notes (a **ratings confirmation**) and (b) advance notice in writing of such proposed action be 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.

By acquiring the notes, you acknowledge and agree that, notwithstanding the foregoing, a credit rating is an assessment of credit risk and does not address other matters that may be of relevance to you. A ratings confirmation from S&P that any action proposed to be taken by the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee, a funding company and/or the issuer and/or a new issuer will not have an adverse effect on the then current rating of the rated notes does not, for example, confirm that such action (i) is permitted by the terms of the transaction documents or (ii) is in the best interests of, or prejudicial to, you. While entitled to have regard to the fact that S&P has confirmed that the then current rating of the relevant class (or sub-class) of rated notes would not be adversely affected, each of the Funding 1 secured creditors and the issuer secured creditors (including the noteholders) has acknowledged and agreed in the transaction documents that the above does not impose or extend any actual or contingent liability on the rating agencies to the Funding 1 secured creditors or the issuer secured creditors (including the noteholders), the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee or any other person or create any legal relationship between the rating agencies and the Funding 1 secured creditors, the issuer secured creditors (including the noteholders), the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee or any other person whether by way of contract or otherwise.

Any such ratings confirmation from S&P may or may not be given at the sole discretion of S&P. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that S&P cannot provide a ratings confirmation in the time available or at all, and S&P should not be responsible for the consequences thereof. A ratings confirmation from S&P in respect of a series and class (or sub-class) of rated notes, 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 programme since the relevant closing date. Any such ratings confirmation represents only a restatement of the opinions given as at a closing date and cannot be construed as advice for the benefit of any parties to the transaction.

Principal payments on pass-through term advances and scheduled amortisation instalments are subject to certain rules

There will be circumstances in which payment of principal on the notes will be deferred in accordance with the rules described in "**Cashflows—Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**".

Absence of secondary market

No assurance is provided that there is an active and liquid secondary market for the notes, and no assurance is provided that a secondary market for the notes will develop. None of the notes has 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 described in "**Subscription and sale**" and "**Transfer restrictions and investors representations**". To the extent that a secondary market exists or develops, it may not continue for the life of the notes or it may not provide noteholders with liquidity of investment with the result that a noteholder may not be able to find a buyer to buy its notes readily or at prices that will enable the noteholder to realise a desired yield. Consequently, a noteholder must be able to bear the economic risk of an investment in a note for an indefinite period of time.

Lack of liquidity in the secondary market may adversely affect the market value of the notes

The secondary market for mortgage-backed securities has in recent years experienced disruptions as a result of reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing at times very limited liquidity and a material increase in the price of credit protection on mortgage-backed securities through credit derivatives. Limited liquidity in the secondary market may continue to have an adverse impact on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of certain categories of investors.

If there is a lack of liquidity in the secondary market, an investor in the notes may not be able to sell or acquire credit protection on its notes readily, and market values of the notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

Risks in relation to the maturity purchase notes

The purchase arrangements for the maturity purchase notes provide that, in respect of the relevant transfer date, subject to certain conditions, an outstanding series and class (or sub-class) of applicable maturity purchase notes will be purchased by the maturity purchaser at the maturity purchase price for such notes in accordance with condition 5.8 and the relevant maturity purchase deed. Investors should note that the maturity purchase price may be less than the principal amount outstanding on the relevant maturity purchase notes.

The applicable maturity purchaser is not obliged to purchase the applicable maturity purchase notes if a note event of default has occurred which is continuing on the transfer date.

Investors should consider carefully the risks posed if (a) a note event of default has occurred and is continuing on the transfer date or (b) the maturity purchaser defaults in its obligations to pay the maturity purchase price for the maturity purchase notes on the relevant transfer date. In such situations a noteholder may be unable to sell its maturity purchase notes on the relevant transfer date or at any other time (or, if it is able to sell such notes, the purchase price received by it may be less

than the maturity purchase price for such notes). In addition, maturity purchase notes may be subject on any step-up date relating to such maturity purchase notes (which may occur on or after the expected maturity date) to a decrease in the margin which would have an adverse effect on the yield of such maturity purchase notes.

Investors should note that they will be reliant on the financial condition of the maturity purchaser as of the relevant transfer date to the extent the maturity purchaser is obliged to purchase the maturity purchase notes.

The purchase arrangements relating to the maturity purchase notes depend on the facilities of DTC, Euroclear and Clearstream, Luxembourg (as applicable). If definitive notes are issued in any circumstances described in this base prospectus, or if the relevant clearing system cease to offer the relevant mechanisms to enable the purchase of the relevant maturity purchase notes by the maturity purchaser as contemplated in condition 5.8 and the relevant maturity purchase deed or if such mechanisms are disrupted, then the purchase arrangements established for the maturity purchase notes may no longer be able to be implemented and/or may be delayed as described in "**Overview of the notes—Maturity purchase notes**" above. Although the parties to the maturity purchase deed have agreed that in such circumstances they will make reasonable efforts to enter into alternative purchase arrangements, there can be no assurance that they will be able to do so, in which case the maturity purchaser may not be required to purchase the maturity purchase notes.

Ratings

The ratings assigned by the rating agencies to any maturity purchase notes do not address the mandatory purchase arrangements relating to such maturity purchase notes as described in "**Overview of the notes—Maturity purchase notes**" above or the likelihood of the maturity purchaser not being required to purchase the maturity purchase notes under the maturity purchase commitment.

Step-up date

Reference to a change in the margin, in respect of any series and class of notes on any step-up date, may refer to either a positive or a negative change in such margin.

Certain events may affect the eligibility of any series or class of money market notes for investment by money market funds

A class (or sub-class) of notes of any series may be designated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as money market notes and, if so designated, will be "Eligible Securities" within the meaning of Rule 2a-7 under the Investment Company Act. However, under Rule 2a-7, a money market fund may be required to dispose of such money market notes upon the occurrence of any of the following events:

- the rating then assigned to such money market notes is lowered or withdrawn;
- a material default occurs with respect to such money market notes;
- the money market fund determines that such money market notes no longer present minimal credit risk;
- upon certain events of insolvency with respect to the issuer; or
- such money market notes otherwise cease to meet the eligibility criteria under Rule 2a-7.

Where the issuer has entered into a money market note purchase agreement or remarketing agreement in respect of a series and class of money market notes, the eligibility of the notes for investment by money market funds will be dependent upon timely receipt of proceeds from the money market note purchaser, remarketing agent or conditional purchaser.

If any money market notes are designated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as remarketable notes, the ability of the issuer to procure payment of the mandatory transfer price with respect to such notes will be dependant upon the remarketing agent, as agent for the issuer, either (a) agreeing terms for the sale of such remarketable notes to third party purchasers on or prior to the relevant mandatory transfer date and obtaining the required part of the mandatory transfer price from those third party investors or (b) exercising the issuer's rights under the conditional purchase agreement to require the conditional purchaser to acquire the remarketable notes. After the occurrence of a mandatory transfer termination event, the remarketable notes will no longer be subject to any mandatory transfer.

There can be no assurance that the remarketing agent will be able to identify purchasers interested in acquiring the remarketable notes on the relevant mandatory transfer date. The conditional purchaser may not have sufficient funds on or before the relevant mandatory transfer date to satisfy its obligations to purchase the remarketable notes under the conditional purchase agreement. If the conditional purchaser defaults upon its obligation to pay the amounts otherwise due under the conditional purchase agreement on the relevant mandatory transfer date, the issuer may not be able to procure the purchase of all or any of the remarketable notes on any mandatory transfer date.

The mortgages trustee account bank or the Funding 1 account bank may cease to satisfy certain criteria which may adversely affect the rate of interest receivable on the mortgages trustee GIC account, the Funding 1 GIC account or any other applicable Funding 1 GIC account

Each of the mortgages trustee account bank and the Funding 1 account bank is required to satisfy certain criteria (including certain criteria and/or permissions set out or required by the FCA from time to time) in order to continue to receive deposits in the mortgages trustee GIC account and the Funding 1 GIC account, respectively. If either the mortgages trustee account bank or the Funding 1 account bank ceases to satisfy those criteria (and, in the case of a failure to satisfy the mortgages trustee account bank required ratings or the Funding 1 account bank required ratings, as applicable, the relevant account bank does not take the actions described below under "**—The mortgages trustee account bank and the Funding 1 account bank may continue to hold deposits when they cease to satisfy certain criteria**"), the relevant account would need to be transferred to another entity which does satisfy those criteria. In these circumstances, the new account bank provider may not offer an interest rate on deposits in the mortgages trustee GIC account or the Funding 1 GIC account on terms as favourable as those provided by the mortgages trustee account bank or the Funding 1 account bank, respectively.

The mortgages trustee account bank and the Funding 1 account bank may continue to hold deposits when they cease to satisfy certain criteria

If either the mortgages trustee account bank or the Funding 1 account bank ceases to satisfy the criteria described above under "**—The mortgages trustee account bank or the Funding 1 account bank may cease to satisfy certain criteria which may adversely affect the rate of interest receivable on the mortgages trustee GIC account, the Funding 1 GIC account or any other applicable Funding 1 GIC account**" the relevant account would need to be transferred to another entity which does satisfy the relevant criteria or the mortgages trustee account bank or the Funding 1 account bank, as the case may be, may continue to hold, with respect to the mortgages trustee account bank, all amounts in the mortgages trustee GIC account or, with respect to the Funding 1 account bank, Funding 1 deposit non-reserved amounts in the Funding 1 collateralised GIC account; provided that, in each case, the mortgages trustee account bank or the Funding 1 account bank, as applicable, posts collateral against such deposits or makes a drawing on the class Z GIC collateral note pursuant to the transaction documents. Any amounts received by Funding 1 that do not constitute Funding 1 deposit non-reserved amounts must be deposited in a Funding 1 GIC account with an entity that satisfies the criteria described above under "**—The mortgages trustee account bank or the Funding 1 account bank may cease to satisfy certain criteria which may adversely affect the rate of interest receivable on the mortgages trustee GIC account, the Funding 1 GIC account or any**

other applicable Funding 1 GIC account". In addition, if the mortgages trustee account bank ceases to satisfy such criteria, the mortgages trustee must establish a standby mortgages trustee account bank with another entity which does satisfy such criteria. Although any collateral posted against amounts on deposit in the mortgages trustee GIC account or the Funding 1 collateralised GIC account is required to be in an amount greater than the amount on deposit in the relevant account, there is no guarantee that the value of such collateral when realised will be sufficient to cover losses on such account.

If at any time the mortgages trustee account bank's or the Funding 1 account bank's "Issuer Default Ratings" from Fitch are below "BBB-", the relevant account bank must transfer the relevant account to another entity which satisfies the criteria described above under "**—The mortgages trustee account bank or the Funding 1 account bank may cease to satisfy certain criteria which may adversely affect the rate of interest receivable on the mortgages trustee GIC account, the Funding 1 GIC account or any other applicable Funding 1 GIC account**".

Risks associated with the Funding 1 swaps

Certain of the loans in the portfolio may pay a variable rate of interest for a period of time that may be linked to a variable base rate. Other loans pay a fixed rate of interest for a period of time.

To provide a hedge against the rates of interest payable on the BMR loans, SMR loans and fixed rate loans in the portfolio and the rate of interest payable by Funding 1 on the term advances, Funding 1 has entered into the Funding 1 swap agreement and the Funding 1 swaps. If Funding 1 fails to make timely payments under any Funding 1 swap, it will have defaulted under the Funding 1 swap agreement.

The Funding 1 swap provider is obliged only to make payments under the Funding 1 swap agreement if and for so long as Funding 1 makes payments under the same. If the Funding 1 swap provider does not make its payments or defaults in its obligation to make payments under the Funding 1 swap agreement or a Funding 1 swap otherwise terminates, Funding 1 will be exposed to the variance between the rates of interest payable on the BMR loans, SMR loans and fixed rate loans (as applicable) and the rates of interest payable by it under the term advances unless and until, (i) with respect to the Funding 1 swaps related to the standard variable mortgage rate loans only, the Servicer exercises its right (or is compelled following perfection of title) to set the rate on the standard variable mortgage rate loans at a rate higher than the rate on the term advances pursuant to the servicing agreement as described under "**The Servicing Agreement—Undertakings by the Servicer**" or, (ii) a replacement Funding 1 swap is entered into. In the event that a Funding 1 swap related to standard variable mortgage rate loans is terminated by Funding 1 (which can only occur upon the occurrence of a perfection event as further described under "**The Mortgage Sale Agreement—Transfer of legal title to the mortgages trustee**"), Funding 1 is not obligated to enter into a replacement Funding 1 swap for such standard variable mortgage rate loans. If a Funding 1 swap terminates, Funding 1 may as a result be obliged to make a termination payment to the Funding 1 swap provider. Any variance between the rates of interest payable on the loans and the rates of interest payable by Funding 1 under the term advances and any termination payment payable by it to the Funding 1 swap provider may adversely affect the ability of Funding 1 to meet its obligations under the term advances.

There are also certain loans (referred to as **tracker rate loans**) linked to or tracking an interest rate other than the variable base rates described above relating to BMR loans and SMR loans, such as a rate that tracks a rate set by the Bank of England. These tracker rate loans are not hedged. Although this scenario has been taken into consideration when evaluating the required credit enhancement applicable to issuances of the notes, there is no guarantee that a variance between the rates of interest payable on the tracker rate loans and the rates of interest payable by Funding 1 under the term advances will not adversely affect the ability of Funding 1 to meet its obligations under the term advances.

The issuer may be unable to pay or provide for, in full or at all, interest due on its notes if there is a revenue or principal deficiency

If, on any Funding 1 payment date, there is a Funding 1 revenue deficit amount (i.e. Funding 1 available revenue receipts (including the general reserve fund and the Funding 1 liquidity reserve fund (if any)) are insufficient to pay or provide for the payment of interest on certain term advances and other senior expenses of Funding 1 due or required to be provided for on such Funding 1 payment date), then Funding 1 may use principal receipts distributed to it by the mortgages trustee to make up the Funding 1 revenue deficit amount.

Funding 1 may only apply Funding 1 principal receipts and amounts credited to the non-monthly term advance principal ledgers in the order set out further herein towards covering a Funding 1 revenue deficit amount (if any) on:

- interest due on the term AA advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the AA principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the AA PDL (revenue shortfall) percentage to the outstanding principal amount of the term AA advances;

- interest due on the term A advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the A principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the A PDL (revenue shortfall) percentage to the outstanding principal amount of the term A advances;

- interest due on the term BBB advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the BBB principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the BBB PDL (revenue shortfall) percentage to the outstanding principal amount of the term BBB advances; and

- interest due on the term BB advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the BB principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the BB PDL (revenue shortfall) percentage to the outstanding principal amount of the term BB advances.

In calculating (as of any Funding 1 payment date) whether there is a Funding 1 revenue deficit amount, Funding 1 will not take into account Funding 1 available revenue receipts which have been credited on previous Funding 1 payment dates to the non-monthly term advance revenue ledgers and such amounts will not be available to Funding 1 to be applied towards covering a Funding 1 revenue deficit amount (if any).

Funding 1 will also be obliged to record on the principal deficiency ledger any losses on the loans in the portfolio which cause a principal deficiency. In addition, if amounts standing to the credit of the Funding 1 collateralised GIC account cannot be withdrawn from such account (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts), the sum of (1) any shortfall between the relevant Funding 1 designated collateral amount and the amount received upon realisation of the Funding 1 custody collateral, and (2) the relevant Funding 1 designated term NR GIC collateral advance amount shall be debited to the Funding 1 principal deficiency ledger (provided, that any such amounts subsequently recovered shall be credited to the Funding 1 principal deficiency ledger to the extent there are Funding 1 available revenue receipts available for that purpose). Losses, Funding 1 principal receipts used to cover a Funding 1 revenue deficit amount and

collateral shortfall amounts described above will be debited to the principal deficiency sub-ledger of the term advances with the lowest term advance rating until the principal deficiency ledger balance is equal to the outstanding principal amount of those term advances. Losses, Funding 1 principal receipts used to meet Funding 1 revenue deficit amounts and collateral shortfall amounts described above will thereafter be debited to the principal deficiency sub-ledger of the term advance with the next lowest term advance rating. Losses, Funding 1 principal receipts used to meet Funding 1 revenue deficit amounts and collateral shortfall amounts described above will continue to be allocated in this manner until an amount is debited to the class A principal deficiency sub-ledger, at which point an asset trigger event will occur.

If Funding 1 uses Funding 1 principal receipts to help reduce a Funding 1 revenue deficit amount, if losses occur on the loans or if a collateral shortfall amount is recorded on the principal deficiency ledger, this will reduce the amount of Funding 1 principal receipts available to repay or provide for the repayment of the term advances.

However, it is expected that any principal deficiencies of this sort will be recouped from subsequent excess revenue receipts and amounts standing to the credit of the general reserve fund and the Funding 1 liquidity reserve fund. The excess revenue receipts will be applied first to cover any principal deficiency in respect of the term advances with the highest term advance rating (at the initial closing date, being the term AAA advances), and then the term advances with the next highest-ranking term advance rating, and so on down to the term advances with the lowest term advance rating.

If there are insufficient funds available because of revenue or principal deficiencies, then one or more of the following consequences may occur:

- the interest and other net income of Funding 1 may not be sufficient, after making the payments or provisions to be made in priority thereto, to pay, in full or at all, interest due on the term advances;

- there may be insufficient funds to repay or provide for the repayment of the principal due on any of the term advances prior to their final repayment dates unless the other net income of Funding 1 is sufficient, after making or providing for other prior ranking payments, to reduce any principal deficiency in respect of such term advances;

- if the amount of principal deficiencies exceeds the outstanding principal amount of any of the relevant term advances (and the principal deficiencies cannot be covered by the other income of Funding 1), then the issuer may not receive the full principal amount of any or all of the relevant term advances and, accordingly, you may not receive the full principal amount due or payable on the relevant class of notes; and/or

- the issuer may be unable to pay, in full or at all, interest due on the notes.

For more information on income and principal deficiencies, see "**Credit structure—Principal deficiency ledger**".

Neither the seller share, nor any further funding company share of the trust property provide credit enhancement for your notes

Any losses from loans included in the trust property will be allocated *pro rata* to the funding companies and the seller in proportion to their respective shares in the trust property on each distribution date in accordance with the Funding 1 share percentage, the share percentage of any further funding companies and the seller share percentage of the trust property. Therefore, neither the seller share of the trust property nor the share of any further funding company of the trust property will provide credit enhancement for the Funding 1 share of the trust property, the term advances or the notes.

The issuer will only have recourse to the seller if there is a breach of warranty by the seller, but otherwise the seller's assets will not be available to the issuer as a source of funds to make payments on the notes.

After enforcement of the Funding 1 security as a result of delivery of an intercompany loan acceleration notice under the intercompany loan agreement (as described in "**Security for Funding 1's obligations**"), the Funding 1 security trustee may, but shall not be obliged to, sell the Funding 1 share of the trust property. There is no assurance that a buyer would be found or that such a sale would realise enough money to repay amounts due under the intercompany loan agreement.

None of the issuer, Funding 1 or the mortgages trustee will have recourse to the seller, other than in respect of a breach of warranty under the mortgage sale agreement

The issuer, the mortgages trustee, Funding 1, the note trustee, the issuer security trustee and the Funding 1 security trustee will not undertake any investigations, searches or other actions on any loan or its related security and each of them will rely instead on the warranties given in the mortgage sale agreement by the seller.

If any of the warranties made by the seller on any date on which loans are sold to the mortgages trustee is materially untrue as at that date then the seller will be required to remedy the breach within 20 London business days of the seller becoming aware of the same or of receipt by it of a notice from the mortgages trustee.

If the seller fails to remedy the breach within such 20 London business day period, then the seller will be required to repurchase the loan or loans and their related security on the distribution date immediately following the end of the trust calculation period in which such obligation to repurchase arose at their true balance as at the end of such trust calculation period. There can be no assurance that the seller will have the financial resources to repurchase the relevant loan or loans and its/their related security. However, if the seller does not repurchase those loans and their related security when required, then the seller share of the trust property will be deemed to be reduced by an amount equal to the true balance of those loans.

Other than as described here, neither you nor the issuer will have any recourse to the assets of the seller.

There can be no assurance that a borrower will repay principal at the end of the term on an interest-only loan, which may adversely affect repayments on your notes

Each loan in the portfolio will be repayable on one of the three following bases: (a) on a principal repayment basis; (b) on an interest-only basis; or (c) on a part principal repayment/part interest-only basis. For interest-only loans or loans with an interest-only element, because the principal or the remaining principal element is repaid in a lump sum at the maturity of the loan, it is the responsibility of the borrower to have an investment plan in place to assist the borrower to ensure that funds will be available to repay the principal at the end of the term. The seller does not verify that an investment plan is in place and does not take security over these investment plans.

The ability of a borrower to repay the principal on an interest-only loan, or the principal element of a loan of type (c) above, at maturity depends on the borrower ensuring that sufficient funds are available from an investment plan or another source, such as ISAs, pension policies, personal equity plans or endowment policies, as well as the financial condition of the borrower, tax laws and general economic conditions at the time.

The proceeds from an investment plan or other investment may be insufficient to cover the repayment of principal of the loan. There can be no assurance that a borrower will have the funds required to repay the principal at the end of the term. If a borrower cannot repay the loan and a loss occurs on the loan, then this may affect repayments of principal on the notes if that loss cannot be cured by application of excess Funding 1 available revenue receipts.

There may be risks associated with the fact that the mortgages trustee has no legal title to the loans and their related security, which may adversely affect payments on your notes

The sale by the seller to the mortgages trustee of the English loans and the Northern Irish loans and their related security on each sale date will take effect in equity only. The sale by the seller to the mortgages trustee of the Scottish loans and their related security on each sale date will be effected in each case by a Scottish declaration of trust. Under each Scottish declaration of trust, the beneficial interest in the relevant Scottish loans and their related security will be transferred to the mortgages trustee. This means that legal title to the loans in the trust property remains with the seller, but the mortgages trustee has all the other rights and benefits relating to ownership of each loan and its related security (which rights and benefits are subject to the trust in favour of the beneficiaries). The mortgages trustee has the right to demand that the seller give it legal title to the loans and the related security in the circumstances described in "**The mortgage sale agreement—transfer of legal title to the mortgages trustee**". Until then, no notice of the sale of the English loans and their related security or the Scottish loans and their related security, or the Northern Irish loans and their related security will be given to any borrower, no application will be made to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English loans and their related security or to the Land Registry of Northern Ireland or the Registry of Deeds of Northern Ireland to register or record its equitable interest in the Northern Irish loans and their related security and no steps will be taken to complete or perfect its title to the Scottish loans and their related security or to register its interest in the Scottish Land Register.

Because the mortgages trustee has not obtained legal title to the loans or their related security, there are the following risks to the trust property:

- first, if the seller wrongly sold a loan to another person which has already been sold to the mortgages trustee, and that person acted in good faith and did not have notice of the interests of the mortgages trustee or the beneficiaries in the loan, then she or he might obtain good title to the loan, free from the interests of the mortgages trustee and the beneficiaries. If this occurred then the mortgages trustee 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. This may affect the ability of the issuer to make payments on the notes;

- secondly, the rights of the mortgages trustee and the beneficiaries may be subject to the rights of the borrowers against the seller, such as the rights of set-off which occur in relation to transactions or deposits made between some borrowers and the seller, and the rights of borrowers to redeem their mortgages by repaying the loans directly to the seller. If these rights are exercised, the mortgages trustee may receive less money than anticipated from the loans, which may affect the ability of the issuer to make payments on the notes; and

- third, until the mortgages trustee has perfected the assignment or assignation (as appropriate) of the loans in the portfolio (which it is entitled to do in certain limited circumstances), the mortgages trustee would not be able to enforce any borrower's obligations under a loan or its related security, but would have to join the seller as a party to any legal proceedings.

However, if a borrower exercises any set-off rights (including any analogous rights in Scotland or Northern Ireland), then an amount equal to the amount set off will reduce the total amount of the seller share of the trust property only, and the minimum seller share has been sized in an amount expected to cover this risk, although there can be no assurance that it will. If the minimum seller share is exhausted, then the amount of any set-offs would be applied to reduce the share of the trust property of each funding company in accordance with its percentage share. The minimum seller share may be adjusted to take into account other amounts in addition to deposits which a borrower may set-off against the amounts due under the loans. Any such adjustment is subject to the agreement of the seller and the rating agencies and no assurance can be given that any potential set-off claim from a borrower would be sized for (in part or in full) in the minimum seller share.

Once notice has been given to borrowers of the transfer of the loans and their related security to the mortgages trustee, independent set-off rights which a borrower has against the seller will crystallise (such as, for example, set-off rights associated with borrowers holding deposits with the seller) and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under transaction set-off (which are set-off claims arising out of a transaction connected with the loan) will not be affected by that notice.

If the servicer is removed, there is no guarantee that a substitute servicer or third party servicer would be found, which could delay collection of payments on the loans and ultimately could adversely affect payments on your notes

On the programme closing date, Nationwide was appointed by the mortgages trustee and Funding 1 as servicer to service the loans in the portfolio. If the servicer breaches the terms of the servicing agreement, then the mortgages trustee, Funding 1, any further funding company and/or the Funding 1 security trustee is entitled to terminate the appointment of the servicer and appoint a new servicer in its place.

If the long-term unsecured, unguaranteed and unsubordinated debt obligation rating of the servicer ceases to be at least Baa3 by Moody's, at least BBB- by S&P or ceases to be assigned a long-term "Issuer Default Rating" of at least BBB- by Fitch, then the servicer is required within 60 days to use reasonable endeavours to appoint a back-up servicer satisfactory to the mortgages trustee, the beneficiaries and the Funding 1 security trustee (and failing the servicer's ability to find a back-up servicer, the Funding 1 security trustee will be entitled to appoint such back-up servicer).

There can be no assurance that a substitute servicer or third party servicer, as applicable, with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the loans on the terms of the servicing agreement. In addition, as described below, any substitute servicer or third party servicer, as applicable, would be required to be authorised under the FSMA and comply with certain specific provisions under the Consumer Credit Act 1974 (as amended) (the **CCA**) and other relevant consumer credit regulation, as administering residential mortgage contracts is a regulated activity. The ability of a substitute servicer or third party servicer, as applicable, to perform fully 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 or third party servicer, as applicable, may affect payments on the loans and hence the issuer's ability to make payments when due on the notes.

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

The mortgages trustee may not receive the benefit of any claims made on the buildings insurance, which could adversely affect payments on your notes

The practice of Nationwide and other members of the Nationwide group, as originators of the loans, in relation to buildings insurance is described under "**The loans—Characteristics of the loans—Insurance policies**". As described in that section, no assurance can be given that the mortgages trustee will always receive the benefit of any claims made under any applicable insurance contracts. This could reduce the principal receipts allocated to Funding 1 according to the Funding 1 share percentage and could adversely affect the issuer's ability to redeem the notes. You should note that buildings insurance is renewed annually. As Nationwide does not verify if buildings insurance has been taken out by a borrower, Nationwide cannot be certain that a borrower has taken out or maintained any buildings insurance or that any such cover would be sufficient to cover any loss. Amounts paid under the buildings insurance are generally utilised to fund the reinstatement of the property and, only on very rare occasions, are paid to the seller to reduce the amount of the loan(s). In the latter circumstance, all insurance cover will be removed but no assurance can be given that this will be the case.

Certain regulatory considerations

Mortgage regulation under the FSMA

In the United Kingdom, regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the date known as **N(m)**). Residential mortgage lending under the FSMA is regulated by the FCA. Entering into, arranging or advising in respect of, and administering, regulated mortgage contracts, and agreeing to do any of these things, are (subject to certain exemptions) regulated activities under the FSMA requiring authorisation and permission from the FCA.

Certain provisions of the FSMA apply to a **regulated mortgage contract**. A mortgage loan contract is a regulated mortgage contract under the FSMA if it is entered into on or after N(m) or originated prior to N(m) but varied on or after N(m) such that a new contract is entered into and if, at the time it is entered into: (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by (in England and Wales) a first ranking legal mortgage (or Scottish first ranking standard security or Northern Irish first ranking legal charge or first ranking legal mortgage) on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40% 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 (broadly, the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

On and from N(m), subject to any exemption, each entity carrying on any specified regulated mortgage-related activities relating to qualifying credit by way of business must be authorised by the FCA under the FSMA. The specified activities currently are: (a) entering into a regulated mortgage contract as lender; (b) administering a regulated mortgage contract (**administering** in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan); (c) advising on regulated mortgage contracts; and (d) arranging regulated mortgage contracts. Agreeing to carry on any of these activities is also a regulated activity. The main effects are that, on or after N(m), unless an exclusion or exemption applies: (a) each entity carrying on a regulated mortgage activity by way of business has to hold authorisation and permission under the FSMA to carry on that activity; and (b) each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation from under the FSMA. It should be noted that the definition of "qualifying credit" is broader than that of "regulated mortgage contract" and may include mortgage loans that are regulated under the consumer credit regime or treated as such or are unregulated and under which the lender is a person (such as the seller) who carries on the regulated activity of entering into a regulated mortgage contract. If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a regulated mortgage contract (or, in the case of a failure to comply with the financial promotions requirements, a relevant mortgage loan that is "qualifying credit") will be unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a regulated mortgage contract entered into on or after N(m) may commit a criminal offence, but this will not render the contract unenforceable against the borrower. Failure to comply with the financial promotion regime (as regards by whom promotions can be issued or approved) is a criminal offence and will render the regulated mortgage contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

Any credit agreement intended to be a regulated mortgage contract under the FSMA might instead be wholly or partly regulated under the consumer credit regime or treated as such, or unregulated, and any credit agreement intended to be regulated under the consumer credit regime or treated as such, or unregulated, might instead be a regulated mortgage contract, because of technical rules on: (a) determining whether the credit agreement or any part of it falls within the definition of "regulated mortgage contract"; and (b) changes to credit agreements.

The seller is required to hold, and holds, authorisation and permission to enter into and to administer and, where applicable, to advise in respect of regulated mortgage contracts. Subject to any exemption, brokers are required to hold authorisation and permission to arrange and, where applicable, to advise in respect of regulated mortgage contracts. The seller is also required to hold, and holds, interim permission to enter into regulated credit agreements as lender and to exercise, or have the right to exercise, the lender's rights and duties under a regulated credit agreement.

None of the issuer, Funding 1, or the mortgages trustee are, nor propose to be, authorised persons under the FSMA with respect to regulated mortgage contracts and relevant activities. The mortgages trustee does not require authorisation in order to acquire legal or beneficial title to a regulated mortgage contract or a regulated credit agreement. None of the issuer, Funding 1, or the mortgages trustee carry on the regulated activity of administering (servicing) mortgage contracts, because the loans are serviced pursuant to the servicing agreement by the servicer, which has the required FCA authorisation and permission under the FSMA. If the servicing agreement terminates, however, the mortgages trustee will have a period of not more than one month in which to arrange for mortgage servicing to be carried out by a replacement servicer having the required FCA authorisation and permission under the FSMA. There is a similar exemption available in respect of regulated credit agreements which means that the mortgage trustee does not carry on the regulated activity of exercising, or having the right to exercise, the lender's rights and duties under such an agreement, if it has a servicing agreement in place in respect of those agreements and has arranged for the servicer (who is authorised to carry on the relevant regulated activities) to comply with certain specific provisions under the CCA and other relevant consumer credit regulation. If such servicing arrangement terminates, the mortgages trustee will have a period of not more than thirty days in which to arrange for such servicing to be carried out by a replacement servicer. During that period, the mortgage trustee will also be exempt from the authorisation requirement in respect of any debt counselling or debt-collecting activities it carries out. In addition, no variation may be made to the loans and no further advance or product switch is permitted to be made in relation to a loan where this would result in the issuer, Funding 1, or the mortgages trustee arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or debt-counselling or debt-collecting or performing debt administration in respect of, or entering into as lender (or exercising or having the right to exercise the lender's rights and duties under) a regulated credit agreement or agreeing to carry on any of these activities, if the issuer, Funding 1, or the mortgages trustee would be required to be authorised under the FSMA to do so. Pursuant to the servicing agreement, the servicer administers the loans and the servicer has the requisite FSMA authorisation and permission and consumer credit interim permission to enable it to undertake such activities.

The Mortgages and Home Finance: Conduct of Business sourcebook (**MCOB**), which sets out the rules and guidance under the FSMA for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, 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. The rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

Since 1 April 2014, when responsibility for consumer credit regulation transferred from the Office of Fair Trading (the **OFT**) to the FCA, consumer credit activities have become subject to the FSMA authorisation regime and to rules made under the FSMA contained in the FCA's Consumer Credit Sourcebook (**CONC**). The CONC rules set out certain conduct of business standards contained previously in the CCA and also replicate certain OFT guidance (including in relation to second charge lending specifically), as well as setting out rules on, among other things, financial promotions and total charge for credit in relation to regulated credit agreements.

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 a rule made under the FSMA, 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 that authorised person (or exercise analogous rights in Scotland or Northern Ireland). Any such set-off in relation to a loan in the mortgage portfolio may adversely affect the issuer's ability to make payments on the notes.

With the intention of avoiding dual regulation, it is intended that regulated mortgage contracts are not regulated under the consumer credit regime. Regulations made in 2005, 2008 and 2013 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 varied such that a new contract is entered into on or after N(m) and constitutes a separate FCA regulated mortgage contract. A court order under section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a regulated mortgage contract to the extent that the credit agreement would, apart from the exemption be treated as a regulated consumer credit agreement.

It should be noted that, prior to N(m), self-regulation of mortgage business existed in the UK under the Mortgage Code (the **Mortgage Code**) issued by the Council of Mortgage Lenders (the **CML**). The seller subscribed to the Mortgage Code. Membership of the CML and compliance with the Mortgage Code were voluntary. The Mortgage Code set out a minimum standard of good mortgage business practice, from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998, lender-subscribers to the Mortgage Code could not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Complaints relating to breach of the Mortgage Code were dealt with by the relevant scheme, such as the Banking Ombudsman Scheme, the Mortgage Code Arbitration Scheme and the Ombudsman, as applicable. The Mortgage Code ceased to have effect on 31 October 2004 when the FSA (now known as the FCA) assumed responsibility for the regulation of regulated mortgage contracts.

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 Nationwide) 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 indicated that it did 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. As a result, these 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 documents) in respect of one or more loans and their related security. No assurance can be made that any such actions will not reduce the amounts available to meet the payments due in respect of the notes, although the impact of this will depend on the number of loans which involve a borrower who experiences payment difficulties.

General impact of regulatory changes on Nationwide in its various roles under the programme

As noted above, Nationwide performs various roles in the programme, including as seller of loans to the mortgages trust, servicer of such loans, cash manager to Funding 1, the mortgages trustee and the issuer, the Funding 1 account bank, the mortgages trustee account bank, the issuer account bank, the Funding 1 swap provider and the issuer swap provider.

As a financial institution, Nationwide is subject to extensive financial services laws, regulations, administrative actions and policies in the United Kingdom and the European Union. Statutes,

regulations and policies to which Nationwide is subject, in particular those relating to the banking sector and financial institutions, may be changed at any time, and the interpretation and the application of those laws and regulations by regulators is also subject to change.

During the recent market turmoil, there have been unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and their conduct of business. In addition, in light of the financial crisis, regulatory and governmental authorities are considering, or may consider, further enhanced or new legal or regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. This intensive approach to supervision has been maintained by the UK Prudential Regulation Authority (the **PRA**) and the FCA.

Recent proposals and measures taken by governmental, tax and regulatory authorities and further future changes in law, regulation and supervisory policy, in particular in the United Kingdom, which are beyond Nationwide's control, could materially affect Nationwide's business, value of assets and operations. Products and services offered by Nationwide could also be affected.

Changes in United Kingdom legislation and regulation to address the stability of the financial sector may also affect the competitive position of the United Kingdom banks and building societies, including Nationwide, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry, for instance in relation to the FCA's and the PRA's rules on capital and liquidity risk management and also the UK Government's introduction of the bank levy. Although Nationwide works closely with its regulators and continually monitors the situation, future changes in law, regulation, fiscal or other policies can be unpredictable and are beyond Nationwide's control.

On 16 June 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (**ICB**), which was asked to consider potential reforms to the UK banking sector to promote financial stability and to make recommendations to the UK Government in this regard. The ICB's principal recommendations were: (i) implementation of a ring-fence between banks' core retail banking activities and more risky wholesale and investment baking services; (ii) increased capital requirements; and (iii) improvement of competition. The ICB's recommendations were broadly endorsed by the UK Government and on 4 February 2013, the Financial Services (Banking Reform) Bill (the **Banking Reform Bill**) was introduced to Parliament to implement certain aspects of the ICB's recommendations. Various amendments were made to the Banking Reform Bill during the legislative review process, including in order to implement the June 2013 recommendations of the Parliamentary Commission on Banking Standards, such as the creation of a new banking standards regime covering the conduct of bank staff and a criminal offence of reckless misconduct in the management of a bank.

On 18 December 2013, the Banking Reform Bill received Royal Assent in the House of Lords as the Financial Services (Banking Reform) Act 2013 (the **Banking Reform Act**). Among other things, the Banking Reform Act:

- provides HM Treasury and the PRA powers to implement some of the recommendations of the ICB. In particular, the Banking Reform Act provides the power to implement the so-called ring fencing reforms which would separate retail banking activities from the wholesale and investment banking activities carried on by large banking groups operating in the UK;

- introduces a senior persons regime, replacing the approved persons regime established under FSMA (as amended by the Financial Services Act 2012);

- introduces a new criminal offence for reckless misconduct in the management of a bank;

- introduces a preference for certain depositors on insolvency of a deposit-taking bank;

- establishes a new payment systems regulator which was established by the FCA on 1 April 2014 and is expected to become fully operational in April 2015; and

- amends the Banking Act 2009 to include a bail-in stabilisation option forming part of the special resolution regime (not yet fully in force) (see "*—The UK Banking Act 2009 and similar European legislation may affect the effectiveness of obligations of certain entities under the transaction documents and result in modifications to such documents*").

The Banking Reform Act created a framework to effect these reforms, with detailed provisions to be implemented through secondary legislation. The Banking Reform Act is not yet fully in force and although some secondary legislation has been made to date, much is still to come, including commencement orders to bring the remaining parts of the Banking Reform Act into force. The UK Government expects to have the secondary legislation in place by 2015 and for the provisions of the Banking Reform Act to take effect by 2019. As such, the final form of the Banking Reform Act and any ancillary secondary legislation which may come into force remains unclear. Nationwide is expected to need to make changes to its structure in order to comply with these requirements. Such structural changes may impact on the seller's ability to comply with or perform its on-going obligations under the transactions described in this base prospectus.

At a European level, in January 2014, the European Commission published a legislative proposal for a regulation on structural measures improving the resilience of EU credit institutions, including ring-fencing requirements for the banking sector. Under these reforms, EU banks within the scope of the regulation will be prohibited from conducting proprietary trading and may be required to separate risky trading activities from their retail deposit and payment activities at the discretion of their supervisors. It is not yet clear whether the current Banking Reform Act, and any relevant secondary legislation, will be deemed equivalent and so there remains a risk that the EU legislation implementing the recommendations in the report may impose requirements which are more onerous than those in the Banking Reform Act or which may not be completely consistent with those in the Banking Reform Act.

In December 2012, the Financial Services Act 2012 received royal assent. The Financial Services Act 2012 contained provisions enabling the transfer of consumer credit regulation (which includes new and existing second charge residential mortgages) from the OFT to the FCA. Consumer credit regulation was transferred to the FCA on 1 April 2014. Under the new regime, carrying on certain credit-related regulated activities (including in relation to servicing) otherwise than in accordance with permission from the FCA will render the credit agreement unenforceable without FCA approval. The FCA also has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. Given the uncertainties still surrounding the transition of the consumer credit regime from the OFT to the FCA, it is not clear what the impact on Nationwide in its role as seller of loans to the mortgages trust and servicer of such loans will be. The Financial Services Act 2012 also provides for formalised cooperation to exist between the FCA and the Financial Ombudsman Service (the **Ombudsman**) (which determines complaints by eligible complainants in relation to authorised firms, including consumer credit firms and certain other businesses), particularly where issues identified potentially have wider implications, with a view to the FCA requiring firms to operate consumer redress schemes.

As noted, in the United Kingdom and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. Political involvement in the regulatory process, in the behaviour and governance of the UK banking sector and in the major financial institutions in which the UK Government has a direct financial interest is likely to continue. The FCA, the Competition and Markets Authority (**CMA**) and, previously, the Competition Commission, the OFT and the FSA have recently carried out, or are currently conducting, various enquiries into issues affecting the financial services market.

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 strengthen, among other things, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage entails, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that came into force on 26 April 2014. These rules require, among other things, an assessment of affordability in accordance with detailed requirements, with transitional arrangements where the borrower does not take on additional borrowing except for essential repairs or maintenance work, and ban self-certified loans. These rules permit interest-only loans only where there is a clearly understood and credible strategy for repaying the capital (evidence of which the lender must obtain before making the loan and check at least once during the term of the loan) and the cost of the repayment strategy must be part of the affordability assessment for the loan.

Following the onset of the recent financial crisis, the FSA (and now the PRA and the FCA) have generally adopted a more intrusive and direct style of regulation which it termed "intensive supervision". The PRA and the FCA now have a more outcome focused regulatory approach, more proactive enforcement and more punitive penalties for infringements which means that PRA and/or FCA authorised firms, such as Nationwide, are facing increasing supervisory intrusion and scrutiny (resulting in increasing internal compliance costs and supervision fees) and in the event of a breach of their regulatory obligations are likely to face more stringent penalties. In particular, the FCA has a strong focus on consumer protection and is taking a more interventionist approach in its increasing scrutiny of product terms and conditions. The FSMA (as amended by the Financial Services Act 2012) gives the FCA the power to make temporary product intervention rules, among other things, in order to address issues identified with products which may potentially cause significant detriment to consumers because of certain product features or firms' flawed governance and distribution strategies. Such rules may prevent firms from entering into product agreements with consumers until such issues have been rectified.

As part of this interventionist approach, the FCA continues to maintain its focus on the fair treatment of customers in the mortgage sector and in July 2014 published a discussion paper on Fairness of Changes to Mortgage Contracts. This discussion paper sets out how the FCA applies the Principles for Businesses and the other factors it considers when assessing the fairness of changes to mortgage terms and conditions. Although the discussion paper states that the FCA does not have any current plans for new rules in this area, it leaves open the question of whether new guidance on the application of MCOB and other relevant Handbook Rules may be published and/or whether new rules may be introduced in the future to improve the fair treatment of customers by firms seeking to change their mortgage terms and conditions.

Any further changes in the legislative or regulatory framework for mortgage regulation, including, as a result of implementation of the Mortgage Credit Directive into UK law, or any future review carried out by the FCA, or any changes to the FCA Handbook Rules, may adversely affect the loans or the manner in which they are serviced and accordingly the ability of the issuer to make payments to noteholders.

Finally, the approach taken by the Ombudsman to the determination of any complaints in relation to a mortgage may change, in particular in light of the changes in regulatory approach and supervisory practice highlighted above.

No assurance can be given as to the nature or timing of future changes to the regulatory regime, uncertainties surrounding the implementation of the current regulatory regime or potential investigations or reviews in relation to the mortgage market in the United Kingdom generally or Nationwide's particular sector in that market. Any such action or developments may have a material adverse effect on Nationwide (in all of its various roles under the programme and in particular as

seller of loans to the mortgages trust and servicer of such loans), the issuer, the mortgages trustee and/or Funding 1 and their respective businesses and operations and the impact of any such potential adverse effect is not quantifiable. This may adversely affect the issuer's ability to make payments in full when due on the notes. Additionally, Nationwide, as seller of loans to the mortgages trust, is obliged under certain circumstances to repurchase loans from the mortgages trustee. Should Nationwide be unable to repurchase loans when required or perform its other on-going obligations under the transactions described in this base prospectus, the performance on the notes may be adversely affected.

CCA

Since 1 April 2014, the FCA has been responsible for the supervision of consumer credit activities in the United Kingdom. Firms carrying out consumer credit activities must apply for authorisation under the FSMA (including second and subsequent charge mortgages). Firms may apply for either full permission where they carry out higher risk consumer credit activities or limited permission for lower risk activities. Firms that held an OFT licence and had registered with the FCA by 31 March 2014 have been granted interim permission and must apply to the FCA for authorisation during an application period notified by the FCA to each firm in order to continue to perform those activities. Firms which hold an interim permission and make an application to the FCA for authorisation within the period notified to them by the FCA will keep their interim permission until such time as a determination is made on their application for authorisation. In other cases, the interim permission will expire at the end of the application period notified by the FCA if no application is made or, in any other case, 1 April 2016. Authorised firms and interim permission holders must comply with the relevant provisions of FSMA and related secondary legislation, the rules in CONC and the provisions of the CCA and related secondary legislation which have been retained following the transfer of consumer credit regulatory functions from the OFT to the FCA. Although the scope of consumer credit regulation under the new regime remains broadly the same (subject to certain specific exceptions), various changes have been made both in scope and in the drafting of specific provisions. As a result of these changes, and given the novelty of the new regime under the FCA, there is some uncertainty as to how the consumer credit rules will be applied and enforced going forward.

A consumer credit agreement is regulated under the new regime where: (a) the borrower is an individual or other relevant recipient of credit (as defined in the Financial Services and Markets Act (Regulated Activities) Order 2001); and (b) the credit agreement is not an exempt agreement. Exempt agreements include regulated mortgage contracts under the FSMA and credit agreements where the amount of credit exceeds £25,000 and the agreement is entered into by the borrower wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by the borrower.

Credit agreements entered into before 1 April 2014, with persons who are not authorised to enter into a regulated consumer credit agreement as lender will be unenforceable against the borrower: (a) unless the OFT has, prior to 1 April 2014, made an order in favour of enforcement; or (b) the FCA, upon being satisfied that it is just and equitable to do so, by written notice allows the agreement to be enforced or the money paid or the property transferred under the agreement to be retained. An improperly executed agreement is only enforceable with a court order 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 by the lender. However, if the regulated consumer agreement was made before 6 April 2007 and the form of credit agreement was not signed by the borrower personally or omits or misstates a "prescribed term", then that agreement will be totally unenforceable against the borrower and the court will have no discretion to make an enforcement order.

There is a risk that any credit agreement intended to be a regulated mortgage contract under the FSMA, or unregulated, might instead be wholly or partly regulated by under the CCA consumer credit regime or treated as such, and any credit agreement intended to be regulated by under the CCA consumer credit regime 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 consumer credit regime arises, or whether any applicable financial limit of under the CCA consumer credit regime is exceeded; (b) determining whether the credit agreement is an exempt agreement under the CCA consumer credit regime; or (c) changes to regulated credit agreements. A court order under section 126 of the CCA is necessary to enforce a land mortgage (or in Scotland a standard security) securing a regulated credit agreement or a regulated mortgage contract under the FSMA. In dealing with such an application, the court has the power, if it appears just to do so, to amend a regulated 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 and 75A 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 regulated credit agreement. The borrower may set off the amount of the claim against the amount owing by the borrower under the loan or under any other loan that the borrower has taken with the lender (or exercise analogous rights in Scotland or Northern Ireland). Any such set-off in relation to a loan in the mortgage portfolio may adversely affect the issuer's ability to make payments on the notes.

The Consumer Credit Act 2006 (the **CCA 2006**), which amended the CCA, introduced the unfair relationship" test which applies to all regulated credit agreements, except regulated mortgage contracts under the FSMA. If the court makes a determination that the relationship between the lender and the borrower is unfair, then it may make an order, among other things, requiring the originator, or any assignee (such as the mortgages trustee), to repay to amounts received from the borrower. In applying the unfair relationship test, the courts are able to consider a wide 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 United Kingdom legislation, due to the Unfair Terms in Consumer Contracts Regulations 1994 and the Unfair Terms in Consumer Contracts Regulations 1999. The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA and guidance published by the FSA (as of 1 April 2013, the FCA) on that principle and by the OFT on the unfair relationship test may also be relevant. Once the borrower alleges that an unfair relationship exists, then the burden of proof is on the creditor to prove the contrary. Recent cases concerning the scope of the unfair relationship test have generally adopted an interpretation which is favourable to borrowers.

To the extent that a credit agreement is regulated under the consumer credit regime 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 (i.e. interest may only be calculated on the principal amount of the default fee and not compounded). In particular, there have been publicised breaches by other institutions of section 77A of the CCA which sets out certain requirements in connection with the statements provided during the term of a regulated credit agreement. In the case of such a breach, the agreement would be unenforceable by the lender during the period of non-compliance with the CCA requirements and the borrower is not required to pay interest arising during the period of non-compliance. To the extent that the borrower had already made interest payments during such a period of non-compliance, the lender is required to repay those interest payments to the borrower.

These changes to the consumer credit regime may adversely affect the ability of the issuer to make payments in full on the notes when due.

The seller and each originator have interpreted certain technical rules under the consumer credit regime 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 Ombudsman, then a loan, to the extent that it is regulated under the consumer credit regime 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 Funding 1 and, ultimately, the issuer. Court decisions have been made on technical rules under the consumer credit regime 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 mortgages trustee and others in the mortgage sale agreement that, *inter alia*, each loan and its related security is enforceable (subject to certain exceptions). If a loan or its related security does not materially comply with these warranties, and if the default is not cured, then the seller will, upon receipt of notice from the mortgages trustee, be required to repurchase the loan and its related security.

EU 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 **Mortgage Credit Directive**). The proposed directive was adopted by the European Parliament on 10 December 2013 and by the Council of the European Union on 28 January 2014. The Mortgage Credit Directive (2014/17/EU) was published in the Official Journal on 28 February 2014 and must be implemented by Member States by 21 March 2016. The Mortgage Credit Directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; and (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building. The Mortgage Credit Directive does not apply to certain types of equity release credit agreements, or to certain credit granted by an employer to its employees.

The Mortgage Credit 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 Mortgage Credit Directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders. Although much of the subject matter of the Mortgage Credit Directive is covered by existing UK regulation, some amendments will be required.

On 5 September 2014, the UK government published a consultation paper, together with draft legislation, setting out its intentions with respect to implementation of the Mortgage Credit Directive. In line with the government's existing policy objective, regulation of second charge mortgages is to be brought within the FCA's regulated mortgage contract regime, rather than the FCA consumer credit regime, by amending the definition of regulated mortgage contract. This new regime is intended to apply from March 2016. This change will result in the loss of certain consumer protection provisions in the CCA (such as the unfair relationships) for new second charge mortgages. The government intends to move regulation of existing second charge mortgages (as well as the origination of new loans) to the FCA regulated mortgage contract regime, which will affect, for example, the permission required to administer such products. However, the government plans to introduce transitional provisions to ensure that borrowers under existing second charge mortgages do not lose some of the existing CCA protections, including, for example, with respect to pre-contractual disclosures, form and content of regulated credit agreements and unfair relationships. The FCA has also published a consultation paper outlining its approach to implementation and setting out proposed changes to the FCA Handbook Rules. Subject to the transitional provisions mentioned above for existing mortgage loans, second charge mortgages will become subject to MCOB from March 2016, including in relation to matters such as advising and selling standards, post-sale disclosure of

information and contract variations. Until the implementing legislation and FCA rules are finalised, however, the precise effect of the Mortgage Credit Directive on Nationwide's mortgage business is not entirely certain. Any further changes in the legislative or regulatory framework for mortgage regulation, including, as a result of implementation of the Mortgage Credit Directive into UK law, or any future review carried out by the FCA, or any changes to the FCA Handbook Rules, may adversely affect the loans or the manner in which they are serviced and accordingly the ability of the issuer to make payments to noteholders.

Distance marketing

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 (the **DM Regulations**) apply to credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

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

A regulated mortgage contract under the FSMA, if originated by a United Kingdom lender from an establishment in the United Kingdom, will not be cancellable under the DM Regulations, but is subject to related pre-contract disclosure requirements in MCOB. Certain other credit agreements will be cancellable under the DM Regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under the DM 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.

Compliance with the DM Regulations may be secured by way of injunction (interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the DM Regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine. Failure to comply with the MCOB rules could result in, amongst other things, disciplinary action by the FCA and possible claims under section 138D of the FSMA for breach of FCA rules.

If the borrower cancels the credit agreement under the DM 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 notice of cancellation or, if later, the lender 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 to be treated as never having had effect in respect of the cancelled agreement. If a significant portion of the loans in the mortgages trust are characterised as being cancellable under the DM 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 on the notes.

Unfair Practices Directive

On 11 May 2005, the European Parliament and the Council adopted Directive (2005/29/EC) on 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 the 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 in the UK 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 to be "unfair". 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 agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence.

In addition, the FSA (and following 1 April 2013, the FCA) has taken the Unfair Practices Directive into account in reviewing its relevant rules, such as MCOB, and the OFT addressed commercial practices in administering licences under the CCA. For example, the FCA's MCOB rules for regulated mortgage contracts from 25 June 2010 (formerly these were matters of non-binding guidance) prevent the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a product switch, and (b) automatically capitalising a payment shortfall.

No assurance can be given that the United Kingdom implementation of the Unfair Practices Directive will not have a material adverse effect on the loans and accordingly on the ability of the issuer to make payments to noteholders.

Regulations in the United Kingdom could lead to some terms of the loans being unenforceable, which may adversely affect payments on your notes

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999, as amended (the **1999 Regulations**), which, 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 most of the loans, provide that:

- a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term); and

- the CMA, the FCA and any "qualifying body" within the UTCCR (such as the FCA) may seek to enjoin (or in Scotland interdict) a business from relying on unfair terms.

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, mortgage exit administration fees and terms which give the lender a unilateral right to vary the contract or interpret any term of the contract.

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 mortgages trustee, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with the lender (or exercise analogous rights in Scotland or Northern Ireland). Any such non-recovery, claim or set-off in respect of a loan in the mortgage portfolio may adversely affect the realisable value of the loans and accordingly may adversely affect the issuer's ability to make payments on the notes.

The responsibility for enforcing the UTCCR was divided between the OFT and the FCA. On 1 April 2014, the responsibilities of the OFT were transferred to the CMA. In March 2014, the CMA published guidance on its approach to the use of its consumer powers. The CMA has adopted a number of consumer guidance publications issued by the OFT. The guidance has been adopted un-amended and does not reflect developments in case law, legislation or practice since the date of this publication. Generally, the FCA is responsible for enforcement of the UTCCR in relation to regulated mortgage contracts and regulated consumer credit agreements under the FSMA originated by lenders authorised by the FCA, and the CMA is responsible for enforcement of the UTCCR in relation to other contracts.

In February 2000, the OFT issued a guidance note on what the OFT considered to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded by the OFT as unfair under the UTCCR unless the lender: (a) notifies the affected borrower in writing at least 30 days before the rate change; and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The seller has reviewed the guidance note and has concluded that its compliance with it will have no material adverse effect on the loans or its business. The guidance note was subsequently withdrawn from the OFT website, but may remain in effect as a factor that the FCA and/or the CMA may take into account.

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 FCA in relation to products and services within the FCA's regulatory scope. This statement provides that, for locked-in borrowers, (i.e. where the borrower is required to give advance notice or to pay a cost or to give up a benefit in order to withdraw from the contract) a firm 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 on 5 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 the borrower's default.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provided 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 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 March 2007, the FSA published a statement to the effect that, in its opinion, early repayment charges are likely to form part of the price paid by the borrower in exchange for services provided

and, as such, may not be reviewable for fairness under the UTCCR. The FSA did, however, stress that this is ultimately a decision for the court and that a consumer would be entitled to bring an action in court to test this point. The FSA further noted that such charges could be subject to review on other grounds, for example, on the basis that the contractual terms upon which they are based are not drafted in plain and intelligible language.

In January 2012, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts", which largely reiterated and clarified its previous guidance. This guidance sets out the FCA's interpretation of Schedule 2 to the 1999 Regulations (which gives an indicative and nonexhaustive list of terms which may be regarded as unfair), explaining that terms which allow a firm to unilaterally vary the terms of its contract are less likely to be unfair if, inter alia, (i) there is a valid reason which is specified in the contract, or (ii) in relation to variations to interest rates and other charges specifically, the term provides that the variation will be for a "valid reason" (which may not be specified in the contract) and the contract provides for the firm to give the consumer notice at the earliest opportunity thereafter and the consumer is free to dissolve the contract immediately. The guidance states that FCA might consider a valid reason for changing an interest rate to be one which allows the lender: (a) to respond proportionately to changes in general law or decisions of the Financial Ombudsman Service; (b) to meet new regulatory requirements; (c) to reflect new industry guidance and codes of practice which raise standards of consumer protection; (d) to respond proportionately to changes in the Bank of England base rate, other specified market rates or indices or tax rates; or (e) to reflect other legitimate cost increases or reductions associated with providing a particular product or service.

In March 2013, the Law Commission and the Scottish Law Commission published advice to the UK Government on reforming the law on unfair contract terms. The Commissions recommend, among other things, that no assessment of fairness shall be made of a term which specifies the main subject matter of the contract, or of a price term, provided that the term in question is transparent and prominent. The Commissions also recommend that the UTCCR should expressly provide that, in proceedings brought by a consumer, the court is required to consider the fairness of a term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms are included in the Draft Consumer Rights Bill which was formally introduced into Parliament on 23 January 2014.

The broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any loans which have been made or may be made to borrowers covered by the UTCCR may contain unfair terms, which may result in the possible unenforceability of the terms of such loans. The guidance issued by the FSA, OFT, the Law Commission and the Scottish Law Commission has changed over time and it is possible that a different approach may be taken in the future, including by the FCA and/or the CMA. No assurance can be given that changes to guidance on the 1999 Regulations will not have a material adverse affect on the issuer's ability to make payments on the notes.

Decisions of the Ombudsman could lead to some terms of the loans being varied, which may adversely affect payments on your notes

Under the FSMA, the Ombudsman is required to make decisions on certain complaints relating to the 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 law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code (described above) 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, *inter alia*, the principles of fairness and may order a money award to the borrower, it is not possible to predict how any future decision of the Ombudsman would affect the issuer's ability to make payments in full when due on the notes.

European Market Infrastructure Regulation

EMIR entered into force on 16 August 2012. EMIR provides for certain OTC derivative contracts entered into between certain counterparties to be centrally cleared and imposes, amongst other things, margin posting and other risk mitigation requirements for uncleared transactions, and reporting and record keeping requirements. EMIR is a Level 1 regulation (i.e. framework legislation) and requires secondary rules for full implementation of all elements. Some (but not all) of the secondary rules required to be made under EMIR are now in effect. However, these do not include the clearing or margin posting obligations which will only apply in respect of new swap arrangements entered into from the relevant future effective dates. The first clearing obligations are likely to come into force in 2015, but will be subject to phasing-in requirements. Margin requirements for uncleared trades will be phased-in from 1 December 2015.

Aspects of EMIR and its application to securitisation vehicles remain unclear. However, it is likely that the currency and/or interest rate swaps entered into under the swap agreements could give rise to risk mitigation and reporting obligations for the issuer and/or Funding 1 under EMIR (see further: "**The Swap Agreements**"). This in turn could give rise to additional costs and expenses for the issuer and/or Funding 1, which may in turn reduce the amounts available to make payments with respect to the notes.

Additionally, with respect to notes issued on or after 11 December 2014, amendments to comply with EMIR and which accordingly will be mandatory under EMIR may be made to the transaction documents and/or the terms and conditions applying to notes of any one or more series without the consent of the noteholders of any series and without the consent of the other issuer secured creditors. Furthermore, certain amendments may be made to the transaction documents by the security trustee without the consent of the Funding 1 secured creditors as described above under "**—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**". In each case, such amendments may be made irrespective of whether such modifications are materially prejudicial to the interests of any noteholder or any other secured creditor and provided such modifications do not relate to a basic terms modification.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

The enactment of the Dodd-Frank Act, which was signed into law on 21 July 2010, imposes a new regulatory framework over the U.S. financial services industry and the U.S. consumer credit markets in general. Among other things, regulations proposed by the U.S. Securities and Exchange Commission under the Dodd-Frank Act would, if enacted, significantly alter the manner in which asset-backed securities, including securities similar to the notes, are issued and structured and would increase the reporting obligations of the issuers of such securities. Given the broad scope and sweeping nature of these changes and the fact that final implementing rules and regulations have not yet been enacted, the potential impact of these actions on the issuer, any of the notes or any owners of interests in the notes is unknown, and no assurance can be made that the impact of such changes would not have a material adverse effect on the prospects of the issuer or the value or marketability of the notes. In particular, if existing transactions are not exempted from any such new rules or regulations, the costs of compliance with such rules and regulations could have a material adverse effect on the issuer and the noteholders.

Potential effects of any additional regulatory changes

No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of 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, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the seller, the mortgages trustee and/or the servicer and their respective businesses and operations. This may adversely affect the issuer's ability to make payments in full when due on the notes.

Withholding tax under the EU Savings Directive

Under Council Directive 2003/48/EC (the **EU Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. The Luxembourg Government has abolished the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is 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).

If a payment 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 nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any note as a result of the imposition of such withholding tax. The issuer is required to endeavour to maintain a paying agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Your interests may be adversely affected by a change of law in relation to UK withholding tax

In the event that amounts due under the notes are subject to withholding or deduction for or on account of any tax, neither the issuer nor any other person will be obliged to pay additional amounts in relation thereto. The issuer may, in certain circumstances, redeem the notes (as described in condition 5 of the notes). The applicability of any UK withholding tax to the notes under current UK tax law is discussed under "**United Kingdom taxation**". Under current law, amounts due to the issuer in respect of the term advances made by it to Funding 1 are not subject to withholding tax. In

the event of a change of law, Funding 1 under the intercompany loan agreement may be required to withhold tax on its payments to the issuer, and will not be required to pay additional amounts in relation thereto. In such circumstances, the issuer has a right to call for repayment of the term advances and redemption of the notes.

UK taxation treatment of the Issuer

The issuer and Funding 1 have been advised that they should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (the **Securitisation Regulations**)) (the **securitisation tax regime**), and as such should be taxed only on the amount of their "retained profit" (as that term is defined in the Securitisation Regulations), for so long as they satisfy the conditions of the Securitisation Regulations. However, if either or both of the issuer or Funding 1 do not satisfy the conditions to be taxed in accordance with the securitisation tax regime (or subsequently do not), then profits or losses could arise in the issuer and/or Funding 1 which could have tax effects not contemplated in the cashflows for the transaction described in this base prospectus and as such adversely affect the tax treatment of the issuer and Funding 1 and consequently payment on the notes.

U.S. Foreign Account Tax Compliance Act withholding may affect payments on the notes.

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States and payments of gross proceeds from the disposition of assets that produce U.S. source interest and dividends, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The issuer's obligations under the notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as registered holder of the notes), and the issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section "**United States federal taxation—Foreign Account Tax Compliance Act**".

EU financial transaction tax

On 14 February 2013, the European Commission issued proposals, including a draft directive (the **Commission's proposal**) for a financial transaction tax (**FTT**) to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia). If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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

The FTT may give rise to tax liabilities for the issuer with respect to certain transactions (including concluding swap transactions and/or purchases of securities (such as authorised investments)) if it is adopted based on the Commission's proposal. Any such tax liabilities may reduce amounts available to the issuer to meet its obligations under the notes and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the issuer (and its general estate) in priority to the claims of noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

A joint statement issued in May 2014 by ten of the eleven participating member states indicated an intention to implement the FTT progressively, such that it would initially extend to transactions involving shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not available and further changes could be made prior to adoption.

The FTT proposal remains subject to negotiation between the participating member states. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate. Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

If the United Kingdom joins the European Monetary Union prior to the maturity of the notes, the issuer cannot assure you that this would not adversely affect payments on the notes.

It is possible that, prior to the maturity of the notes, the United Kingdom may become a participating member state in the European economic and monetary union and that the euro may become the lawful currency of the United Kingdom (although the current UK coalition government has ruled out preparing for or joining the euro for the duration of the coalition agreement as published in full on 20 May 2010). In the event that the euro were to become the lawful currency of the United Kingdom: (a) all amounts payable in respect of any notes denominated in sterling may become payable in euro; (b) applicable provisions of law may allow or require the issuer to re-denominate such notes into euro and take additional measures in respect of such notes; and (c) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in pounds sterling used to determine the rates of interest on such 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 you. It cannot be said what effect, if any, adoption of the euro by the United Kingdom will have in relation to the notes.

Changes of law may adversely affect your interests

The structure of the mortgages trust and the ratings of the rated notes are based on English law, UK tax law, Scots law (in relation to the Scottish loans), Northern Irish Law (in relation to the Northern Irish loans) and Jersey law in effect as at the date of this base prospectus. The transactions described

in this base prospectus (including the issue of the notes) and the ratings which are to be assigned to the rated notes are based on the relevant law and administrative practice in effect as at the date hereof, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this base prospectus nor can any assurance be given that any such change will not adversely affect the ability of the issuer to make payments under the notes.

Home Owner and Debtor Protection (Scotland) Act 2010

The Scottish Parliament has passed the Home Owner and Debtor Protection (Scotland) Act 2010 (the **2010 Act**), Part 1 of which came into effect on 30 September 2010 and contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the sections of the Conveyancing and Feudal Reform (Scotland) Act 1970 which permitted a heritable creditor to proceed to sell the secured property where the formal notice calling up the standard security had expired without challenge (or where a challenge had been made but not upheld). Under the terms of the 2010 Act the heritable creditor is required to obtain a court order to exercise its power of sale, unless the borrower and any other occupiers have surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, as well as imposing further procedural requirements. The ability of the seller as heritable creditor of the Scottish mortgages to exercise its power of sale may be restricted and this may adversely affect the issuer's ability to make payments to the noteholders.

Insolvency considerations

English law and Northern Irish law security and insolvency considerations

The issuer has entered into the issuer deed of charge pursuant to which it has granted the issuer security in respect of certain of its obligations, including its obligations under the notes (as to which, see "**Security for the issuer's obligations**"). Similarly, Funding 1 has entered into the Funding 1 deed of charge pursuant to which Funding 1 has granted the Funding 1 security in respect of certain of its obligations, including its obligations under the intercompany loan agreement (as to which, see "**Security for Funding 1's obligations**"). In certain circumstances, including the occurrence of certain insolvency events in respect of the issuer or Funding 1, the ability to realise the issuer security and/or the Funding 1 security, respectively, may be delayed and/or the value of the relevant security impaired. While the transaction structure is designed to minimise the likelihood of the issuer or Funding 1 becoming insolvent, there can be no assurance that the issuer and/or Funding 1 will not become insolvent and/or the subject of insolvency proceedings and/or that the noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if appropriate, Scottish or Northern Irish insolvency laws).

In particular, the ability to realise the security granted may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the issuer or Funding 1. In this regard, it should be noted that:

(a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met by the issuer deed of charge and the Funding 1 deed of charge, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and

(b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the issuer or Funding 1 will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the issuer and Funding 1 should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the issuer or Funding 1 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 and article 150A of the Insolvency (Northern Ireland) Order 1989 (as amended by the Insolvency (Northern Ireland) Order 2005, the **Insolvency (Northern Ireland) Order**), certain floating charge realisations up to a statutory maximum, currently £600,000 per entity which would otherwise be available to satisfy the claims of secured creditors under the issuer deed of charge or Funding 1 deed of charge, as the case may be, may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the issuer and Funding 1 in the transaction documents are intended to ensure it has no significant creditors other than the secured creditors under the issuer deed of charge and the Funding 1 deed of charge, as the case may be, it will be a matter of fact as to whether the issuer and/or Funding 1 has any other such creditors at any time. There can be no assurance that you will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the issuer security and/or the Funding 1 security.

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap provider's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms which are included in the transaction documents relating to the subordination of issuer swap excluded termination amounts and Funding 1 swap excluded termination amounts.

The English Supreme Court has held that a flip clause (as described above) will in certain circumstances be valid under English law. Contrary to this however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of these conflicting judgments are not yet known, particularly as the same U.S. Bankruptcy Court approved, in December 2010, the settlement of one of the cases to which the judgment relates and subsequently, the appeal was dismissed. However, there remain several stayed actions in the U.S. commenced by the Lehman Brothers Chapter 11 debtors concerning the enforceability of flip clauses and, in addition, in February 2012, a complaint was filed by certain parties seeking recognition and enforcement of the decision in *Belmont Park Investments Pty Limited v BNY Corporate Trustee Services Ltd and Lehman Brothers Special Financing Inc.* [2011] UKSC 38 (and corresponding lower court decisions) and other declaratory relief with respect to the flip clause 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. The bankruptcy proceeding was closed by the U.S. Bankruptcy Court in June 2013 and there has been no further action on the district court proceeding since October 2012.

If a creditor of the issuer (such as a swap provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed transaction documents (such as a provision of the priorities of payments which refers to the ranking of the swap providers' payment rights in respect of issuer swap excluded termination amounts and Funding 1 swap excluded termination amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as swap provider, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). In general, if a subordination provision included in the transaction documents were successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the noteholders, the market value of the notes and/or the ability of the issuer to satisfy its obligations under the notes.

Given the general relevance of the issues under discussion in the judgments referred to above and that the transaction documents include terms providing for the subordination of issuer swap excluded termination amounts and Funding 1 swap excluded termination amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the notes. If any rating assigned to the notes is lowered, the market value of the notes may reduce.

Liquidation expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of Leyland Daf in 2004. Accordingly, the costs and expenses of a liquidation (including certain tax charges) 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 approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in 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 the Leyland Daf case applies in respect of all liquidations commenced on or after 6 April 2008.

As a result of the changes described above, which bring the position in a liquidation into line with the position in an administration, upon the enforcement of the floating charge security granted by the issuer and/or by Funding 1, floating charge realisations which would otherwise be available to satisfy the claims of the secured creditors under the issuer deed of charge and/or the Funding 1 deed of charge may be reduced by at least a significant proportion of any liquidation or administration expenses. There can be no assurance that the noteholders will not be adversely affected by such a reduction in floating charge realisations.

UK Banking Act 2009 may affect the effectiveness of obligations of certain entities under the transaction documents and result in modifications to such documents

The Banking Act 2009 (the **Banking Act**) includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society. The relevant transaction entities for these purposes include the seller,

the servicer, the cash manager, the issuer cash manager, the agent bank, the principal paying agent, the Funding 1 swap provider and the issuer swap providers). In addition, pursuant to recent amendments made to the Banking Act (some of which have not yet taken effect), provision has been made for certain tools to be used in respect of a wider range of UK entities, including investment firms and certain banking group companies provided that certain conditions are met, and also for the introduction of a new bail-in tool. The tools currently available under the Banking Act 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 special insolvency procedures which may be commenced by the UK authorities (i.e. bank insolvency and bank administration). In respect of UK building societies, the relevant tools include (i) modified property transfer powers which also refer to cancellation of shares and conferring rights and liabilities in place of such shares and (ii) in place of the share transfer powers, a public ownership tool which may involve (amongst other things) arranging for deferred shares in a building society to be publicly owned, cancellation of private membership rights and the eventual winding up or dissolution of the building society. 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. If the issuer was regarded to be a banking group company and no exclusion applies, it would be possible for the relevant authority to exercise one or more relevant stabilisation tools in respect of it. This could result in reduced amounts being available to make payments in respect of the notes. However, it should be noted that the UK authorities have provided an exclusion for certain securitisation companies. This exclusion is expected to extend to the issuer, although aspects of the relevant provisions are not entirely clear.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the 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 Act includes provisions related to compensation in respect of transfer instruments and orders made under it. The authorities are also empowered by order to amend the law for the purpose of enabling the powers under the special resolution regime to be used effectively. An order may make provision which has retrospective effect. 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 provisions of the Banking Act currently in force in respect of the seller, the servicer, the cash manager, the issuer cash manager, the agent bank, the principal paying agent, the Funding 1 swap provider or the issuer swap providers, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the transaction documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified (such as the mortgages trust and each Scottish declaration of trust), although restrictions exist as to the nature of such modifications (as referred to above). Modifications may also be made via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the transaction documents in respect of the relevant entity, including termination events and (in the case of the seller) trigger events in respect of perfection of legal title to the Mortgage Loans). Moreover, other than in the context of certain partial property transfers, nullification or modifications may be made to contractual arrangements between certain group companies for the purposes of continuity of service. If an instrument or order were to be made under the Banking Act, such action may affect various other aspects of the transaction, including resulting in modifications to default event provisions included in the transaction documents as described above and, more generally, the ability of such parties to perform their obligations under the transaction documents. As a result, the making of an instrument or order in respect of the seller, the servicer, the cash manager, the issuer cash manager, the agent bank, the principal paying agent, the Funding 1 swap provider or the issuer swap providers may affect the ability of the issuer to meet its obligations

in respect of the notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that noteholders would recover compensation promptly and equal to any loss actually incurred.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above and there has been no indication that 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.

On 15 May 2014, the Council and Parliament of the European Union adopted 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 (the **Banking Recovery and Resolution Directive** or **BRRD**). The directive was published in the Official Journal of the EU on 12 June 2014 and came into force on 2 July 2014. Amongst other things, the directive provides for the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities and for special rules for cross-border groups. While many of the provisions contained in the directive are similar to provisions in the Banking Act, amendments will be required to the Banking Act to reflect the directive as adopted. Following recent UK Government announcements, the majority of these measures are expected to be enacted in the United Kingdom on 1 January 2015 pursuant to enabling provisions in the Financial Services (Banking Reform) Act 2013 (the **Banking Reform Act**). On 23 July 2014, HM Treasury commenced its consultation process on the transposition of the BRRD in the UK and this consultation closed on 28 September 2014. Therefore the precise form of such amendments is not yet known. There can be no assurance that noteholders will not be adversely affected by an action taken under such national laws, or by any suggestion of such action.

Demutualisation and Consequences of the Building Societies Act

Subject to confirmation by the FCA, Nationwide's members and the directors determine whether it remains a building society or if it demutualises (save in circumstances where the FCA makes a direction under Section 42B of the Building Societies Act or the UK authorities make an order under the Banking Act which results in a demutualisation taking place).

The Building Societies Act includes provisions under which a building society may demutualise by transferring the whole of its business to a company. At present, the claims of depositors and other unsubordinated creditors of the seller would rank ahead of share accounts (which term excludes any deferred shares) and the members' rights to any surplus in the event of a liquidation of the seller and the claims of subordinated creditors of the seller would rank behind share accounts but ahead of members' rights to any surplus in the event of a liquidation of the seller. If, however, the seller transfers its business to a specially formed company or an existing company (as defined in the Building Societies Act), all the liabilities of the seller which immediately prior thereto were classified as share accounts will thereafter rank at least *pari passu* with all other unsecured and unsubordinated liabilities of the seller's successor.

Under section 90B of the Building Societies Act (which was inserted by the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the **Funding and Mutual Societies Transfers Act**)), HM Treasury may, by order, make provision for the purpose of ensuring that, on the winding up, or dissolution by consent, of a building society, any assets available for satisfying the society's liabilities to creditors (other than liabilities in respect of subordinated deposits; liabilities in respect of preferential debts; or any other category of liability which HM Treasury specifies in the order for these purposes) or to shareholders (other than liabilities in respect of deferred shares) are applied in satisfying those liabilities *pari passu*. The power to make an order under section 90B of the Building Societies Act is exercisable by statutory instrument but may not be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament. No such order has been made as at the date of this base prospectus.

You will not generally receive notes in physical form, which may cause delays in distributions and hamper your ability to pledge or resell the notes

Your beneficial ownership of the notes (other than class Z notes) will only be recorded in book-entry form with DTC, Euroclear or Clearstream, Luxembourg. The global notes will not be exchanged for definitive notes except in the limited circumstances as described under "**Terms and conditions of the notes—Form and denomination**". The lack of notes in physical form could, among other things:

- result in payment delays on the notes because the issuer will be sending distributions on the notes to DTC, Euroclear or Clearstream, Luxembourg instead of directly to you;
- make it difficult for investors to pledge the notes if notes in physical form are required by the party demanding the pledge; and
- hinder your ability to resell the notes because some investors may be unwilling to buy notes that are not in physical form.

If you have a claim against the issuer it may be necessary for you to bring suit against the issuer in England to enforce your rights

The issuer has agreed to submit to the exclusive jurisdiction of the courts of England, and it may be necessary for you to bring a suit in England to enforce your rights against the issuer subject to the terms and conditions of the notes.

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the notes for certain investors

The Basel Committee on Banking Supervision (the **Basel Committee**) approved significant changes to the Basel II regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as **Basel III**). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**).

The Basel III reform package has been implemented in the European Union through a regulation (Capital Requirements Regulation) and an associated directive (the recast Capital Requirements Directive (the **CRD** and together **CRD IV**). Implementation began on 1 January 2014, with particular elements being phased in over a period of time, to be fully effective by 2024. Member states will be required to implement the new Liquidity Coverage Ratio from 1 January 2015 (with a transitional period until 1 January 2019 during which the minimum level of liquidity coverage will gradually rise from 60% of the minimum standard to the full 100% at increments of 10% per year, although the European implementation framework has accelerated this timetable so that by 2018 the full 100% requirements will apply) and the Net Stable Funding Ratio from January 2018.

The changes under Basel III and CRD IV may have an impact on the capital requirements in respect of the notes and/or on incentives to hold the notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the notes.

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

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

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 notes are responsible for analysing their own regulatory position and none of the issuer, the arranger, the dealers or the seller makes any representation to any prospective investor or purchaser of the notes regarding the regulatory capital treatment of their investment on the relevant closing date or at any time in the future.

In particular, investors should be aware of the EU risk retention and due diligence requirements which currently apply, and are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the notes in the secondary market.

There may be conflicts between your interests and the interests of any of the other issuer secured creditors

In certain circumstances, the note trustee, the issuer security trustee or, as applicable, the Funding 1 security trustee is able to make modifications to the documents without your prior consent, as described in "**—The Funding 1 security trustee and/or the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**". Save as described in that section, the issuer deed of charge provides that the issuer security trustee will not, and will not be bound to, take any steps, institute any proceedings, exercise its rights and/or to take any other action under or in connection with any of the transaction documents (including, without limitation, enforcing the issuer security) unless the issuer security trustee is directed to do so by the note trustee or, if there are no notes outstanding, the other issuer secured creditors. Similarly, the Funding 1 deed of charge provides that the Funding 1 security trustee will not, and will not be bound to, take any steps, institute any proceedings, exercise its rights and/or to take any other action under or in connection with any of the transaction documents (including, without limitation, enforcing the Funding 1 security) unless the Funding 1 security trustee is directed to do so by the issuer security trustee (itself acting on the instructions of the note trustee) or, if there are no notes outstanding, the other Funding 1 secured creditors. In addition, where a transaction party and/or any of its affiliates act in numerous capacities (including, but not limited to, Funding 1 swap providers, issuer swap providers and dealers in respect of the notes) there may be actual or potential conflicts between (1) the

interests of the transaction party and/or any such affiliates in such various capacities and (2) the interests of the noteholders and such transaction parties and/or any such affiliates.

There may be a conflict between the interests of the holders of class A notes, the holders of class B notes, the holders of class M notes, the holders of class C notes, the holders of class D notes and the holders of class Z notes and the interests of other classes of noteholders may prevail over your interests

The note trust deed and the conditions of the notes provide that, in connection with the exercise of its trusts, authorities, powers and discretions under the note trust deed, the note trustee is to have regard to the interests of the holders of all the classes of notes. There may be circumstances, however, where the interests of one class of the noteholders conflicts with the interests of another class or classes of the noteholders. The note trust deed provides that where, in the sole opinion of the note trustee, there is such a conflict, then:

- the note trustee is to have regard only to the interests of the class A noteholders in the event of a conflict between the interests of the class A noteholders on the one hand and the class B noteholders and/or the class M noteholders and/or the class C noteholders and/or the class D noteholders and/or the class Z noteholders on the other hand;
- subject to the preceding paragraph, the note trustee is to have regard only to the interests of the class B noteholders in the event of a conflict between the interests of the class B noteholders on the one hand and the class M noteholders and/or the class C noteholders and/or the class D noteholders and/or the class Z noteholders on the other hand;
- subject to the preceding paragraphs, the note trustee is to have regard only to the interests of the class M noteholders in the event of a conflict between the interests of the class M noteholders on the one hand and the class C noteholders and/or the class D noteholders and/or the class Z noteholders on the other hand;
- subject to the preceding paragraphs, the note trustee is to have regard only to the interests of the class C noteholders in the event of a conflict between the interests of the class C noteholders on the one hand and the class D noteholders and/or the class Z noteholders on the other hand; and
- subject to the preceding paragraphs, the note trustee is to have regard only to the interests of the class D noteholders in the event of a conflict between the interests of the class D noteholders on the one hand and the class Z noteholders on the other hand.

There may be a conflict between the interests of the holders of each sub-class of the class A notes, the holders of each sub-class of the class B notes, the holders of each sub-class of class M notes, the holders of each sub-class of the class C notes and the holders of each sub-class of the class D notes and the interests of other sub-classes of noteholders may prevail over your interests

There may be circumstances where the interests of a sub-class of the class A noteholders conflict with the interests of another sub-class of the class A noteholders. Similarly, there may be circumstances where the interests of a sub-class of the class B noteholders conflict with the interests of another sub-class of the class B noteholders, the interests of a sub-class of the class M noteholders conflict with the interests of another sub-class of the class M noteholders, the interests of a sub-class of the class C noteholders conflict with the interests of another sub-class of the class C noteholders or the interests of a sub-class of the class D noteholders conflict with the interests of another sub-class of the class D noteholders.

The note trust deed and the conditions of the notes provide that where, in the sole opinion of the note trustee, there is such a conflict, then a resolution directing the note trustee to take any action must be passed at separate meetings of the holders of each such sub-class of the class A notes, each such sub-class of the class B notes, each such sub-class of the class M notes, each such sub-class of the class C

notes or, as applicable, each such sub-class of the class D notes. A resolution may only be passed at a single meeting of the noteholders of each sub-class if the note trustee is, in its absolute discretion, satisfied that there is no conflict between them.

Similar provisions apply in relation to requests in writing from holders of a specified proportion of the principal amount outstanding of the notes of each sub-class (the principal amount outstanding being converted into sterling for the purposes of making the calculation). You should note that, as a result of repayments of principal on the notes, the principal amount outstanding of each series and class (or sub-class) of the notes of the issuer will change after the relevant closing date.

You may be subject to exchange rate risks on any series of notes that are not denominated in sterling

Investors will pay for the U.S. dollar notes in U.S. dollars, for the euro notes in euro and for notes issued in any other currency in such other currency as such notes are denominated in, but the term advances to be made by the issuer to Funding 1 and repayments of principal and payments of interest by Funding 1 under the intercompany loan will be in sterling.

To hedge the issuer's currency exchange rate exposure, including the interest rate exposure connected with that currency exposure, the issuer may enter into an issuer dollar currency swap, an issuer euro currency swap or into another applicable issuer currency swap for the applicable series of notes. See "**The swap agreements—The issuer swaps—The issuer currency swaps**".

If the issuer fails to make timely payments of amounts due under an issuer currency swap, then the issuer will have defaulted under that issuer currency swap. Each issuer currency swap provider is obliged only to make payments under an issuer currency swap if and for so long as the issuer makes payments under the same. If an issuer currency swap provider is not obliged to make payments, or if it defaults in its obligations to make payments of amounts in the relevant currency, equal to the full amount to be paid by it on the payment dates under the relevant issuer currency swap (which are the same dates as the interest payment dates in respect of the corresponding notes), the issuer will be exposed to changes in the relevant currency exchange rate, in the associated interest rates on that currency and in fixed versus floating interest rates. Unless a replacement issuer currency swap is entered into, the issuer may have insufficient funds to make payments due on not only the corresponding notes but also on the notes of any class (or sub-class) and any series that are then outstanding.

You may be subject to interest rate risks on any series of notes that are denominated in sterling

The issuer may issue a series and class (or sub-class) of notes denominated in sterling which accrue interest at a fixed rate of interest or a floating rate of interest which differs from the LIBOR-based rate on the corresponding term advance to be made by the issuer to Funding 1 under the intercompany loan agreement.

To hedge the issuer's interest rate exposure in respect of such notes, the issuer may enter into an issuer interest rate swap agreement or an issuer basis swap agreement, as applicable in respect of the relevant series and class (or sub-class) of notes. See "**The swap agreements—The issuer swaps—The issuer interest rate swaps**" and "**The swap agreements—The issuer swaps—The issuer basis swaps**".

If the issuer fails to make timely payments of amounts due under an issuer basis swap or issuer interest rate swap, then the issuer will have defaulted under that issuer basis swap or issuer interest rate swap (as applicable). Each issuer basis swap provider and issuer interest rate swap provider is obliged only to make payments under an issuer basis swap or issuer interest rate swap (as applicable) if and for so long as the issuer makes payments under the same. If an issuer basis swap provider or issuer interest rate swap provider (as applicable) is not obliged to make payments, or if it defaults in its obligations to make payments, of amounts equal to the full amount to be paid by it on the payment dates under the relevant issuer basis swap or the issuer interest rate swap (which are the same dates as the interest payment dates in respect of those corresponding notes), the issuer will be exposed to

interest rate risk. Unless a replacement issuer basis swap or issuer interest rate swap (as applicable) is entered into, the issuer may have insufficient funds to make payments due on not only the corresponding notes but also on the notes of any class (or sub-class) and any series that are then outstanding.

Termination payments on the issuer swaps may adversely affect the funds available to make payments on your notes

If any of the issuer swaps terminates, the issuer may as a result be obliged to make a termination payment to the relevant issuer swap provider (or the relevant issuer swap provider may be obliged to make a termination payment to the issuer). The amount of the termination payment will be based on the cost of entering into a replacement issuer swap. Under the intercompany loan agreement, Funding 1 will be required to pay the issuer a facility fee in an amount equal to any termination payment due by the issuer to the relevant issuer swap provider. Funding 1 will also, as part of such facility fee, be obliged to pay the issuer any extra amounts which the issuer may be required to pay to enter into a replacement issuer swap.

There is no assurance that Funding 1 will have the funds available to make those payments or that the issuer will have sufficient funds available to make any termination payment under any of the relevant issuer swaps, to fund the cost of entering into replacement issuer swaps or to make subsequent payments to you in respect of the relevant series and class (or sub-class) of notes. There can also be no assurance that the issuer will receive the amount of any termination payment due to it under any relevant issuer swap. Nor can the issuer give you any assurance that it will be able to enter into a replacement issuer swap or, if one is entered into, that the credit rating of the replacement issuer swap provider will be sufficiently high to prevent a downgrading of the then current ratings of the rated notes by the rating agencies.

Except where an issuer swap provider has caused the relevant issuer swap to terminate by its own default or downgrade, any termination payment due by the issuer will rank equally not only with payments due to the holders of the series and class (or sub-class) of notes to which the relevant issuer swap relates but also with payments due to the holders of any other series and class (or sub-class) of notes which rank equally with the series and class (or sub-class) of notes to which the relevant issuer swap relates (although in this regard see "**—Insolvency proceedings and subordination provisions**" above). Any additional amounts required to be paid by the issuer following termination of an issuer swap (including any extra costs incurred (for example, from entering into "spot" currency transactions or interest rate swaps) if the issuer cannot immediately enter into a replacement issuer swap or extra costs incurred as a result of entering into of a replacement issuer swap) will also rank equally not only with payments due to the holders of the series and class (or sub-class) of notes to which the relevant issuer swap relates but also with payments due to the holder of any other series and class (or sub-class) of notes which rank equally with the series and class (or sub-class) of notes to which the relevant issuer swap relates. Furthermore, any termination payment or additional payment or additional amounts required to be paid by the issuer following termination of an issuer swap (except where the relevant issuer swap provider has caused the issuer swap to terminate by its own default or downgrade (although in this regard see "**—Insolvency proceedings and subordination provisions**" above)) and any additional amounts requested to be paid by the issuer in relation to the entry into a replacement issuer swap will rank ahead of payments due to the holders of any series and class (or sub-class) of notes which ranks below the series and class (or sub-class) of notes to which the relevant issuer swap relates. Therefore, if the issuer is obliged to make a termination payment to the relevant issuer swap provider or to pay any other additional amount as a result of the termination of the relevant issuer swap or the entry into of a replacement issuer swap, this may affect the funds which the issuer has available to make payments on the notes of any class (or sub-class) and any series.

The minimum denominations on the notes may adversely affect payments on the notes if issued in definitive form

The notes will have a denomination consisting of a minimum authorised denomination of $100,000 (in the case of U.S. dollar-denominated notes and Rule 144A notes) (or the U.S. dollar equivalent for

Rule 144A notes issued in a currency other than U.S. dollars), £100,000 (in the case of sterling-denominated notes (other than Rule 144A notes, denominated in sterling), €100,000 (in the case of euro-denominated notes (other than Rule 144A notes denominated in euro)) or, in each case, such higher denomination as may be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) plus higher integral multiples of $1,000, £1,000 or €1,000, as applicable, and further provided that (i) each note denominated in a currency other than euro shall have a minimum denomination in that currency of at least the equivalent, as at the date of issue of the notes, of €100,000 and (ii) each Rule 144A note denominated in sterling with a maturity of less than one year may not have a minimum denomination of less than £100,000. If definitive notes are required to be issued in respect of the notes represented by global notes, they will only be printed and issued in denominations of $100,000, £100,000, or €100,000 (or the equivalent in any other currency as at the date of the issue of the notes), as the case may be, and will be subject to the determination amounts referred to here. Accordingly, it is possible that the notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive notes are required to be issued, a noteholder who holds a principal amount which (after deducting integral multiples of such minimum authorised denomination) is less than the minimum authorised denomination at the relevant time may not receive a definitive note in respect of such holding and may need to purchase a principal amount of notes such that its holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If definitive notes are issued, noteholders should be aware that definitive notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

Book-Entry Interests

Unless and until definitive notes are issued in exchange for book-entry interests, holders and beneficial owners of book-entry interests will not be considered the legal owners or holders of notes under the note trust deed. After payment to the principal paying agent, the issuer will not have responsibility or liability for the payment of interest, principal or other amounts to DTC, Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of book-entry interests.

DTC, Euroclear or Clearstream, Luxembourg or its nominee will be the registered holder and sole legal noteholder of the Rule 144A global notes issued under the terms of the note trust deed while any notes are represented by Rule 144A global notes and Euroclear or Clearstream, Luxembourg or its nominee will be the registered holder and sole legal noteholder of the Reg S global notes issued under the terms of the note trust deed while any notes are represented by Reg S global notes. Accordingly, each person owning a book-entry interest must rely on the relevant procedures of DTC, Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a noteholder under the note trust deed.

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

Except as noted in the previous paragraph, payments of principal and interest on, and other amounts due in respect of, the global notes will be made by the relevant principal paying agent through DTC, Euroclear and/or Clearstream, Luxembourg, as specified in the applicable supplement to this base prospectus. Upon receipt of any payment from the principal paying agent, DTC, Euroclear and/or 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 participants to owners of interests in

book-entry interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants or indirect participants. None of the issuer, the issuer security trustee, the note trustee, the principal paying agent, the exchange rate agent or the registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the book-entry interests or for maintaining, supervising or reviewing any records relating to such book-entry interests.

Unlike legal owners or holders of the notes, holders of the book-entry interests held through DTC will not have the right under the note trust deed to act upon solicitations by or on behalf of the issuer or consents or requests by or on behalf of the issuer for waivers or other actions from noteholders. Instead, a holder of book-entry interests held through DTC will be permitted to act only to the extent it has received appropriate proxies to do so from DTC and, if applicable, its participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of book-entry interests held through DTC to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a note event of default under the notes of a series or an insolvency event, holders of book-entry interests held through DTC will be restricted to acting through DTC unless and until definitive notes are issued in accordance with the terms and conditions of the notes and the relevant supplement to this base prospectus. There can be no assurance that the procedures to be implemented by DTC under such circumstances will be adequate to ensure the timely exercise of remedies under the note trust deed.

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

Because transactions in the global notes held by DTC or its nominee will be effected only through DTC, direct and indirect participants in DTC's book-entry system and certain banks, the ability of a holder of a beneficial interest in such a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interest, may be limited due to the lack of physical security representing such interest.

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

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 Nationwide Building Society as an employer under an occupational pension scheme.

A contribution notice could be served on the issuer if it was party to an act or a deliberate failure to act, and either (A) the main purpose or one of the main purposes of which was either (i) 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 (ii) 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 or (B) in the opinion of the UK Pensions Regulator it has detrimentally affected in a material way the likelihood of accrued scheme benefits being received. A contribution notice can only be served where the UK Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

RISK RETENTION REQUIREMENTS

Retention statement

If it sells one or more new loans and their related security to the mortgages trustee on or after 1 January 2015, the seller, in its capacity as the originator, (i) on or immediately following the relevant sale date, will retain, on an on-going basis, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures in accordance with the text of Article 405 of Regulation (EU) No 575/2013 (the **CRR**) and Article 51 of Regulation (EU) No 231/2013 (the **AIFM Regulation**), (ii) will agree not to hedge, sell or otherwise mitigate such risk and (iii) will disclose via an RNS announcement or in an investor report (or in such other manner as the seller may determine) such retained interest and the manner in which it is held.

Any change to the manner in which such interest is held will be notified to noteholders in accordance with the conditions. If required to retain a material net economic interest pursuant to the prior paragraph, the seller will provide on a timely basis all information required to be made available by it pursuant to Article 409 of the CRR, subject always to any requirement of law applicable to the seller and in accordance with any guidance in relation to it that is then current, and provided that the seller shall not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond the seller's control. In each case set forth in this paragraph, the seller will only be required to take such actions to the extent that the retention and disclosure requirements under the relevant rules are applicable to the seller and remain in effect as at the relevant sale date.

As to the information made available to prospective investors by the issuer, reference is made to the information set out herein and forming part of this base prospectus and, after the relevant sale date, to the investor monthly reports. In such monthly reports, relevant information with regard to the mortgage loans will be disclosed publicly together with an overview of the retention and/or any changes in the method of retention of the material net economic interest by the seller. See "**Listing and general information—Monthly reports**".

Investors to assess compliance

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this base prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405) and Section Five of Chapter III of the AIFM Regulation (including Article 51) and any corresponding national measures which may be relevant, and none of the issuer, the arranger, the dealers, the lead managers, the seller or any of the other transaction parties makes any representation that the information described above or elsewhere in this base prospectus is sufficient in all circumstances for such purposes.

Please refer to paragraph entitled "**Risk Factors—Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the notes**" for further information on the implications of the CRR risk retention requirements for investors.

Information regarding the policies and procedures of the seller

The seller has internal policies and procedures in place in relation to mortgage origination, the administration of loans and risk mitigation. The policies and procedures of the seller broadly include:

(a) criteria for the granting of offers of mortgages that consider a variety of factors, such as a potential borrower's credit history, employment history and status and repayment ability, as well as the value of the property to be mortgaged, as to which please see "**The loans—Lending criteria**"; and

(b) systems to administer and monitor the loans, including the management of loans in arrears, as to which please see the section "**Servicing Agreement**".

OVERVIEW OF PORTFOLIO AND SERVICING

*Please refer to the sections entitled "**The mortgage sale agreement**", "**The loans**" and "**The servicing agreement**" for further detail in respect of the characteristics of the portfolio and the sale and the servicing arrangements in respect of the portfolio. Note: Final terms (or, in the case of exempt notes, a pricing supplement) for each Series will contain further pool stratification information.*

Sale of portfolio

On the initial closing date (as defined below) and on various subsequent dates, Nationwide (in its capacity as the seller) sold further portfolios (each of the portfolios consisting of loans and their related security and all monies derived therefrom from time to time) to the mortgages trustee. From time to time, the seller may sell further new loans and their related security to the mortgages trustee in order to increase or maintain the size of the trust property.

Each of the English loans is governed by the laws of England and Wales, each of the Scottish loans is governed by the laws of Scotland and each of the Northern Irish loans is governed by the laws of Northern Ireland.

Please refer to "**The mortgage sale agreement**" for more details.

Features of loans

The following is a summary of certain features of the loans. Investors should refer to, and carefully consider, further details in respect of the loans as set out in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Type of borrower	Individuals.
Type of mortgage:	Subject to, in relation to a right to buy loan, any charge or security which may arise or be granted in favour of the relevant local authority (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, and subject to, in certain appropriate cases, the completion of an application for registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland, each mortgage constitutes a valid and subsisting first charge by way of legal mortgage or (in Scotland) first ranking standard security over the relevant property or (in Northern Ireland) a valid and subsisting first charge (in relation to registered land) or a valid and subsisting first mortgage by way of demise or sub-demise (in relation to unregistered land) except in relation to flexible advances linked to loans entered into before 1 September 2002 in which case the mortgage securing the relevant advance constitutes a valid and subsisting second ranking charge by way of legal mortgage or (in Scotland) second ranking standard

		security over the relevant property or (in Northern Ireland) a valid and subsisting second charge (in relation to registered land) or a valid and subsisting second mortgage by way of demise or sub-demise (in relation to unregistered land) behind the mortgage securing the balance of the relevant loan;
	Type of loan	Repayment loan, interest only loan, or a combination of these options.
	Self-certified loans	No
	Equity release loans	No
	Fast-track loans	Yes
	Buy-to-let loans	No
	Offset loans	No

It should be noted that new types of loans may be sold to the mortgages trustee (in which case representations and warranties in the mortgage sale agreement will be modified as required to accommodate such new types of loans). The prior consent or sanction of the noteholders to the requisite amendments will not be required to be obtained, provided that the conditions for the sale of new loan types to the mortgages trustee have been satisfied and the rating agencies have confirmed that the relevant amendments will not result in a reduction, qualification or withdrawal of the current ratings of the notes.

Consideration

The consideration for the sale of the loans and their related security into the portfolio on each sale date shall consist of the aggregate of (i) the initial purchase price, (ii) to the extent that the initial purchase price is less than the aggregate true balance of the loans to be transferred on any sale date, an increase in the seller share of the trust property and (iii) deferred purchase price.

Representations and warranties

The seller will make representations and warranties in relation to each loan and its related security on the sale date that the relevant loan (including each further advance or product switch) together with its related security is sold to the mortgages trustee.

In addition to representations and warranties in respect of the legal nature of the loans and their related security (e.g. the valid, binding and enforceable nature of the relevant loan and the related security), the representations and warranties will include (but not be limited to):

- each loan was originated by the seller or by another member of the Nationwide group in the ordinary course of business and was denominated in pounds sterling upon origination (or was denominated in euro upon origination

if the euro has been adopted as the lawful currency of the United Kingdom);

- the first two monthly payments due in respect of each loan have been paid by the relevant borrower;
- no loan has a true balance of more than £1,000,000;
- each loan has a remaining term of less than 40 years as at the relevant sale date;
- prior to the making of each advance under a loan, the lending criteria of the relevant originator as at the date of origination and all preconditions to the making of any loan were satisfied in all material respects;
- so far as the seller is aware, other than with respect to monthly payments, no borrower is or has, since the date of execution of the relevant mortgage, been in material breach of any obligations owed in respect of the relevant loan or its related security and accordingly no steps have been taken by the seller to enforce any related security;
- the total amount of interest or principal in arrears, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment, on any loan is not as at the relevant sale date in respect of that loan, nor has been during the 12 months immediately preceding the relevant sale date, more than the amount of the monthly payment then due;
- the final maturity date of the loan is no later than the later of (i) 2 January 2053 and (ii) the earliest final maturity date of any outstanding notes (other than any notes designated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) money market notes for the purposes of Rule 2a-7 under the Investment Company Act and any notes with a final maturity date of 21 January 2055) minus 2 years;
- no loan has been entered into as a consequence of any conduct constituting fraud of the seller and, to the best of the seller's knowledge, no loan has been entered into fraudulently by the relevant borrower;
- subject to, in relation to a right to buy loan, any charge or security which may arise or be granted in favour of the relevant local authority (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, the whole of the true balance on each loan is secured by a mortgage over residential property;
- all of the properties are located in England, Wales, Scotland or Northern Ireland;

- subject to registration or recording at the Land Registry or the Registers of Scotland or the Registers of Northern Ireland (as the case may be), the seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the loans and related security agreed to be sold and/or assigned by the seller to the mortgages trustee under the mortgage sale agreement;

- none of the loans sold by the seller to the mortgages trustee is a buy-to-let loan or staff loan;

- in relation to each loan where the initial advance was made for the purpose of construction of a dwelling, all advances have been made under such loan and the dwelling has been signed off as complete by a valuer;

- the seller has, since the making or acquisition of each loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such loan; and

- the rate of interest under each loan is charged in accordance with the standard documentation, subject to the terms of any offer letter in relation thereto.

For further details, please see "**The mortgage sale agreement—Representations and warranties**".

Eligibility criteria

Any loans and the related security sold to the mortgages trustee on a sale date must comply with, among other things, the following criteria:

– compliance with certain representations and warranties (further to which see "**The mortgage sale agreement—Representation and warranties**" below;

– origination in accordance with seller's lending criteria applicable at the time of their origination (the seller's current lending criteria are described further in "**The loans—Lending criteria**" below);

– limits on aggregate balance of loans sold;

– limits on changes in the product of the weighted average foreclosure frequency (**WAFF**) and the weighted average loss severity (**WALS**);

– minimum yield; and

– maximum LTV for the loans in the mortgages trust.

See a description of these conditions in "**The mortgage sale agreement—Conditions for sale of loans**".

Repurchase of the mortgage loans and related security

The seller will, upon receipt of notice repurchase the relevant mortgage loans and their related security in the following circumstances:

- save with respect to product switches and further advances (regarding which see below), upon breach of loan representations and warranties made by the seller in relation to the loan (subject to a 20 London business days grace period);
- If certain determinations are made in respect of the loan by a court or other competent authority or any ombudsman;
- Loans in the portfolio subject to product switches and further advances will only be required to be repurchased by the seller if (i) as at the date of such product switch or further advance, the relevant loan does not materially comply with the representations and warranties set out in the mortgage sale agreement and/or (ii) as of the trust calculation date immediately following the end of the trust calculation period in which the product switch or further advance takes place, the relevant loan does not comply with the conditions precedent for product switches or further advances applicable to such loan, as described below in "**The mortgage sale agreement—Conditions for product switches and further advances**"; and
- surplus loans in connection with the redemption of the series 2011-1 class 3A notes.

See "**The mortgage sale agreement—Repurchase of loans**" below.

Consideration for repurchase

Consideration payable by the seller in respect of the repurchase of the mortgage loans shall be an amount equal to the true balance of those loans (and in the case of product switches and further advances this shall be at the end of the trust calculation period in which the product switch or further advance takes place, as calculated on the trust calculation date immediately following the end of such trust calculation period).

Perfection events

Transfer of the legal title to the relevant mortgage loans will be completed on the occurrence of certain perfection events, which include insolvency of the seller (as to which see "**The mortgage sale agreement—Transfer of legal title to the mortgages trustee**" below).

Prior to the completion of the transfer of legal title to the relevant loans, the mortgages trustee will hold only the equitable title to those loans (or in the case of Scottish loans, the beneficial interest in those loans pursuant to the Scottish declaration of trust) and will therefore be subject to certain risks as set out in the risk factor entitled "**There may be risks associated with the fact that the mortgages trustee has no legal title to the loans and their related security, which may adversely affect payments on your notes**" in the section entitled "**Risk Factors**".

Servicing of the portfolio

The servicer has been appointed by the mortgages trustee to service the portfolio on a day-to-day basis. The appointment of the servicer may be terminated, upon written notice to the servicer, by the mortgages trustee and/or any beneficiaries (in respect of Funding 1, with the prior written consent of the Funding 1 security trustee) upon occurrence of the following events (the each a "**servicer termination event**"):

– an insolvency event occurs in relation to the servicer;

– material non performance of its obligations (subject to a 20 London business days grace period); or

– default in payment of any amount due (subject to a seven London business days grace period).

Under the terms of the servicing agreement, following a servicer termination event, the mortgages trustee and Funding 1 shall use their best endeavours to appoint a substitute servicer (i) with the required licenses, approvals, authorisations and consents, (ii) with a management team with experience of administering mortgages of residential property in the United Kingdom, (iii) who enters into an agreement substantially on the same terms as the relevant provisions of the servicing agreement, and (iv) approved by the mortgages trustee and the beneficiaries.

The servicer may also resign upon giving 12 months' notice provided a replacement servicer has been appointed by the issuer and trustee.

See also described below in "**Termination of appointment of the servicer**" and "**Resignation of the servicer**".

Delegation

The servicer may delegate some of its servicing function to a third party provided that the servicer remains responsible for the performance of any of its servicing function so delegated. Please see "**The servicing agreement—Right of delegation by the servicer**" for further details.

OVERVIEW 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.*

Ranking

The notes of each series are direct, secured and unconditional obligations of the issuer which will at all times rank *pari passu* and *pro rata* with each other series of notes of the same class (or sub-class) without preference or priority amongst themselves.

Each series will rank *pari passu* with each other series of notes of the same class with respect to the cashflows available to that series secured by first fixed security both prior to and following enforcement. The class A notes of each series will rank without preference or priority among themselves and with the class A notes of other series, but in priority to each series of class B notes, each series of class M notes, each series of class C notes, each series of class D notes and each series of class Z notes. The class B notes of each series will rank without preference or priority among themselves and with the class B notes of other series, but in priority to each series of class M notes, each series of class C notes, each series of class D notes and each series of class Z notes. The class M notes of each series will rank without preference or priority among themselves and with the class M notes of other series, but in priority to each series of class C notes, each series of class D notes and each series of class Z notes. The class C notes of each series will rank without preference or priority among themselves and with the class C notes of other series, but in priority to each series of class D notes and each series of class Z notes. The class D notes of each series will rank without preference or priority among themselves and with the class D notes of other series, but in priority to each series of class Z notes. The class Z notes of each series will rank without preference or priority among themselves and with the class Z notes of other series.

Relationship between a particular series of notes and the corresponding term advance

Prior to the service of an intercompany loan acceleration notice, the issuer will, in accordance with the relevant issuer pre-enforcement priority of payments, pay interest on and repay principal of each series of notes from the proceeds of interest payments and principal repayments made by Funding 1 under the corresponding term advances under the intercompany loan agreement. The issuer will only receive a principal repayment in respect of such term advance if certain repayment tests are satisfied including, but not limited to, whether, following such repayment there would be sufficient credit enhancement on that date for each outstanding class of notes, either in the form of lower ranking classes of notes or other forms of credit enhancement (as to which, see "**Cashflows—Distribution of Funding 1 available principal receipts**").

Issuer security

As security for the payment of all monies payable in respect of the notes of a series, the issuer has, pursuant to the issuer deed of charge, created the following security in favour of the issuer security trustee for itself and on trust for, *inter alios*, the noteholders of each series:

- an assignment by way of first fixed security (which may take effect as a floating charge) of all of its rights benefits and interests under the transaction documents to which it is a party including the intercompany loan agreement, the Funding 1 deed of charge, the issuer swap agreements, the issuer swap guarantees (if any), the paying agent and agent bank agreement, the programme agreement, the subscription agreements, the issuer corporate services agreement, the issuer bank account agreement and the issuer cash management agreement;

- a first ranking fixed charge (which may take effect as a floating charge) over all of the issuer's right, benefit, interest and title present and future in respect of any amounts standing from time to time to the credit of the issuer bank accounts including all interest paid and payable in relation to those amounts and all debts represented by those amounts;

- a first ranking fixed charge (which may take effect as a floating charge) over all of the issuer's right, title, interest and benefit in respect of all authorised investments made by or on behalf of the issuer, including all monies and income payable under them;

- a first ranking fixed charge (which may take effect as a floating charge) over all of the issuer's right, title, interest and benefit in respect of all authorised investments made by or on behalf of the issuer, including all monies and income payable under them; and

- a first floating charge over all of the issuer's property, assets and undertakings not already effectively charged under the security interests described above (including all the issuer's property, assets and undertaking situated in Scotland or governed by Scots law, or situated in Northern Ireland or governed by Northern Irish law).

Funding 1 security

To secure its obligations to the Funding 1 secured creditors, Funding 1 has entered into the Funding 1 deed of charge with, *inter alios*, the Funding 1 security trustee pursuant to which it has granted the following security interests:

- an assignment by way of first fixed security (which may take effect as a floating charge) of the Funding 1 share of the trust property;

- an assignment by way of first fixed security (which may take effect as a floating charge) of all of its right, benefit and interest in the transaction documents to which it is a party from time to time;

- a first ranking fixed charge (which may take effect as a floating charge) over all its rights, title, interest and benefit in the Funding 1 bank accounts, all amounts standing to the credit of those bank accounts from time to time and all authorised investments purchased using money standing to the credit of those bank accounts including all monies and income payable under them; and

- a first floating charge over all of the property, assets and undertaking of Funding 1 not otherwise secured by any fixed security interest detailed above (but extending over all of Funding 1's property, assets and undertaking situated in Northern Ireland or governed by Northern Irish law, or situated in Scotland or the rights to which are governed by Scots law, all of which are charged by way of floating charge).

Acceleration

All notes will become immediately due and payable and the issuer security will become enforceable on the service on the issuer by the note trustee of a note acceleration notice. The note trustee will be entitled to serve a note acceleration notice at any time after the occurrence of a note event of default in respect of a series and class (or sub-class) of the most senior class of notes then outstanding (and it may do so (subject in each case to its being indemnified and/or secured to its satisfaction) using its own discretion or on the written request of the noteholders of the applicable class of notes across all series (holding in aggregate not less than 25% in principal amount outstanding of such class of notes) or pursuant to an extraordinary resolution of noteholders of a single meeting of noteholders of such class of notes) provided that, at such time, all notes ranking in priority to such class of notes have been repaid in full.

Interest provisions

Please refer to the final terms for the relevant series of notes (or, in the case of exempt notes, the applicable pricing supplement) for the applicable interest provisions.

Interest deferral

The issuer is not permitted to defer payments of interest due on any interest payment date in respect of the then most senior class of notes then outstanding and the failure to pay interest on such notes will be a note event of default (subject to a three business days grace period). The issuer may defer payments of interest on subordinated classes of notes (not being the most senior class of notes then outstanding), and a failure to pay interest on such subordinated classes of notes will not be a note event of default until the final maturity date of the applicable subordinated notes.

Gross-up

None of the issuer or any paying agent will be obliged to gross-up payments to noteholders if there is any withholding or deduction for, or on account of, taxes in respect of any payments on the notes.

Redemption

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

- each series will be subject to mandatory early redemption in part or in full in accordance with the terms and conditions of the notes for that series, as fully set out in Condition 5;
- optional redemption of a class (or sub-class) exercisable by the issuer (in whole but not in part unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) on the date specified as the optional redemption date or step-up date (if any) for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and on any interest payment date for such notes thereafter, as fully set out in Condition 5; and
- optional redemption exercisable by the issuer in whole for tax reasons, as fully set out in Condition 5.

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. Zero coupon notes shall be redeemed in an amount equal to the amortised face amount as calculated pursuant to the formula set out in Condition 5.

Early amortisation, delay in the repayment of notes or non-payment in full of notes by their final maturity date

Early amortisation, a delay in the repayment of notes or a risk that notes may not be repaid by their final maturity date may be caused by either an asset trigger event, a non-asset trigger event or the enforcement of the issuer security or the Funding 1 security.

Following the occurrence of a pass-through trigger event, each series and class of notes will become a series and class of pass-through notes and each term advance will become a pass-through term advance (to the extent not already constituted as a series and class of pass-through notes or a pass-through term advance). Principal repayments in respect of each term advance (as to which see "**—The occurrence of an asset trigger event or enforcement of the issuer security or the Funding 1 security may accelerate the repayment of certain notes and/or delay the repayment of other notes**" and "**—The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**") will be made by Funding 1 on each Funding 1 payment date and the issuer will, also on each issuer payment

	date, apply the proceeds of such principal repayments, which are available for payment, in repayment of the notes in accordance with the applicable issuer priority of payments but without regard to the scheduled amounts which would otherwise have been due in respect of the bullet notes and the scheduled amortisation notes and the dates on which such amounts would otherwise have been due. This may cause certain series and classes of notes to be repaid more rapidly than expected and other series and classes of notes to be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date. See "**The occurrence of a pass-through trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**" below.
Note event of default	As fully set out in Condition 9, a note event of default broadly includes (where relevant, subject to the applicable grace period): • non-payment of principal on any note of the relevant series and/or non payment of interest on any note of the relevant series, in which case when and as such payment ought to be made in accordance with the terms and conditions of the notes, and in each case in relation only to the most senior class of notes then outstanding (subject to a three business days grace period); • breach of contractual obligations by the issuer under the transaction documents that are material in the context of the most senior class of notes then outstanding (subject to a 20 business days grace period); • certain insolvency related events (unless in certain of the cases it has been approved by the holders of the most senior class of notes then outstanding); or • an intercompany loan acceleration notice is served under the intercompany loan agreement.
Limited recourse	Notes that are issued on or after 22 October 2010 are limited recourse obligations of the issuer. Where, following the realisation and application of the issuer security, amounts under the notes are not paid in full, any such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease as described in more detail in Condition 10.
Post-enforcement call option	Holders of notes issued prior to 22 October 2010 are required at the request of the post-enforcement call option holder, for a nominal consideration, to transfer or procure the transfer of all of their notes to the post-enforcement call option holder pursuant to the option granted to it by the note trustee (on behalf of the noteholders) under the terms of the post-enforcement call option agreement. The post-enforcement call option agreement may only be exercised following the service of a note acceleration notice and the application of the proceeds of enforcement of the issuer security. See "**Silverstone PECOH Limited**".

Enforcement	Following a note event of default, the issuer security trustee shall be bound to institute proceedings to enforce the issuer security if directed by the note trustee to do so (which direction may be at the discretion of the note trustee or as directed by resolutions of the noteholders or if so requested in writing by the appropriate majority of noteholders), and having first been indemnified and/or secured to its satisfaction, pursuant to the issuer deed of charge.
Non petition	The noteholders shall not be entitled to take any steps (otherwise than in accordance with the note trust deed) to recover amounts owing to them unless the issuer security trustee or the note trustee, as applicable, has become bound to institute such proceedings and has failed to do so within a reasonable time of becoming so bound and such failure is continuing, provided that, no noteholder will be entitled to commence proceedings for the winding up or administration of the issuer unless there are no outstanding notes of a class with higher priority, or if notes of a class with a higher priority are outstanding, there is consent of noteholders of not less than one quarter of the aggregate principal amount of notes outstanding (as defined in the note trust deed) of the class or classes of notes with higher priority or pursuant to an extraordinary resolution of the holders of such class of notes.
Governing Law	The notes are governed by, and shall be construed in accordance with English law.
ERISA	Subject to certain conditions, notes specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as ERISA-eligible may be offered or sold to Benefit Plan Investors (as defined in "**ERISA Considerations**"). See "**ERISA Considerations**".

OVERVIEW OF RIGHTS OF NOTEHOLDERS

*Please refer to sections entitled "**Terms and conditions of the notes**" for further detail in respect of the rights of noteholders, conditions for exercising such rights and relationship with other issuer secured creditors.*

Convening a meeting

Meetings of the noteholders to consider matters relating to the notes of one or more classes will be convened by the issuer or the note trustee at any time and the note trustee when it is requested to do so by noteholders holding no less than one-tenth in principal amount of the notes of any class for the time being outstanding. If the issuer makes a default for a period of seven days in convening such a meeting, the same may be convened by the note trustee or the requisitionists. Noteholders can also participate in a noteholders' meeting convened by the issuer or the note trustee to consider any matter affecting their interests.

However, unless the issuer has an obligation to take such action under the relevant transaction documents, so long as no note 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.

Enforcement

At any time after the notes become due and repayable, the issuer security trustee shall be bound to take action to enforce payment of the relevant series of notes if it has been so directed by the note trustee (which direction may be at the discretion of the note trustee or as directed by resolutions of the noteholders or so requested in writing by the appropriate majority of noteholders), providing the issuer security trustee has been indemnified and/or secured to its satisfaction.

Noteholders may institute proceedings against the issuer to enforce their rights under or in respect of the notes, or the issuer deed of charge only if (i) the note trustee or the issuer security trustee has become bound to institute proceedings and has failed to do so within a reasonable time of becoming so bound; and (ii) such failure is continuing provided that no noteholder will be entitled to commence proceedings for the winding up or administration of the issuer unless there are no outstanding notes of a class with a higher priority, or if the notes of a class with higher priority are outstanding, consent of the relevant majority of the noteholders is obtained in respect of the class or classes of notes with higher priority or pursuant to an extraordinary resolution of the holders of such class of notes.

Noteholders meeting provisions

Notice periods

Initial Meeting:	21 clear days for the initial meeting
Adjourned Meeting:	No less than 13 clear days and no more than 42 clear days for the adjourned meeting

Quorum

Ordinary resolution:

Initial Meeting: one or more persons present holding or representing not less than one-twentieth of the aggregate principal amount outstanding of notes of the relevant series and class.

Adjourned Meeting: one or more persons being or representing noteholders whatever the aggregate principal amount outstanding of the notes so held or represented.

Extraordinary resolution:

Other than in respect of a basic terms modification or programme resolution:

Initial Meeting: two or more persons present holding or representing not less than 50 per cent. in aggregate principal amount outstanding of the notes of the relevant series and class.

Adjourned Meeting: one or more persons being or representing noteholders of the relevant series and class, whatever the aggregate principal amount outstanding of the notes so held or represented.

Basic terms modification:

Initial Meeting: one or more persons present holding or representing not less than three quarters of the aggregate principal amount outstanding of the notes of the relevant series and class for the time being outstanding.

Adjourned Meeting: one or more persons present holding or representing not less than one quarter of the aggregate principal amount outstanding of the notes of the relevant series and class for the time being outstanding.

Programme resolution:

Initial Meeting: two or more persons holding or representing not less than 50 per cent. of the aggregate principal amount outstanding of the notes of the relevant series or class.

Adjourned Meeting: one or more persons being or representing noteholders of the relevant series or class, whatever the aggregate principal amount outstanding of such series or class of notes so held or presented by them.

Required Majorities

Resolution:	Simple majority.
Extraordinary Resolution:	75% of votes cast for matters requiring extraordinary resolution

Written Resolution: A resolution signed by or on behalf of all the noteholders of any sub-class or sub-classes shall for all purposes be valid and effective as an extraordinary resolution passed at a meeting of holders of such series or class.

Matters requiring extraordinary resolution

Broadly speaking, an extraordinary resolution will be required in order to.

- effect a basic terms modification (in respect of each series of notes) (please see condition 11 for more details on a basic terms modification);
- sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of such notes;
- sanction any compromise or arrangement proposed to be made between the issuer, the note trustee, any appointee of the note trustee and the noteholders or any of them;
- appoint any persons (whether noteholders or not) as a committee or committees to represent the interests of the noteholders and to confer upon such committee or committees any powers or discretions which the noteholders could themselves exercise by extraordinary resolution;
- give any authority or sanction which under the provisions of the terms and conditions or the note trust deed is required to be given by extraordinary resolution;
- sanction any abrogation, modification, compromise or arrangement in respect of the rights of the note trustee, any appointee of the note trustee, the noteholders or the issuer against any other or others of them or against any other party to any of the transaction documents or against any of their property whether such rights shall arise under the note trust deed, any other transaction document or otherwise;
- assent to any modification of the provisions of the terms and conditions, the note trust deed or any other transaction document which shall be proposed by the issuer, the note trustee, or any noteholder or any other person;
- discharge or exonerate the note trustee and/or any appointee of the note trustee from all liability in respect of any act or omission for which the note trustee and/or such appointee may have become responsible under the note trust deed;

- authorise the note trustee and/or any appointee of the note trustee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any extraordinary resolution;

- sanction any scheme or proposal for the exchange or sale of the notes for or the conversion of the notes into or the cancellation of the notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or notes of the issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or notes as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the noteholders to execute an instrument of transfer of the definitive notes held by them in favour of the persons with or to whom the notes are to be exchanged or sold respectively;

- accelerate following a note event of default (which may also be requested in writing by a majority of the noteholders);

- appoint a new note trustee; and

- remove any trustee or trustees for the time being of the note trust deed.

Please refer to Condition 11 for further details.

Relationship between classes of noteholders

No extraordinary resolution by one class to sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of the notes shall take effect unless it has been sanctioned by an extraordinary resolution of all other classes of notes, or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of such other classes.

The issuer security trustee will exercise its rights under the issuer deed of charge in accordance with the directions of the note trustee, which will in turn act at its discretion or as directed by the noteholders. If there is a conflict between the interests of one class of noteholders of one series and the same class of noteholders of another series, then a resolution directing the issuer security trustee to take any action must be passed at separate meetings of the holders of each series of the relevant class of notes. Where the interests of one class of the noteholders conflicts with the interests of another class or classes of the noteholders, then the note trustee is to have regard only to the interests of the most senior class of notes outstanding.

Seller as noteholder	The seller will not have any voting rights that would ordinarily be exercisable by any other noteholder in respect of any portion of the notes purchased by it. For the avoidance of any doubt, where the seller has entered into a sale and repurchase agreement (or several of them) regarding any notes it did initially purchase whereby legal title to such notes has been transferred from the seller to another party, such notes will not be considered to have been purchased (and such other party or parties holding such notes may exercise voting rights) until such time as legal title is transferred back to the seller.
Relationship between noteholders and other issuer secured creditors	The note trustee will only take into account the interests of the noteholders in the exercise of its discretion, and not the interests of any other issuer secured creditor.
Provision of information to the noteholders	Information in respect of the underlying portfolio (in the form of a report prepared by the cash manager in relation to the issuer will be made available on the Nationwide website at http://www.nationwide.co.uk/investorrelations) (the website and the contents thereof do not form part of this base prospectus) will be provided to the investors on a monthly basis. Such reports may be issued more frequently at the discretion of the cash manager.
Communication with noteholders	Any notice to be given by the issuer or the issuer security trustee to noteholders shall be given in the following manner: • so long as the notes are held in the clearing systems, by delivering to the relevant clearing system for communication by it to noteholders; • via an alternative method sanctioned by and at the discretion of the note trustee; or • sent by first class mail (or its equivalent) or (if posted to a non-UK address) by airmail at the respective address on the register and published in the Financial Times and for so long as amounts are outstanding on the Rule 144A notes, in a daily newspaper of general circulation in New York (which is expected to be the New York Times). In addition to the above, notice shall also be given to noteholders via a regulatory information service (such as the London Stock Exchange's Regulatory News Service).

OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

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

Mortgages trust

On 16 September 2008 (the **initial closing date**) and thereafter from time to time, Nationwide (in its capacity as seller), sold loans and their related security (which is the security for the repayment of a loan, including the relevant mortgage) to the mortgages trustee pursuant to the mortgage sale agreement.

From time to time, the seller has sold and may, subject to satisfaction of the conditions to sale in the mortgage sale agreement as set out in "**The mortgage sale agreement—Conditions for sale of loans**", sell further loans and their related security to the mortgages trustee. The loans are residential mortgage loans originated by Nationwide (or another member of the Nationwide group) and secured over residential properties located in England, Wales, Scotland and Northern Ireland.

The mortgages trust is a trust constituted under English law, with the mortgages trustee, for the benefit of the seller and each of the funding companies as beneficiaries. The mortgages trust is constituted for the programme described in this document and for the possibility of future financings by any further funding companies, as further described below.

The mortgages trustee holds the trust property on trust for the benefit of the seller, Funding 1 and (subject to the satisfaction of certain criteria) other funding companies that may be established from time to time (such entities being together **further funding companies** and each a **further funding company** and together with Funding 1, the **funding companies)** pursuant to a mortgages trust deed. The trust property includes the **portfolio**, which at any time consists of the loans and their related security held by the mortgages trustee together with any accrued interest on the loans and their related security. The trust property also includes any money in the mortgages trustee bank accounts. The **mortgages trustee GIC account** is the bank account in which the mortgages trustee holds any cash until it is transferred to the mortgages trustee transaction account on the next following distribution date.

Each of the seller, Funding 1 and any further funding companies has a joint and undivided interest in the trust property, but its entitlement to the proceeds from the trust property is in proportion to its respective share percentage, as further described below under "**The mortgages trust**".

Funding 1's beneficial interest in the trust property is referred to as the "**Funding 1 Share**" of the trust property, any further funding company' beneficial interest in the trust property is referred to as a **further funding company share** and the Seller's beneficial interest in the trust property is referred to as the **seller share** of the trust property. The Funding 1 share, any further

funding company share and the seller share of the trust property will be recalculated in accordance with the mortgages trust deed on each trust calculation date and will fluctuate over time. The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will set out the approximate amounts of the Funding 1 share, any further funding company share and the seller share of the trust property as well as selected statistical information concerning the loans in the portfolio as at the relevant cut-off date.

When loans are sold to the mortgages trustee, the amount of the trust property will increase. Depending on the circumstances, the increase in the trust property may result in an increase in the seller share of the trust property, the Funding 1 share of the trust property and/or a further funding company share of the trust property.

The seller may sell loans to the mortgages trustee to increase the size of the trust property from time to time *inter alia* (i) in relation to an issue of a new series of notes by the issuer or an issue of new notes by a new issuer in respect of either Funding 1 or a further funding company (or both), (the proceeds of which may be applied to fund the purchase of the loans and their related security by the mortgages trustee); or (ii) to comply with the seller's obligations under the mortgage sale agreement as described under "**The mortgage sale agreement—Sale of loans and their related security to the mortgages trustee**"

Please refer to "**The mortgages trust—General legal structure**" and "**The mortgages trust—Fluctuation of shares in the trust property**" for more details.

Minimum seller share

The minimum seller share is designed to provide Funding 1 and any further funding company with a level of protection against certain transaction risks (including set-off risks etc.) by ensuring that these are collateralised by the seller share of the trust property. The size of the minimum seller share will fluctuate over time.

Please refer to "**The mortgages trust—Minimum seller share**" for more details.

Allocation of losses

Losses in respect of the portfolio are allocated *pro-rata* to the seller and Funding 1 and any further funding company according to their shares in the trust property.

Please refer to "**The mortgages trust—Losses**" for more details.

Available funds of the mortgages trustee

The cash manager, on behalf of the mortgages trustee, will apply mortgages trust available revenue receipts and mortgages trust available principal receipts on each distribution date in accordance with the order of priority set out in the mortgages trust deed, as summarised below.

Mortgages trust available revenue receipts: These will, broadly, include the following:

(a) revenue receipts on the loans;

(b) interest received or payable to the mortgages trustee on the mortgages trustee GIC account and the mortgages trustee transaction account;

(c) the amount of any seller contribution received by the mortgages trustee;

(d) any amounts subsequently recovered from the mortgages trustee GIC account (while such amounts are collateralised pursuant to the cash management agreement) which were previously not capable of being withdrawn and ceased being mortgages trust available principal receipts or mortgages trust available revenue receipts;

less:

(e) any third party amounts;

provided that:

revenue amounts and amounts of interest accrued in respect of amounts which cannot be withdrawn from the mortgages trustee GIC account while such amounts are collateralised pursuant to the cash management agreement (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute mortgages trust available revenue receipts; and

any amounts subsequently recovered in respect of such revenue amounts or amounts of interest from realisation of the related eligible collateral shall constitute mortgages trust available revenue receipts.

Mortgages trust available principal receipts will, broadly, include all principal receipts received under the loans during the previous trust calculation period; provided that principal amounts which cannot be withdrawn from the mortgages trustee GIC account while such amounts are collateralised pursuant to the cash management agreement (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute mortgages trust available principal receipts; provided further, that any amounts subsequently recovered in respect of such principal amounts from realisation of the related eligible collateral shall constitute mortgages trust available principal receipts. Amounts subsequently recovered in respect of such principal amounts from the mortgages trustee GIC account will not constitute mortgages trust available principal receipts but will instead constitute mortgages trust available revenue receipts.

On each trust calculation date, the cash manager will calculate and allocate to the Funding 1 share, any further funding company share and the seller share in respect of the mortgages trust available revenue receipts and the mortgages trust available principal receipts for the previous trust calculation period and will then apply the mortgages trust available revenue receipts and the mortgages trust available principal receipts on the following distribution date in accordance with the order of priority set out in the mortgages trust deed and summarised below. The way in which such shares and share percentages will be calculated in respect of any interim trust calculation period is described in the sections entitled "**Funding 1 share of trust property—interim trust calculation period recalculation**", "**Seller share of trust property—interim trust calculation period recalculation**" and "**Each further funding company**".

The mortgages trustee allocates principal receipts on the loans between Funding 1, any further funding company and the seller in amounts depending on whether Funding 1 is required to pay amounts on the intercompany loan on the next Funding 1 payment date or, as the case may be, such further funding company is required to pay amounts on term loans advanced to it on its next payment date, or Funding 1 or such further funding company, as the case may be, is accumulating cash to repay a bullet term advance or a scheduled amortisation instalment or equivalent, as the case may be.

Summary of order of priority of distribution of mortgages trust available revenue receipts and mortgages trust available principle receipts

Below is a summary of the order of priority of distribution of mortgages trust available revenue receipts and mortgages trust available principal receipts, as set out in full in the mortgages trust deed. Please refer to "**The mortgages trust—Mortgages trust calculation of revenue receipts**", "**The mortgages trust—Mortgages trust calculation of principal receipts**" and "**The mortgages trust—Cash management of trust property—principal receipts**" for further details.

Priority of payments with respect to mortgages trust available revenue receipts

1. payment to the seller of any seller accrued interest amounts received by the mortgages trustee.

2. payment of the fees of the mortgages trustee under the mortgages trust deed and to third parties from the mortgages trustee in respect of the mortgages trust (subject to certain conditions).

3. payment of the fees of the servicer, cash manager, mortgages trustee corporate services provider and the mortgages trustee account bank.

Priority of payments with respect to mortgages trust available principal receipts

Pre-Trigger Events:

1. allocation and payment to (i) the seller, in respect of any further contributions, of any special distribution which is then available and payable and (ii) Funding 1 and any further funding company (the **funding companies**), in respect of any refinancing contributions, of any refinancing distribution which is then available and payable, each in accordance with the terms of the mortgages trust deed.

4. allocation and payment of the Funding 1 share, any further funding company share and the seller share of the remaining mortgages trust available revenue receipts.

Please refer to "**The mortgages trust—Mortgages trust calculation of revenue receipts**" for more details, including certain rules applicable to the above priority

2. if any of the funding companies has a cash accumulation requirement on that distribution date, allocation and payment to Funding 1 and any further funding company of an amount equal to the lesser of (i) its relevant share percentage of the mortgages trust available principal receipts and (ii) its then relevant cash accumulation requirement.

3. allocation and payment to Funding 1 and any further funding company up to its relevant cash accumulation requirement, in each case taking into account any amounts received in accordance with 2 above.

4. if any of the funding companies has a repayment requirement on that distribution date, allocation and payment to Funding 1 and any further funding company of an amount equal to the lesser of (i) its relevant share of the mortgages trust available principal receipts and (ii) its relevant repayment requirement.

5. allocation and payment to Funding 1 and any further funding company up to its relevant repayment requirement, in each case taking into account any amounts received in accordance with 3 and 4 above.

6. provided that the seller share of the trust property on the immediately preceding trust calculation date is greater than the minimum seller share, allocation and payment to the seller of all remaining mortgages trust available principal receipts.

Please refer to "**The mortgages trust—Mortgages trust allocation and distribution of principal receipts prior to the occurrence of a trigger event**" for more details, including certain rules applicable to the above priority.

Post non-asset trigger event:

On each distribution date, all mortgages trust available principal receipts will be applied by way of allocation and payment to the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and the applicable further funding company proportion respectively, until each of the Funding 1 share and the funding company share of each further funding company in the trust property (as calculated on the relevant

trust calculation date falling in the immediately preceding trust calculation period) is zero. When the Funding 1 share of the trust property and each further funding company share of the trust property is zero, the remainder, if any, of such receipts will be allocated and paid to the seller (and, for the avoidance of doubt, such payments may reduce the seller share of the trust property to an amount less than the minimum seller share).

Post asset trigger event:

On each distribution date, all mortgages trust available principal receipts will be allocated and paid, *pari passu* and *pro rata*, to the funding companies and the seller according to the Funding 1 share percentage, the relevant further funding company share percentage and the seller share percentage, respectively (in each case as calculated on the relevant trust calculation date falling in the immediately preceding trust calculation period), until each of the Funding 1 share and each further funding company share is zero. Following the occurrence of an asset trigger event, the making of allocations and payments to the seller may reduce the seller share below the minimum seller share.

Please refer to "**The mortgages trust—Mortgages trust allocation and distribution of principal receipts on or after the occurrence of an asset trigger event**" for more details, including certain rules applicable to the above priority.

Term advances

The issuer will make term advances available to Funding 1 pursuant to the intercompany loan agreement from the proceeds of each series of notes (see "**Overview of the notes—Relationship between the notes and the intercompany loan**" below). The types of term advances (namely, bullet term advances, scheduled amortisation term advances and pass-through term advances) are described below under "**The intercompany loan agreement**".

The intercompany loan will consist of separate term advances, each corresponding to a particular series and class (or sub-class) of notes. The term advances will comprise term AAA advances, term AA advances, term A advances, term BBB advances, term BB advances and the term NR advances in each case, (except for the term NR advances), reflecting the designated credit rating assigned to such term advance. (see "**The intercompany loan agreement—Ratings designations of the term advances**" below). The term advance related to a series and class (or sub-class) of notes will be specified for such series and class (or sub-

class) of notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The terms of each term advance will be set forth in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and intercompany loan confirmation.

Subject to the provisions of the relevant Funding 1 priority of payments (see "**Cashflows**" below), Funding 1 will repay the intercompany loan from payments received from the mortgages trustee. Funding 1 is generally required to repay principal on the term advances based on their respective term advance ratings. This means that the term AAA advances are repaid before the term AA advances, which in turn are repaid before the term A advances, which in turn are repaid before the term BBB advances, which in turn are repaid before the term BB advances, which in turn are repaid before the term NR advances. Prior to the occurrence of a trigger event or the acceleration of the intercompany loan or the acceleration of all notes of each series, there are a number of exceptions to this priority of payments. For further information on such exceptions, you should read the "**Cashflows**" section of this base prospectus. In certain circumstances, payment on the scheduled amortisation term advances, bullet term advances and pass-through term advances will be deferred. See "**Cashflows—Distribution of Funding 1 available principal receipts**" below. See also "**Risk Factors—The yield to maturity of the notes may be adversely affected by prepayments or redemptions on the loans**" and "**Risk Factors—The issuer's ability to redeem the notes on their scheduled redemption dates or their final maturity dates may be affected by the rate of prepayment on the loans**".

The issuer will make payments of interest on and principal of the notes from payments of interest and principal made by Funding 1 to the issuer under the intercompany loan agreement.

Please refer to "**The intercompany loan agreement**" for further details, including the uses to which Funding 1 will put the proceeds of the term advances.

Available funds of Funding 1:

Funding 1 expects to have Funding 1 available revenue receipts and Funding 1 available principal receipts for the purposes of making interest and principal payments under the term advances and meeting its other obligations pursuant to the other transaction documents.

Funding 1 available revenue receipts.

On any Funding 1 payment date these will, broadly, consist of the following:

- all mortgages trust available revenue receipts distributed or to be distributed to Funding 1 during the then current interest period;

- other net income of Funding 1, including all amounts of interest received on the Funding 1 bank accounts (other than the Funding 1 swap collateral cash account and the Funding 1 GIC collateral custody account) and/or authorised investments (other than authorised investments made from amounts standing to the credit of the Funding 1 swap collateral cash account and the Funding 1 GIC collateral custody account), in each case to be received during the then current Funding 1 interest period;

- amounts to be received by Funding 1 on the relevant Funding 1 payment date under the Funding 1 swap agreement (excluding certain amounts, as set out in full under "**Cashflows—Definition of Funding 1 available revenue receipts**");

- amounts standing to the credit of the general reserve ledger, subject to any relevant limits or conditions, plus any amounts which will be credited to the general reserve ledger under item (a) of the relevant Funding 1 pre enforcement principal priority of payments on such Funding 1 payment date;

- if a Funding 1 liquidity reserve fund rating event has occurred and is continuing, and there are no amounts standing to the credit of the general reserve ledger, the amounts then standing to the credit of the Funding 1 liquidity reserve ledger and available to be drawn, (to the extent necessary to make certain payments for items in the Funding 1 pre-enforcement revenue priority of payments as set out in full under "**Cashflows—Definition of Funding 1 available revenue receipts**")

- if a Funding 1 liquidity reserve fund rating event has occurred but is no longer continuing due to an increase in the seller's rating since the preceding Funding 1 payment date, and Funding 1 elects to terminate the Funding 1 liquidity reserve fund, all amounts standing to the credit of the Funding 1 liquidity reserve ledger;

- any amounts standing to the credit of the Funding 1 liquidity reserve ledger in excess of the Funding 1 liquidity reserve fund required amount as a result of a reduction in the Funding 1 liquidity reserve fund required amount;

- (only to the extent required after making the calculation set out under "**Cashflows—Calculation of sufficiency of Funding 1 available revenue receipts**") the aggregate of all Funding 1 principal receipts (if any) which are applied on the relevant Funding 1 payment date to pay up to the applicable limits certain items in the Funding 1 pre-enforcement revenue priority of payments (as set out in full under "**Cashflows—Definition of Funding 1 available revenue receipts**");

- the amount (if any) standing to the credit of the general reserve fund in excess of the Funding 1 reserve required amount following the curing of an arrears or step-up trigger event (subject to provision for the item at the fourth bullet point above); and

- any amounts subsequently recovered in respect of amounts credited to the Funding 1 collateralised GIC account which were previously not capable of being withdrawn and ceased being Funding 1 available principal receipts or Funding 1 available revenue receipts,

but, for avoidance of doubt, excluding any Funding profit amount retained by Funding 1 on any Funding 1 payment date.

provided that revenue amounts and amounts of interest accrued in respect of amounts which cannot be withdrawn from the Funding 1 collateralised GIC account (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute Funding 1 available revenue receipts; provided further, that any amounts subsequently recovered in respect of such revenue amounts and amounts of interest from realisation of the related eligible collateral shall constitute Funding 1 available revenue receipts.

Funding 1 available principal receipts:

On any Funding 1 payment date these will, broadly, consist of the following:

- all mortgages trust available principal receipts received by Funding 1 during the Funding 1 interest period ending immediately prior to the relevant Funding 1 payment date less amounts required to meet the Funding 1 revenue deficit amount (if any)

- all other Funding 1 principal receipts standing to the credit of the cash accumulation ledger other than amounts which are required to meet the Funding 1 revenue deficit amount (if any) which are to be applied on the next Funding 1 payment date to repay a bullet term advance and/or, subject to Rule (1) set out under "**Cashflows—Distribution of Funding 1 available principal receipts**", a scheduled amortisation instalment in respect of a scheduled amortisation term advance, or to make a payment under items (a) and (b) of the Funding 1 pre-enforcement principal priority of payments and, if such Funding 1 payment date occurs on or after a trigger event, the remainder of such receipts standing to the credit of the cash accumulation ledger;

- the amount, if any, to be credited to the principal deficiency ledger pursuant to items (g), (i), (k), (m), (o) and (s) of the Funding 1 pre-enforcement revenue priority of payments on the relevant Funding 1 payment date to be applied towards the repayment of the term advances, the cash accumulation ledger and the Funding 1 principal ledger;

- in so far as available for and needed to make a Funding 1 reserve principal payment (see "**Credit structure—General reserve fund**") after taking into account amounts drawn from the Funding 1 liquidity reserve ledger to make a liquidity reserve principal payment, the amount that would then be standing to the credit of the general reserve ledger, less any amounts applied or to be applied on the relevant Funding 1 payment date in payment of interest and other revenue expenses as set out in items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments, plus any amounts which will be credited to the general reserve ledger under item (a) of the relevant Funding 1 pre-enforcement principal priority of payments on such Funding 1 payment date; and

- in so far as available for and needed to make a liquidity reserve principal payment (see "**Credit structure—Funding 1 liquidity reserve fund**"), the amount that would then be standing to the credit of the Funding 1 liquidity reserve ledger, less any amounts applied or to be applied on the relevant Funding 1 payment date in payment of interest and other revenue expenses as set out in items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre-enforcement revenue priority of payments, plus any amounts which will be credited to the Funding 1 liquidity reserve ledger under item (b) of the relevant Funding 1 pre-enforcement principal priority of payments on such Funding 1 payment date;

provided that principal amounts which cannot be withdrawn from the Funding 1 collateralised GIC account (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute Funding 1 available principal receipts; provided further, that any amounts subsequently recovered in respect of such principal amounts from realisation of the related eligible collateral shall constitute Funding 1 available principal receipts and any amounts subsequently recovered in respect of such principal amounts from the Funding 1 collateralised GIC account will not constitute Funding 1 available principal receipts but will instead constitute Funding 1 available revenue receipts.

Summary of Funding 1 priority of payments

Below is a summary of the Funding 1 priority of payments. It should be noted that this is a summary of some of the main cashflows, and does not include every possible cashflow or variation. For more information on cashflows (including those applicable following a trigger event or acceleration of all notes) please refer to "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**", "**Cashflows—Distribution of Funding 1 available principal receipts**" and "**Cashflows—Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**".

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
1. amounts due to the Funding 1 security trustee, then payments of amounts due to the issuer equal to items (1) to (3) (inclusive) of the issuer pre-enforcement revenue priority of payments or items (1) and (2) of the issuer post-enforcement priority of payments, as the case may be, and then any third party creditors (including tax liabilities) of Funding 1 (other than those referred to elsewhere in this priority of payments or in the Funding 1 pre-enforcement principal priority of payments)	1. to the extent only that monies have been drawn from the general reserve fund to make Funding 1 reserve principal payments in respect of a previous Funding 1 interest period, towards a credit to the general reserve ledger to the extent that the amount standing to the credit thereof is less than the Funding 1 reserve required amount	1. amounts due to the Funding 1 security trustee and any receiver appointed by it and amounts due to the issuer equal to its obligations under items (1) to (3) of the issuer pre-enforcement revenue priority of payments or items (1) and (2) of the issuer post-enforcement priority of payments
2. amounts due to the Funding 1 account bank, Funding 1 corporate services provider and the Holdings corporate services provider	2. if a Funding 1 liquidity reserve fund rating event has occurred and is continuing (i) to initially fund the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount	2. towards payment of amounts due to the Funding 1 account bank, the Funding 1 corporate services provider and the Holdings corporate services provider
3. amounts due to the Funding 1 swap provider (including termination payments but excluding any related Funding 1 swap excluded termination amount		3. towards payment of amounts (if any) due to the Funding 1 swap provider (including any termination payment but excluding any Funding 1 swap excluded termination amount
4. without priority among		4. towards payments of interest, step-up amounts, principal and fees due on the term AAA advances as further set out at

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
them but in proportion to (aa) for each monthly term AAA advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term AAA advance and (bb) for each non-monthly term AAA advance, the amount calculated as required to be credited to the non-monthly term AAA advance ledger in respect of such non-monthly term AAA advance for such Funding 1 payment date in accordance with calculations set out at "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"	3. in order of their final repayment dates, beginning with the earliest such date to repay the principal amounts due (if any) on the term AAA advances, in each case subject to Rules (1) and (2) and as further set out under "**Cashflows—Distribution of Funding 1 available principal receipts**"	"**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**" below
5. towards credit to the AAA principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger	4. to repay the principal amounts due (if any) on the term AA advances, in each case subject to Rules (1) and (2) and as further set out under "**Cashflows—Distribution of Funding 1 available principal receipts**" and "**Cashflows - Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**"	5. towards payments of interest, step-up amounts, principal and fees due on the term AA advances as further set out at "**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**" below
6. without priority among them but in proportion to (aa) for each monthly term AA advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term AA advance and (bb) for each non-monthly term AA advance, the amount calculated as required to be credited to the non-monthly term AA advance ledger in	5. to repay the principal amounts due (if any) on the term A advances, in each case subject to Rules (1) and (2) and as further set out under "**Cashflows—Distribution of Funding 1 available principal receipts**" and "**Cashflows - Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**"	6. towards payments of interest, step-up amounts, principal and fees due on the term A advances as further set out at "**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**" below
	6. to repay the principal amounts due (if any) on the	7. towards payments of interest, step-up amounts, principal and fees due on the term BBB advances as further set out at "**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**" below
		8. towards payments of interest, step-up amounts, principal and fees due on the term BB advances as

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
respect of such non-monthly term AA advance for such Funding 1 payment date in accordance with calculations set out at "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"	term BBB advances, in each case subject to Rules (1) and (2) as set out under "**Cashflows—Distribution of Funding 1 available principal receipts**" and "**Cashflows - Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**"	further set out at "**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**" below
7. towards a credit to the AA principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger	7. to repay the principal amounts due (if any) on the term BB advances, in each case subject to Rules (1) and (2) and as further set out under "**Cashflows—Distribution of Funding 1 available principal receipts**" and "**Cashflows—Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**"	9. towards payments of interest, step-up amounts, principal and fees due on the term NR advances as further set out at "**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**" below
8. without priority among them but in proportion to (aa) for each monthly term A advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term A advance and (bb) for each non-monthly term A advance, the amount calculated as required to be credited to the non-monthly term A advance ledger in respect of such non-monthly term A advance for such Funding 1 payment date in accordance with calculations set out at "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"	8. to repay the principal amounts due (if any) on the term NR advances, in each case subject to Rules (1) and (2) and as further set out under "**Cashflows—Distribution of Funding 1 available principal receipts**" and "**Cashflows—Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**"	10. towards payment of any amounts due to the issuer equal to its obligations (if any) to make a termination payment to an issuer swap provider (but excluding any issuer swap excluded termination amount)
9. towards a credit to the A principal deficiency sub-ledger in an amount sufficient to eliminate any	9. towards a credit to the cash accumulation ledger until	11. pay (i) amounts due to the issuer equal to its obligation to pay any issuer swap excluded termination amount following an issuer swap provider default or an issuer swap provider downgrade termination event, (ii) any other amounts due to the issuer under the intercompany loan agreement and not otherwise provided for earlier, and (iii) the Funding 1 swap excluded termination amount (if any) to the Funding 1 swap

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
debit on that ledger 10. without priority among them but in proportion to (aa) for each monthly term BBB advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term BBB advance and (bb) for each non-monthly term BBB advance, the amount calculated as required to be credited to the non-monthly term BBB advance ledger in respect of such non-monthly term BBB advance for such Funding 1 payment date in accordance with calculations set out at "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**" 11. towards a credit to the BBB principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger 12. without priority among them but in proportion to (aa) for each monthly term BB advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term BB advance and (bb) for each non-monthly term BB advance, the amount calculated as required to be	the balance is equal to Funding 1's cash accumulation liability (as calculated after payments are made or provided for at items (1) to (8) above (inclusive)) 10. the remainder to be credited to the Funding 1 principal ledger to be applied on the next Funding 1 payment date as Funding 1 principal receipts	provider 12. towards payments of amounts due to the start-up loan providers under the start-up loan agreements (see "**Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration"** 13. to pay the surplus, if any to Funding 1

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
credited to the non-monthly term BB advance ledger in respect of such non-monthly term BB advance for such Funding 1 payment date in accordance with calculations set out at "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"		
13. towards a credit to the BB principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger		
14. towards payment of any amounts due to the issuer equal to its obligations to make a termination payment to an issuer swap provider (but excluding any issuer swap excluded termination amount)		
15. towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 reserve required amount and following the occurrence of an arrears or step-up trigger event, such additional amount as set out in "**Credit structure—General reserve fund**" (taking into account any net replenishment)		
16. if a Funding 1 liquidity reserve fund rating event has occurred and is continuing, towards a credit		

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
to the liquidity reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 liquidity reserve fund required amount		
17. towards a credit to the NR principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger		
18. without priority among them but in proportion to (aa) for each monthly term NR advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term NR advance and (bb) for each non-monthly term NR advance, the amount calculated as required to be credited to the non-monthly term NR advance ledger in respect of such non-monthly term NR advance for such Funding 1 payment date in accordance with calculations set out at "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"		
19. (without double counting) payment (i) to the issuer in an amount equal to its obligations to pay any issuer swap excluded termination amount, (ii) any other amounts due to the issuer under the		

Funding 1 pre-enforcement revenue priority of payments	Funding 1 pre-trigger event, pre-enforcement principal priority of payments (prior to the occurrence of a trigger event, an intercompany loan acceleration notice or a note acceleration notice)	Funding 1 post-enforcement priority of payments
intercompany loan agreement and not otherwise provided for in this priority of payments, and (iii) the Funding 1 swap excluded termination amount (if any) to the Funding 1 swap provider		
20. towards payment to Funding 1 of the Funding 1 profit amount less corporation tax		
21. towards payment of amounts due to the start-up loan providers under the start-up loan agreement(s)		
22. towards payment of any deferred contribution due to the mortgages trustee pursuant to the terms of the mortgages trust deed		

Available funds of the issuer

On any interest payment date, the issuer expects to have issuer revenue receipts and issuer principal receipts for the purposes of making interest and principal payments under the notes and the other transaction documents.

Issuer revenue receipts: These will, broadly, include the following:

- interest to be paid by Funding 1 on the relevant Funding 1 payment date in respect of the term advances under the intercompany loan agreements;
- fees to be paid to the issuer by Funding 1 under the terms of the intercompany loan agreement;
- interest payable on the issuer's bank accounts and any authorised investments;
- other net income of the issuer including amounts received or to be received under the issuer swap agreements (excluding certain amounts, as set out in full under "**Cashflows—Definition of issuer revenue receipts**"); and

- any additional amount the issuer receives from any taxing authority on account of amounts paid to that taxing authority for and on account of tax by an issuer swap provider under an issuer swap agreement (except when the amounts paid to the tax authority represent a deduction or withholding on account of tax in respect of which an issuer swap provider has paid a gross-up amount to the issuer to ensure the net amount actually received by the issuer equals the full amount the issuer would have received had no such deduction or withholding been required),

but for the avoidance of doubt, excluding any issuer profit amount previously retained by the issuer on any interest payment date and the proceeds of any new note issuance.

Issuer principal receipts: These will (prior to the service of a note acceleration notice on the issuer), broadly speaking, include all principal amounts to be repaid by Funding 1 to the issuer under the intercompany loan during the relevant interest period.

Summary of issuer priority of payments

Below is a summary of the issuer priority of payments. It should be noted that this is a summary of some of the main cashflows, and does not include every possible cashflow. For more information on cashflows (including those applicable following a note acceleration notice and/or intercompany loan acceleration notice) please refer to "**Cashflows—Distribution of issuer revenue receipts before note acceleration**", "**Cashflows—Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration**" and "**Cashflows—Distribution of issuer principal receipts and issuer revenue receipts following note acceleration and intercompany loan acceleration**" for more information.

Issuer pre-enforcement revenue priority of payments	Issuer pre-enforcement principal priority of payments	Issuer post-enforcement priority of payments (after service of note acceleration notice and intercompany loan acceleration notice)
1. pay amounts due, together with interest and any VAT on those amounts, first to the issuer security trustee, then to the note trustee and then to the agent bank, the paying agents, the registrar, the exchange rate agent and the transfer agent	1. in connection with repayment of the class A notes: from principal amounts received from the Funding in respect of each term AAA advance, (i) to pay principal amounts to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class A notes and (ii) (also from principal amounts received from the issuer swap providers in respect of the related series	1. pay amounts due, together with interest and any VAT on those amounts, to the first to the issuer security trustee and any receiver appointed by the issuer security trustee, then to the note trustee and then to the agent bank, the paying agents, the registrar, the exchange rate agent and the transfer agent
2. pay amounts due to any third party creditors of the issuer (other than those referred to elsewhere in this priority of payments)		2. pay amounts due, together with any VAT on those

Issuer pre-enforcement revenue priority of payments	Issuer pre-enforcement principal priority of payments	Issuer post-enforcement priority of payments (after service of note acceleration notice and intercompany loan acceleration notice)
(including tax liabilities) under certain circumstances 3. pay amounts to the issuer cash manager, the issuer corporate services provider, the post-enforcement call option holder corporate services provider and the issuer account bank 4. from amounts (excluding principal) received from Funding 1 on the relevant Funding 1 payment date in respect of each term AAA advance due and payable on such issuer payment date, (i) to pay amounts due to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class A notes (including any termination payment but excluding any issuer swap excluded termination amount) and (ii) (also from amounts (excluding principal) received from the issuer swap provider(s) in respect of the related series and class (or sub-class) of notes) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class A notes on such issuer payment date 5. from amounts (excluding principal) received from Funding 1 on the relevant Funding 1 payment date in respect of each term AA advance due and payable on such issuer payment date, (i) to pay amounts due to the relevant issuer swap	and class of notes) to pay principal amounts due and payable (if any) on the related series and class (or sub-class) of class A notes 2. in connection with repayment of the class B notes: from principal amounts received from the Funding 1 in respect of each term AA advance, (i) to pay principal amounts to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class B notes and (ii) (also from principal amounts received from the issuer swap providers in respect of the related series and class of notes) to pay principal amounts due and payable (if any) on the related series and class of (or sub-class) class B notes 3. in connection with repayment of the class M notes: from principal amounts received from the Funding 1 in respect of each term A advance, (i) to pay principal amounts to the relevant issuer swap providers in respect of the related series and class of class (or sub-class) M notes and (ii) (also from principal amounts received from the issuer swap providers in respect of the related series and class of notes) to pay principal amounts due and payable (if any) on the related series and class (or sub-class) of class M notes 4. in connection with	amounts, to the issuer cash manager, the issuer corporate services provider, the post-enforcement call option provider corporate services provider, and the issuer account bank 3. subject to 4. below, pay amounts due to the issuer swap providers for each series of class A notes (excluding any termination payment) 4. pay interest and any step-up coupon due or overdue on, and repay principal of, the applicable series of class A notes and pay any swap termination payment due to the issuer swap provider for each series of class A notes (but excluding any issuer swap excluded termination amount) 5. subject to 6. below, pay amounts due to the issuer swap providers for each series of class B notes (excluding any termination payment) 6. pay interest and any step-up coupon due or overdue on, and repay principal of, the applicable series of class B notes and to pay any swap termination payment due to the issuer swap provider for each series of class B notes (but excluding any issuer swap excluded termination amount) 7. subject to 8. below, pay amounts due to the issuer swap providers for each

Issuer pre-enforcement revenue priority of payments	Issuer pre-enforcement principal priority of payments	Issuer post-enforcement priority of payments (after service of note acceleration notice and intercompany loan acceleration notice)
provider(s) (if any) in respect of the related series and class (or sub-class) of class B notes (including any termination payment but excluding any related issuer swap excluded termination amount) and (ii) (also from amounts (excluding principal) received from the issuer swap provider(s) in respect of the related series and class (or sub-class)of notes) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class B notes on such issuer payment date	repayment of the class C notes: from principal amounts received from the Funding 1 in respect of each term BBB advance, (i) to pay principal amounts to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class C notes and (ii) (also from principal amounts received from the issuer swap providers in respect of the related series and class of notes) to pay principal amounts due and payable (if any) on the related series and class (or sub-class) of class C notes	series of class M notes (excluding any termination payment)
6. from amounts (excluding principal) received from Funding 1 on the relevant Funding 1 payment date in respect of each term A advance due and payable on such issuer payment date, (i) to pay amounts due to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class)of class M notes (including any termination payment but excluding any related issuer swap excluded termination amount) and (ii) (also from amounts (excluding principal) received from the issuer swap provider(s) in respect of the related series and class (or sub-class) of notes) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class M notes	5. in connection with repayment of the class D notes: from principal amounts received from the Funding 1 in respect of each term BB advance, (i) to pay principal amounts to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class D notes and (ii) (also from principal amounts received from the issuer swap providers in respect of the related series and class of notes) to pay principal amounts due and payable (if any) on the related series and class (or sub-class) of class D notes 6. in connection with repayment of the class Z notes: from principal amounts received from the Funding 1 in respect of each term NR advance, (i) to pay principal amounts to the relevant issuer swap	8. pay interest and any step-up coupon due or overdue on, and repay principal of, the applicable series of class M notes and pay any swap termination payment due to the issuer swap provider for each series of class M notes (but excluding any issuer swap excluded termination amount) 9. subject to 10. below, pay amounts due to the issuer swap providers for each series of class C notes (excluding any termination payment) 10. pay interest and any step-up coupon due or overdue on, and repay principal of, the applicable series of class C notes and pay any swap termination payment due to the issuer swap provider for each series of class C notes (but excluding any issuer swap excluded termination amount) 11. subject to 12. below, pay amounts due to the issuer swap providers for each series of class D notes (excluding any termination payment) 12. pay interest and any step-up coupon due or overdue on, and repay principal of, the applicable series of class D notes and pay any swap termination payment due to the issuer swap provider for

Issuer pre-enforcement revenue priority of payments	Issuer pre-enforcement principal priority of payments	Issuer post-enforcement priority of payments (after service of note acceleration notice and intercompany loan acceleration notice)
on such issuer payment date	providers in respect of the related series and class (or sub-class) of class Z notes and (ii) (also from principal amounts received from the issuer swap providers in respect of the related series and class of notes) to pay principal amounts due and payable (if any) on the related series and class (or sub-class) of class Z notes	each series of class D notes (but excluding any issuer swap excluded termination amount)
7. from amounts (excluding principal) received from Funding 1 on the relevant Funding 1 payment date in respect of each term BBB advance due and payable on such issuer payment date, (i) to pay amounts due to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class C notes (including any termination payment but excluding any related issuer swap excluded termination amount) and (ii) (also from amounts (excluding principal) received from the issuer swap provider(s) in respect of the related series and class (or sub-class) of notes) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class C notes on such issuer payment date		13. subject to 14. below, pay amounts due to the issuer swap providers for each series of class Z notes (excluding any termination payment)
8. from amounts (excluding principal) received from Funding 1 on the relevant Funding 1 payment date in respect of each term BB advance due and payable on such issuer payment date, (i) to pay amounts due to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class D notes (excluding any related issuer swap excluded termination amount) and (ii) (also from amounts (excluding principal) received from the		14. pay interest and any step-up coupon due or overdue on, and repay principal of, the applicable series of class Z notes and pay any swap termination payment due to the issuer swap provider for each series of class Z notes (but excluding any issuer swap excluded termination amount)
		15. pay any issuer swap excluded termination amount to each relevant issuer swap provider
		16. pay the balance to the issuer to be applied on the next interest payment date as issuer principal receipt

Issuer pre-enforcement revenue priority of payments	Issuer pre-enforcement principal priority of payments	Issuer post-enforcement priority of payments (after service of note acceleration notice and intercompany loan acceleration notice)
issuer swap provider(s) in respect of the related series and class (or sub-class) of notes) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class D notes on such issuer payment date		
9. from amounts (excluding principal) received from Funding 1 on the relevant Funding 1 payment date in respect of each term NR advance due and payable on such issuer payment date, (i) to pay amounts due to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class Z notes (excluding any related issuer swap excluded termination amount) and (ii) (also from amounts (excluding principal) received from the issuer swap provider(s) in respect of the related series and class (or sub-class) of notes) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class Z notes on such issuer payment date		
10. pay any issuer swap excluded termination amount due to any issuer swap provider		
11. to the issuer, an amount equal to the issuer profit amount, to be retained by the issuer as profit less corporation tax		

Issuer pre-enforcement revenue priority of payments	Issuer pre-enforcement principal priority of payments	Issuer post-enforcement priority of payments (after service of note acceleration notice and intercompany loan acceleration notice)
12. the balance to the issuer to be applied on the next issuer payment date as issuer revenue receipts		

General credit structure

The general credit structure of the transaction includes, broadly speaking, the following elements:

(a) *Credit Support*:

- A general reserve fund has been established to help meet shortfalls in principal due on the original bullet term advances and original scheduled amortisation term advances in the circumstances described under "**Credit Structure—General reserve fund**". The general reserve fund will be funded and replenished from Funding 1 available revenue receipts, Funding 1 available principal receipts and start-up term advances provided to Funding 1 to fund the general reserve fund. The general reserve fund may also be used to help meet any deficit in Funding 1 available revenue receipts available for payment of interest on term advances (other than term NR advances) and fees due under the intercompany loan agreement (and any other intercompany loan agreement) and to help meet any deficit on the principal deficiency ledger (other than the any deficit caused by a debit balance on the NR principal deficiency sub-ledger except on the final Funding 1 payment date);

- Junior classes of notes will be subordinated to more senior classes of notes, thereby ensuring that available funds are applied to the most senior class of notes in priority to more junior classes of notes. For further details, please refer to "**Credit Structure—Priority of payments among the class A notes, the class B notes, the class M notes, the class C notes, the class D and the class Z notes**";

- Excess spread;

- The Funding 1 liquidity reserve fund (described under (b) below) will, subject to certain limitations and exceptions, be available to help meet any deficit in Funding 1 available revenue receipts available for payment of interest and fees due under the intercompany loan agreement and to make Funding 1 liquidity reserve principal payments;

(b) *Liquidity Support:*

- Funding 1 will be obliged to establish a liquidity reserve fund (a Funding 1 liquidity reserve fund) if the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller are rated below A3 by Moody's (unless advance notice in writing of such rating has been provided to Moody's and there being no reduction, qualification or withdrawal by Moody's of the then current ratings of the rated notes as a consequence thereof). Prior to enforcement of the Funding 1 security, the Funding 1 liquidity reserve fund may be used to help meet any deficit in Funding 1 available revenue receipts required for payment of certain interest due on term advances (other than term NR advances except on the final Funding 1 payment date) and fees under the intercompany loan agreement and to help meet any deficit in Funding 1 available principal receipts available for payment of original bullet term advances and original scheduled amortisation term advances. The Funding 1 liquidity reserve fund, if required to be funded, will be funded initially from Funding 1 available principal receipts or (if insufficient funds are available therefrom) from Funding 1 available revenue receipts in accordance with the Funding 1 pre-enforcement principal priority of payments or Funding 1 pre-enforcement revenue priority of payments, as applicable. Please refer to "**Credit Structure—Funding 1 liquidity reserve fund**" for more details;

- The principal deficiency ledger has been established, with six sub-ledgers which correspond to each of the term AAA advances, the term AA advances, the term A advances, the term BBB advances, the term BB advances and the term NR advances, respectively to record the notional principal losses corresponding to each such sub-ledger in reverse sequential order. Funding 1 available revenue receipts will be applied in accordance with the relevant Funding 1 priority of payments to make up the relevant sub-ledger of the principal deficiency ledger in sequential order. Please refer to "**Credit Structure—Principal deficiency ledger**" for more details;

(c) *Hedging:*

- Funding 1 has entered into interest rate swaps with the Funding 1 swap provider to hedge against the variations in the variable rates of interest payable on the BMR loans and the SMR loans and the fixed rates of interest payable on the fixed rate loans compared to a LIBOR-based rate for three-month sterling deposits and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement. Please refer to "**The swap agreements—The Funding 1 swaps**" for more details;

- For each series and class of notes where it is necessary to protect the issuer against certain interest rate and/or currency fluctuations in respect of amounts payable to the issuer by Funding 1 under the outstanding term advance that corresponds to that series and class of notes and the amounts payable by the issuer under such series and class of notes the issuer has entered into an issuer swap with an issuer swap provider. Please refer to **The swap agreements—General**", "**The swap agreements—The issuer currency swaps**", "**The swap agreements—The issuer basis swaps**" and "**The swap agreements—The issuer interest rate swaps**" for more details;

(d) *Ancillary Support:*

- The mortgages trustee GIC account and the Funding 1 GIC account each earn, and the Funding 1 collateralised GIC account will earn, interest at a specified rate. For more details, please refer to "**Credit structure—Mortgages trustee GIC account/Funding 1 GIC account**"; and

- Start-up loans under the start-up loan agreement may be provided to Funding 1 from time to time to fund the general reserve fund and/or the Funding 1 liquidity reserve fund (if applicable) and to meet the costs in connection with the issuance of notes.

Funding 1 conditions precedent to drawdown under the intercompany loan agreement

Funding 1 will not be able to make any drawings under the intercompany loan agreement, save in respect of a term NR GIC Collateral Advance, unless *inter alia*:

- the related series and class (or sub-class) of notes have been issued and the proceeds received by or on behalf of the issuer;

- Funding 1 has delivered a certificate certifying that it is solvent;

- that each of the applicable transaction documents has been duly executed by the relevant parties to it; and

- one or more deeds of accession relating to the Funding 1 deed of charge have been executed by the parties to the Funding 1 deed of charge.

Issuer conditions and tests to issuance

The conditions and tests necessary to issue a series and class (or sub-class) of notes, include the following:

- there must be no debit balance on the principal deficiency ledger in respect of any term advance (excluding any debit balance caused by a debit balance on the NR principal deficiency sub-ledger);

- no note event of default shall have occurred which is continuing or will occur as a consequence of such issuance;
- no acceleration notice has been served on the issuer;
- no intercompany loan acceleration notice has been served on Funding 1;
- the general reserve fund is fully funded up to the Funding 1 reserve required amount;
- each of the applicable transaction documents has been executed by the relevant parties to those documents;
- the issuer has delivered a solvency certificate to the note trustee substantially in the form set out in the note trust deed;
- S&P has provided written confirmation that their ratings of the outstanding rated notes will not be downgraded, qualified or withdrawn as a consequence of such issuance (and advance notice in writing of such issuance 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); and
- for each class of notes of any series, after giving effect to the issuance of that series of notes, the relevant available subordinated amount must be equal to or greater than the related required subordinated amount.

For further details please refer to "**The issuance of notes—Issuance**".

Bank accounts and cash management

Collections of interest and principal in respect of the loans in the portfolio and any recoveries will be paid initially into an account in the name of Nationwide Building Society (the **collection account**) and swept into a mortgages trustee GIC account on a regular basis and in any event in the case of direct debits no later than the next London business day after the day on which they are deposited in the collection account.

Summary of key swap terms

The Funding 1 swaps have the following key commercial terms:

- Swap notional amount: The aggregate swap notional amount across all of the Funding 1 swaps is an amount sized in relation to the aggregate outstanding principal amount of all term advances under the intercompany loan agreement. The swap notional amount of each Funding 1 swap is a pro rata amount of such aggregate swap notional amount determined by reference to the ratio of the aggregate true balance of the loans in the portfolio that are of the type to which such Funding 1 swap relates

compared to the aggregate true balance of all the BMR loans, SMR loans and fixed rate loans in the portfolio (as more particularly described in "**The swap agreements—The Funding 1 swaps**");

- Funding 1 payment: the amount (if any) by which the sum of each of the collection period Funding 1 amounts relating to the relevant Funding 1 interest period and the type of loan hedged by such Funding 1 swap exceeds the sum of such Funding 1 swap's pro rata share (determined as above) of each of the Funding 1 collection period swap provider amounts relating to the same Funding 1 interest period;

- Funding 1 swap provider payment: the amount (if any) by which such Funding 1 swap's pro rata share (determined as above) of the sum of each of the Funding 1 collection period swap provider amounts relating to the relevant Funding 1 interest period exceeds the sum of each of the collection period Funding 1 amounts relating to the same Funding 1 interest period and the type of loan hedged by such Funding 1 swap; and

- Frequency of payment: each Funding 1 payment date.

The issuer swaps have the following key commercial terms:

- Swap notional amount: the principal amount outstanding under the series and class (or sub-class) of notes to which the relevant issuer swap relates;

- issuer initial payment: the principal amount of the series and class (or sub-class) of notes to which the relevant issuer swap relates as of the relevant closing date;

- Issuer swap provider initial payment: the sterling equivalent of the principal amount of the series and class (or sub-class) of notes to which the relevant issuer swap relates as of the relevant closing date;

- Issuer ongoing payments: sterling interest amounts received on the term advance corresponding to the series and class (or sub-class) of notes to which the relevant issuer swap relates;

- Issuer swap provider ongoing payments: amounts in the specified currency that are equal to the amounts of interest to be paid on the series and class (or sub-class) of the notes to which the relevant issuer swap relates;

- Issuer repayment amount: the sterling equivalent of the principal amount of the series and class (or sub-class) of notes to which the relevant issuer swap relates being redeemed on any given day;

- Issuer swap provider repayment amount: amount in the specified currency, equal to the principal amount of the series and class (or sub-class) of notes to which the relevant issuer swap relates being redeemed on a given day; and

- Frequency of payment: as per the series and class (or sub-class) of notes to which the relevant issuer swap relates.

For further details, please see "**The swap agreements**".

TRIGGERS TABLES

Rating Triggers Table

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Seller	
Long-term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least BBB- by S&P, Baa3 by Moody's or BBB- by Fitch.	Seller must deliver to *inter alios* the mortgages trustee, details of the names and addresses of the borrowers with the loans then in the portfolio on computer diskette and a draft letter of notice to each of the borrowers of the sale and purchase or entrustment, as the case my be, (unless the relevant rating agencies confirm that the then current ratings of the notes will not be adversely affected).
Written notice that its short-term, unsecured, unguaranteed and unsubordinated debt obligations cease to be rated at least A-2 by S&P, F2 by Fitch and P-1 by Moody's (at the time of, and immediately following, the making of a contribution by Funding 1).	Funding 1 may not make an initial contribution, further contribution or a refinancing contribution.
Written notice that its short-term, unsecured, unguaranteed and unsubordinated debt obligations cease to be rated at least A-2 by S&P, F2 by Fitch and P-2 by Moody's at the time of, and immediately following, a trust calculation date immediately following the trust calculation period in which a product switch or the making of an additional loan advance takes place.	Loans that have been the subject of a product switch or additional loan advance may not remain in the portfolio (subject to variation of this condition by the mortgages trustee (subject to the prior confirmation by S&P that the then current ratings of any notes will not be downgraded, withdrawn or qualified as a result of such variation or waiver (and advance notice in writing of such variation or waiver has been provided by Moody's and Fitch and there being no reduction, qualification or withdrawal of the then current ratings of the notes))).
Short term, unsecured, unguaranteed and unsubordinated debt obligations cease to be rated at least A-2 by S&P, F2 by Fitch and/or P-1 by Moody's.	Beneficiaries shall appoint a firm of independent auditors (approved by the rating agencies) to determine (by taking a random sample) whether the loans and their related security (or any part of them) complied with the representations and warranties set out in schedule 1 of the mortgage sale agreement as at the date such loans were sold to the mortgages trustee.
Long-term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A3 by Moody's.	Funding 1 liquidity reserve fund must be established (unless advance notice in writing of such rating has been provided to Moody's and there being no reduction, qualification or withdrawal by Moody's of the then current ratings of the rated notes as a consequence thereof).

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Servicer	
Long-term unsecured, unguaranteed and unsubordinated debt obligation cease to be rated at least Baa3 by Moody's, BBB-by S&P or ceasing to be assigned a long-term "Issuer Default Rating" by Fitch of at least BBB-.	Within 60 days, the servicer will use reasonable endeavours to appoint a back-up servicer satisfactory to, *inter alios*, mortgages trustee.
Short-term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A-2 by S&P, P-2 by Moody's and the short-term "Issuer Default Ratings" of the seller cease to be rated at least F2 by Fitch.	Servicer shall use reasonable endeavours to ensure that the customer files and title deeds (if any) relating to the loans in the portfolio and their related security are identified as distinct from the customer files and title deeds of other properties and mortgages which do not form part of the portfolio.
Cash Manager	
Long-term unsecured, unguaranteed and unsubordinated debt obligations cease to be rated at least Baa3 by Moody's.	Within 60 days, the cash manager will use reasonable endeavours to appoint a back-up cash manager satisfactory to, *inter alios*, the mortgages trustee.
Mortgages trustee account bank	
(a) If the "Issuer Default Ratings" fall below F1 short-term or A long-term by Fitch; or (b) the unsecured, unsubordinated and unguaranteed debt obligations fall below A3 long-term by Moody's; or (c) the unsecured, unsubordinated and unguaranteed debt ratings fall below A-1 short-term and A long-term (or if not rated at least A-1 short-term, at least A+ long-term) by S&P (the **mortgages trustee account bank S&P rating event**), unless, in either case, Fitch, Moody's and S&P confirm that the then current ratings of the notes then outstanding would not be downgraded, withdrawn or qualified (the **transfer or guarantee waiver**).	Unless the mortgages trustee account bank opens a standby account with a suitable standby facility mortgages trustee bank, the cash manager, Funding 1 or the mortgages trustee shall (with the prior written consent of the Funding 1 security trustee) and the Funding 1 security trustee may terminate the mortgages trustee bank account agreement and close any mortgages trustee bank accounts by giving not less than 30 days' prior written notice to the relevant mortgages trustee account bank (subject to a suitable replacement with sufficient ratings having been appointed as described below) and additionally, specifically where a mortgages trustee account bank S&P rating event has occurred, the balances shall be transferred to such a replacement bank in accordance with the S&P remedy period. Notwithstanding the foregoing, in the event that the mortgages trustee account bank fails to have the mortgages trustee account bank required ratings, it may continue to operate, and receive deposits into, the mortgages trustee GIC account provided that (i) it opens a standby account with a suitable bank, (ii) it provides collateral (either by posting eligible collateral or procuring the issuer to make a term NR GIC collateral advance) against such deposits pursuant to the transaction documents and (iii) its "Issuer Default Ratings"

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
	does not fall below BBB- by Fitch. For further detail, please see "**The bank account agreements—the mortgages trustee bank account agreement**"). **Suitable replacement** means a replacement financial institution or institutions (a) with an "Issuer Default Rating" of at least F1 short-term or A long-term (in the case of Fitch) and with an unsecured, unsubordinated and unguaranteed debt obligation rating of at least A3 long-term (in the case of Moody's) and A-1 short-term and A long-term (or if not rated at least A-1 short-term, at least A+ long-term) (in the case of S&P), and (b) being an appropriately authorised institution under the FSMA.
Funding 1 account bank	
(a) If the "Issuer Default Ratings" fall below F1 short-term or A long-term by Fitch; or (b) the unsecured, unsubordinated and unguaranteed debt obligations fall below P-1 short-term or A2 long-term by Moody's; or (c) the unsecured, unsubordinated and unguaranteed debt ratings fall below A-1 short-term and A long-term (or if not rated at least A-1 short-term, at least A+ long-term) by S&P (the **Funding 1 account bank S&P rating event**), unless, in either case, Fitch, Moody's and S&P confirm that the then current ratings of the notes then outstanding would not be downgraded, withdrawn or qualified.	Unless the Funding 1 account bank obtains a guarantee over its obligations under the Funding 1 bank account agreement from a suitable guarantor, the cash manager or Funding 1 shall (with the prior written consent of the Funding 1 security trustee) and the Funding 1 security trustee may terminate the Funding 1 bank account agreement and close any Funding 1 bank accounts by giving not less than 30 days' prior written notice to the relevant Funding 1 account bank (with a copy to, as applicable, certain other parties) (subject to a suitable replacement with sufficient ratings having been appointed as described above) and additionally, specifically where a Funding 1 account bank S&P rating event has occurred, the balances shall be transferred to such a replacement bank in accordance with the Funding 1 account bank S&P remedy period. Notwithstanding the foregoing, in the event that the Funding 1 account bank fails to have the Funding 1 account bank required ratings, it may continue to operate, and receive deposits of Funding 1 deposit non-reserved amounts into, the Funding 1 collateralised GIC account provided that (i) the Funding 1 account bank provides collateral (either by posting eligible collateral or procuring the issuer to make a term NR GIC collateral advance) against such deposits pursuant to the transaction documents and (ii) the "Issuer Default Ratings" of the Funding 1 account bank does not fall below BBB- by Fitch. For further detail, please see "**The bank account agreements—the Funding 1 bank account agreement**").

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Issuer account bank	
(a) If the "Issuer Default Ratings" fall below F1 short-term or A long-term by Fitch; or (b) the unsecured, unsubordinated and unguaranteed debt obligations fall below A3 long-term by Moody's; or (c) the unsecured, unsubordinated and unguaranteed debt ratings fall below A-1 short-term and A long-term (or if not rated at least A-1 short-term, at least A+ long-term) by S&P (the **issuer account bank S&P rating event**), unless, in either case, Fitch, Moody's and S&P confirm that the then current ratings of the notes then outstanding would not be downgraded, withdrawn or qualified.	Unless the issuer account bank obtains a guarantee over its obligations under the issuer bank account agreement from a suitable guarantor, the issuer cash manager or the issuer shall (with the prior written consent of the issuer security trustee) or the issuer security trustee may terminate the mortgages trustee bank account agreement and close any mortgages trustee bank accounts by giving not less than 30 day's prior written notice to the relevant issuer account bank (with a copy to, as applicable, certain other parties) (subject to a suitable replacement with sufficient ratings having been appointed as described above) and additionally, specifically where an issuer account bank S&P rating event has occurred, the balances shall be transferred to such a replacement bank in accordance with the S&P remedy period.
Funding 1 swap provider	
Loss of the S&P required ratings, the Fitch required ratings or the Moody's required ratings, as set out below. For so long as the notes are rated by S&P, the **S&P required ratings** set out below apply. The relevant S&P required ratings depend on which S&P replacement option is elected by the Funding 1 swap provider from time to time (the **S&P replacement option**) and the rating of the notes with the highest rating from S&P (the **S&P relevant notes**). There are four S&P replacement options numbered 1 to 4. For so long as the notes are rated by Fitch, the **Fitch required ratings** set out below apply. The relevant Fitch required ratings depend on the rating of the notes with the highest rating from Fitch (the **Fitch relevant notes**). For so long as the notes are rated by Moody's, the **Moody's required ratings** set out below apply.	The relevant remedial actions and relevant timing for such actions set out below are dependant on the trigger that has been breached. Following the loss of any S&P required rating, during the relevant period, the Funding 1 swap provider may, in addition to each of the remedies set out below, elect to change the S&P replacement option in order to cure the breach of the ratings trigger (i.e. where the Funding 1 swap provider has the required ratings under another S&P replacement option but does not have the required ratings under the S&P replacement option currently in effect).

Required Ratings/Triggers	Possible effects of Trigger being breached include the following

S&P required ratings: The S&P required ratings are set out in the tables below.

Current rating by S&P of the S&P relevant notes***	S&P Replacement Option 1		S&P Replacement Option 2		S&P Replacement Option 3	S&P Replacement Option 4
	Initial S&P Rating Event	Subsequent S&P Rating Event	Initial S&P Rating Event	Subsequent S&P Rating Event	Initial and Subsequent S&P Rating Event	S&P Rating Event
AAA	A*	BBB+	A*	A-	A*	A+
AA+	A*	BBB+	A*	A-	A*	A+
AA	A-	BBB+	A*	A-	A*	A+
AA-	A-	BBB**	A-	BBB+	A-	A*
A+	BBB+	BBB**	A-	BBB+	A-	A*
A	BBB+	BBB**	A-	BBB+	A-	At least as high as the S&P relevant notes' S&P rating
A-	BBB**	BBB-	BBB+	BBB**	BBB+	
BBB+	BBB**	BBB-	At least as high as the S&P relevant notes' S&P rating	BBB**	At least as high as the S&P relevant notes' S&P rating	
BBB	BBB-	BB+		BBB-		
BBB-	At least as high as the S&P relevant notes' S&P rating	BB+		At least as high as the S&P relevant notes' S&P rating		
BB+ and below		At least as high as the S&P relevant notes' S&P rating				

* To meet the minimum eligible rating of "A", the entity should also have a short term rating of "A-1".
** To meet the minimum eligible rating of "BBB", the entity should also have a short term rating of "A-2".
*** If the S&P relevant notes are downgraded by S&P due to certain failures of the Funding 1 swap provider, the current rating will be deemed to be the rating of such S&P relevant notes immediately prior to such downgrade.

The Funding 1 swap provider, or an applicable guarantor, fails to have any S&P initial required rating where S&P replacement option 1 applies.

The Funding 1 swap provider must provide collateral within 10 business days (to the extent required depending on the value of the Funding 1 swap in respect of fixed rate loans (the **Funding 1 fixed rate swap**) to each of the parties at such time) unless it (i) transfers its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtains a guarantee in respect of the Funding 1 fixed rate swap from an entity with the S&P initial required ratings, or (iii) takes such other action as is required to maintain, or restore, the rating of the S&P relevant notes.

Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 fixed rate swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so).

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
The Funding 1 swap provider, or an applicable guarantor, fails to have any S&P subsequent required rating where S&P replacement option 1 applies.	The Funding 1 swap provider must use its commercially reasonable efforts to, within 60 calendar days, either (i) transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the S&P subsequent required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the S&P relevant notes. Whilst this process is ongoing the Funding 1 swap provider must also provide collateral within 10 business days (to the extent required depending on the value of the Funding 1 fixed rate swap to each of the parties at such time). Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 fixed rate swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so). Funding 1 may also terminate the Funding 1 fixed rate swap if the Funding 1 swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
The Funding 1 swap provider, or an applicable guarantor, fails to have any S&P initial required rating where S&P replacement option 2 applies.	The Funding 1 swap provider must provide collateral within 10 business days (to the extent required depending on the value of the Funding 1 fixed rate swap to each of the parties at such time) unless it (i) transfers its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtains a guarantee in respect of the Funding 1 fixed rate swap from an entity with the S&P initial required ratings, or (iii) takes such other action as is required to maintain, or restore, the rating of the S&P relevant notes. Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 fixed rate swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so).

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
The Funding 1 swap provider, or an applicable guarantor, fails to have any S&P subsequent required rating where S&P replacement option 2 applies.	The Funding 1 swap provider must use its commercially reasonable efforts to, within 60 calendar days, either (i) transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the S&P subsequent required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the S&P relevant notes. Whilst this process is ongoing the Funding 1 swap provider must also provide collateral within 10 business days (to the extent required depending on the value of the Funding 1 fixed rate swap to each of the parties at such time). The collateral requirements are greater than those that apply upon loss of the S&P initial required ratings. Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 fixed rate swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so). Funding 1 may also terminate the Funding 1 fixed rate swap if the Funding 1 swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
The Funding 1 swap provider, or an applicable guarantor, fails to have any S&P initial required rating or S&P subsequent required rating where S&P replacement option 3 applies.	The Funding 1 swap provider must use its commercially reasonable efforts to, within 60 calendar days, either (i) transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the S&P required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the S&P relevant notes. Whilst this process is ongoing the Funding 1 swap provider must also provide collateral within 10 business days (to the extent required depending on the value of the Funding 1 fixed rate swap to each of the parties at such time). Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 fixed rate swap in the relevant time period (to the

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
	extent the Funding 1 swap provider is required to do so). Funding 1 may also terminate the Funding 1 fixed rate swap if the Funding 1 swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
The Funding 1 swap provider, or an applicable guarantor, fails to have any S&P required rating where S&P replacement option 4 applies.	The Funding 1 swap provider must use its commercially reasonable efforts to, within 30 calendar days, either (i) transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the S&P required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the S&P relevant notes. There is no requirement to provide collateral whilst the process is ongoing. Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
Moody's initial required ratings	
The Funding 1 swap provider, or any additional guarantor, must satisfy the following requirements to have the Moody's initial required ratings: the short-term, unsecured and unsubordinated debt or counterparty obligations must be rated at least P-1 and long-term, unsecured and unsubordinated debt obligations must be rated at least A2 by Moody's (or, if the relevant entity is not the subject of a short-term rating by Moody's, the long-term, unsecured and unsubordinated debt obligations must be rated at least A1 by Moody's.	The Funding 1 swap provider must as soon as reasonably practicable (and in any event within 30 business days), (i) provide collateral (to the extent required depending on the value of the Funding 1 fixed rate swap to each of the parties at such time), (ii) transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the Moody's criteria, or (iii) obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the Moody's initial required ratings. Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider fails to, in the relevant time period (i) provide collateral in respect of the Funding 1 fixed rate swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so), (ii) transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the Moody's criteria, or (iii) obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the Moody's initial required ratings.

Required Ratings/Triggers	Possible effects of Trigger being breached include the following

Moody's subsequent required ratings

The Funding 1 swap provider, or any additional guarantor, must satisfy the following requirements to have the Moody's subsequent required ratings: the short-term, unsecured and unsubordinated debt or counterparty obligations must be rated at least P-2 and long-term, unsecured and unsubordinated debt obligations must be rated at least A3 by Moody's (or, if the relevant entity is not the subject of a short-term rating by Moody's, the long-term, unsecured and unsubordinated debt obligations must be rated at least A3 by Moody's).

The Funding 1 swap provider must use its commercially reasonable efforts to, as soon as reasonably practicable (and in any event within 30 business days), either transfer its obligations in respect of the Funding 1 fixed rate swap to an entity that is eligible to be a swap provider under the Moody's criteria or obtain a guarantee in respect of the Funding 1 fixed rate swap from an entity with at least the Moody's subsequent required ratings.

Funding 1 may terminate the Funding 1 fixed rate swap if the Funding 1 swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations in respect of the Funding 1 fixed rate swap of the Funding 1 swap provider.

Fitch required ratings: The Fitch required ratings are set out in the table below.

<table>
<tr><th>Current Fitch rating of Fitch relevant note</th><th>Initial Fitch Rating Event</th><th>Subsequent Fitch Rating Event</th><th>Subsequent Fitch Rating Event (adjusted)*</th></tr>
<tr><td>AAAsf</td><td>A and F1</td><td>BBB- and F3</td><td>BBB+ and F2</td></tr>
<tr><td>AA+sf, AAsf, AA-sf</td><td>A- and F2</td><td>BBB- and F3</td><td>BBB+ and F2</td></tr>
<tr><td>A+sf, Asf, A-sf</td><td>BBB+ and F2</td><td>BB+</td><td>BBB+ and F2</td></tr>
<tr><td>BBB+sf, BBBsf, BBB-sf</td><td>BBB- and F3</td><td>BB-</td><td>BBB- and F3</td></tr>
<tr><td>BB+sf, BBsf, BB-sf</td><td rowspan="2">At least as high as the Fitch relevant notes' Fitch rating</td><td>B</td><td rowspan="2">At least as high as the Fitch relevant notes' Fitch rating</td></tr>
<tr><td>B+sf or below or Fitch relevant notes are not rated by Fitch</td><td>At least as high as the Fitch relevant notes' Fitch rating</td></tr>
</table>

***** If the issuer is not incorporated in the same jurisdiction as the Funding 1 swap provider and, following a request from Fitch, has not provided to Fitch a legal opinion, in a form acceptable to Fitch, confirming the enforceability of the subordination provisions against it in its jurisdiction, a subsequent Fitch rating event (adjusted) shall be applicable.

Fitch initial required ratings

The Funding 1 swap provider, or an applicable guarantor, fails to have any Fitch initial required rating.

The Funding 1 swap provider must, on a reasonable efforts basis, provide collateral within 14 calendar days (to the extent required depending on the value of the Funding 1 Fixed Rate Swap to each of the parties at such time) unless, within 30 calendar days, it either (i) transfers its obligations in respect of the Funding 1 Fixed Rate Swap to an entity that is eligible to be a swap provider under the Fitch ratings criteria, (ii) obtains a guarantee or co-obligor in respect of the Funding 1 Fixed

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
	Rate Swap from an entity with the Fitch Initial Required Ratings, or (iii) takes such other action as will maintain, or restore, the rating of the Fitch relevant notes by Fitch. Funding 1 may terminate the Funding 1 Fixed Rate Swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 Fixed Rate Swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so) and the Funding 1 swap provider either fails to use reasonable efforts to take the relevant actions in (i) to (iii) above or the relevant time period has expired.
Fitch subsequent required ratings	
The Funding 1 swap provider, or an applicable guarantor, fails to have any Fitch subsequent required rating.	The Funding 1 swap provider must, within 30 calendar days, on a reasonable efforts basis, either (i) transfer its obligations in respect of the Funding 1 Fixed Rate Swap to an entity that is eligible to be a swap provider under the Fitch ratings criteria, (ii) obtain a guarantee or co-obligor in respect of the Funding 1 Fixed Rate Swap from an entity with the Fitch Initial Required Ratings, or (iii) take such other action as will maintain, or restore, the rating of the Fitch relevant notes by Fitch. Whilst this process is ongoing the Funding 1 swap provider must also provide collateral within 10 calendar days (to the extent required depending on the value of the Funding 1 Fixed Rate Swap to each of the parties at such time). Funding 1 may terminate the Funding 1 Fixed Rate Swap if the Funding 1 swap provider fails to provide collateral in respect of the Funding 1 Fixed Rate Swap in the relevant time period (to the extent the Funding 1 swap provider is required to do so). Funding 1 may also terminate the Funding 1 Fixed Rate Swap if the Funding 1 swap provider either fails to use reasonable efforts to take the relevant actions in (i) to (iii) above or the relevant time period has expired.
The issuer swap provider	
Loss of the S&P required ratings, the Fitch required ratings or the Moody's required ratings, as set out below.	The relevant remedial actions are set out below depending on the trigger that has been breached. The timing for the relevant actions depends on the relevant trigger that has been breached.

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
For so long as the notes corresponding to the relevant issuer swap are rated by S&P, the **S&P required ratings** set out above under "**—Funding 1 swap provider**" apply as though each reference therein to S&P relevant notes were a reference to the notes corresponding to the relevant issuer swap. The relevant S&P required ratings depend on which S&P replacement option is elected by the issuer swap provider from time to time (the **S&P replacement option**) and the rating of the notes corresponding to the relevant issuer swap. There are four S&P replacement options numbered 1 to 4.	Following the loss of any S&P required rating, during the relevant period, the issuer swap provider may, in addition to each of the remedies set out below, elect to change the S&P replacement option in order to cure the breach of the ratings trigger (i.e. where the issuer swap provider has the required ratings under another S&P replacement option but does not have the required ratings under the S&P replacement option currently in effect).
For so long as the notes corresponding to the relevant issuer swap are rated by Fitch, the **Fitch required ratings** set out above under "**—Funding 1 swap provider**" apply as though each reference therein to Fitch relevant notes were a reference to the notes corresponding to the relevant issuer swap. The relevant Fitch required ratings depend on the rating of the notes corresponding to the relevant issuer swap.	
For so long as the notes are rated by Moody's, the **Moody's required ratings** set out above under "**—Funding 1 swap provider**" apply.	
The issuer swap provider, or an applicable guarantor, fails to have any S&P initial required rating where S&P replacement option 1 applies.	The issuer swap provider must provide collateral within 10 business days (to the extent required depending on the value of the issuer swap) unless it (i) transfers its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtains a guarantee from an entity with the S&P initial required ratings, or (iii) takes such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so).
The issuer swap provider, or an applicable guarantor, fails to have any S&P subsequent required rating where S&P replacement option 1 applies.	The issuer swap provider must use its commercially reasonable efforts to, within 60 calendar days, either (i) transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee from an entity with at least the S&P subsequent required ratings, or (iii) take such other action as is required to maintain, or restore,

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
	the rating of the notes corresponding to the relevant issuer swap. Whilst this process is ongoing the issuer swap provider must also provide collateral within 10 business days (to the extent required depending on the value of the issuer swap). The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so). The issuer may also terminate the relevant issuer swap if the issuer swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
The issuer swap provider, or an applicable guarantor, fails to have any S&P initial required rating where S&P replacement option 2 applies.	The issuer swap provider must provide collateral within 10 business days (to the extent required depending on the value of the issuer swap) unless it (i) transfers its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtains a guarantee from an entity with the S&P initial required ratings, or (iii) takes such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so).
The issuer swap provider, or an applicable guarantor, fails to have any S&P subsequent required rating where S&P replacement option 2 applies.	The issuer swap provider must use its commercially reasonable efforts to, within 60 calendar days, either (i) transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee from an entity with at least the S&P subsequent required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. Whilst this process is ongoing the issuer swap provider must also provide collateral within 10 business days (to the extent required depending on the value of the issuer swap). The collateral requirements are greater than those that apply upon loss of the S&P initial required ratings. The issuer may terminate the relevant issuer swap

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
	if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so). The issuer may also terminate the relevant issuer swap if the issuer swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
The issuer swap provider, or an applicable guarantor, fails to have any S&P initial required rating or S&P subsequent required rating where S&P replacement option 3 applies.	The issuer swap provider must use its commercially reasonable efforts to, within 60 calendar days, either (i) transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee from an entity with at least the S&P required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. Whilst this process is ongoing the issuer swap provider must also provide collateral within 10 business days (to the extent required depending on the value of the issuer swap). The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so). The issuer may also terminate the relevant issuer swap if the issuer swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.
The issuer swap provider, or an applicable guarantor, fails to have any S&P required rating where S&P replacement option 4 applies.	The issuer swap provider must use its commercially reasonable efforts to, within 30 calendar days, either (i) transfer its obligations to an entity that is eligible to be a swap provider under the S&P ratings criteria, (ii) obtain a guarantee from an entity with at least the S&P required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. There is no requirement to provide collateral whilst the process is ongoing. The issuer may terminate the relevant issuer swap if the issuer swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired.

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
Moody's Initial Required Ratings	
The issuer swap provider, or an applicable guarantor, fails to have any Moody's initial required rating.	The issuer swap provider must provide collateral within 30 business days (to the extent required depending on the value of the issuer swap). The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so) and such failure is not remedied on or before the third business day after notice of such failure is given to the issuer swap provider.
Moody's Subsequent Required Ratings	
The issuer swap provider, or an applicable guarantor, fails to have any Moody's subsequent required rating.	The issuer swap provider must use its commercially reasonable efforts to, as soon as reasonably practicable (and in any event within 30 business days), either transfer its obligations to an entity that is eligible to be a swap provider under the Moody's criteria or obtain a guarantee from an entity with at least the Moody's Subsequent Required Ratings. The issuer may terminate the relevant issuer swap if the issuer swap provider either fails to use its commercially reasonable efforts to take the relevant actions or the relevant time period has expired and, inter alia, an offer has been made by a third party that is able to assume the obligations in respect of the issuer swap of the issuer swap provider.
Fitch Initial Required Ratings	
The issuer swap provider, or an applicable guarantor, fails to have any Fitch initial required rating.	The issuer swap provider must, on a reasonable efforts basis, provide collateral within 14 calendar days (to the extent required depending on the value of the issuer swap) unless, within 30 calendar days, it either (i) transfers its obligations to an entity that is eligible to be a swap provider under the Fitch ratings criteria, (ii) obtains a guarantee or co-obligor in respect of the issuer swap from an entity with the Fitch Initial Required Ratings, or (iii) takes such other action as will maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the

Required Ratings/Triggers	Possible effects of Trigger being breached include the following
	relevant time period (to the extent the issuer swap provider is required to do so) and the issuer swap provider either fails to use reasonable efforts to take the relevant actions in (i) to (iii) above or the relevant time period has expired.
Fitch Subsequent Required Ratings	
The issuer swap provider, or an applicable guarantor, fails to have any Fitch subsequent required rating.	The issuer swap provider must, within 30 calendar days, on a reasonable efforts basis, either (i) transfer its obligations to an entity that is eligible to be a swap provider under the Fitch ratings criteria, (ii) obtain a guarantee or co-obligor in respect of the issuer swap from an entity with the Fitch Initial Required Ratings, or (iii) take such other action as will maintain, or restore, the rating of the notes corresponding to the relevant issuer swap. Whilst this process is ongoing the issuer swap provider must also provide collateral within 10 calendar days (to the extent required depending on the value of the issuer swap). The issuer may terminate the relevant issuer swap if the issuer swap provider fails to provide collateral in respect of the issuer swap in the relevant time period (to the extent the issuer swap provider is required to do so). The issuer may also terminate the relevant issuer swap if the issuer swap provider either fails to use reasonable efforts to take the relevant actions in (i) to (iii) above or the relevant time period has expired.

NON-RATING TRIGGERS TABLE

There are two forms of trigger events: (i) an asset trigger event and (ii) a non-asset trigger event. Following the occurrence of a trigger event, the principal priority of payments in respect of the mortgages trustee will change.

A trigger event means an asset trigger event or a non-asset trigger event.

If an asset trigger event or non-asset trigger event should occur, then distributions on the notes may be altered, as described in "**Cashflows**".

Non-Asset Trigger Events

Non-asset trigger events relate primarily (but not exclusively) to events associated with the seller/servicer (please see "**The mortgages trust—Mortgages trust allocation and distribution of principal receipts on or after the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event**" for more details) and impact on the repayment of term advances (please see "**The intercompany loan agreement—Repayment of principal on the term advances**" for more details).

Nature of Trigger	Description of Trigger	Consequence of Trigger
Insolvency event	On a trust calculation date, an insolvency event occurs in relation to the seller	All principal receipts on the loans will be paid to the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and each further funding company proportion respectively, until each of the Funding 1 share and each further funding company share of the trust property (as calculated on the relevant trust calculation date falling in the immediately preceding trust calculation period) has been reduced to zero. The remaining mortgages trust available principal receipts (if any) will then be allocated to the seller
Substitution of servicer	The seller's ceasing to be the servicer or being required to use reasonable efforts to delegate to a new third party servicer, where a new servicer is not appointed or such delegation does not occur within 60 days	All principal receipts on the loans will be paid the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and each further funding company proportion respectively, until each of the Funding 1 share and each further funding company share of the trust property (as calculated on the relevant trust calculation date falling in the immediately preceding trust calculation period) has been

Nature of Trigger	Description of Trigger	Consequence of Trigger
		reduced to zero. The remaining mortgages trust available principal receipts (if any) will then be allocated to the seller
Breach of minimum seller share on two consecutive trust calculation dates	The seller share of the trust property at any time is equal to or less than the minimum seller share on two consecutive trust calculation dates (in each case by reference to the most recent trust calculation date)	All principal receipts on the loans will be paid to the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and each further funding company proportion respectively, until each of the Funding 1 share and each further funding company share of the trust property (as calculated on the relevant trust calculation date falling in the immediately preceding trust calculation period) has been reduced to zero. The remaining mortgages trust available principal receipts (if any) will then be allocated to the seller
Breach of minimum trust size on two consecutive trust calculation dates	On any two consecutive trust calculation dates, (i) the aggregate true balance of loans comprising the trust property as calculated at that date is less than the minimum trust size (if any) as specified in respect of such date in the most recent final terms, or (ii) the aggregate true balance of loans comprising the trust property at that date which mature no later than 2 January 2053 is not equal to or greater than the product of (i) 1 plus the minimum seller share expressed as a percentage of the aggregate outstanding principal balance of the loans and (ii) the aggregate principal amount outstanding of the notes with a final maturity date of 21 January 2055. See "**The mortgages trust—Cash management of trust property—principal receipts**".	All principal receipts on the loans will be paid to the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and each further funding company proportion respectively, until each of the Funding 1 share and each further funding company share of the trust property (as calculated on the relevant trust calculation date falling in the immediately preceding trust calculation period) has been reduced to zero. The remaining mortgages trust available principal receipts (if any) will then be allocated to the seller

Asset Trigger Events

Asset trigger events relate to the performance of the underlying portfolio and will be activated if certain events occur. (please see "**The mortgages trust—Mortgages trust allocation and distribution of principal receipts on or after the occurrence of an asset trigger event**" for more details) and impact on the repayment of term advances (please see "**The intercompany loan agreement—Repayment of principal on the term advances**" for more details)

Nature of Trigger	Description of Trigger	Consequence of Trigger
Principal deficiencies	When an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 (or the corresponding sub-ledger of any further funding company, as the case may be).	Principal receipts on the loans will be paid to Funding 1, each such further funding company and the seller *pro rata* and *pari passu* according to the then Funding 1 share of the trust property, the share of the trust property attributable to each such further funding company and the seller share of the trust property, until the Funding 1 share of the trust property and the share of the trust property attributable to each such further funding company is zero. When the Funding 1 share of the trust property and each such further funding company share of the trust property is zero, the remaining mortgages trust available principal receipts (if any) will be allocated to the seller.

FEES

The table below sets out the principle on-going transaction fees to be paid by the issuer, Funding 1 and the mortgages trustee to the transaction parties. Each of these fees is subject to change at any time without your notification or approval, including upon the appointment of any successor service provider or any other successor transaction party pursuant to the applicable transaction document.

The servicing fee, the cash management fee and the issuer cash management fee will be inclusive of VAT and the other fees will be exclusive of VAT.

Type of Fee	**Amount of Fee**	**Priority in Cashflow**	**Frequency**
Servicing fees	0.05% per year (inclusive of any VAT) of the aggregate outstanding principal amount of the trust property	Ahead of all revenue amounts payable to beneficiaries by the mortgages trustee, please refer to "**The mortgages trust—Mortgages trust calculation of revenue receipts**"	Each distribution date
Mortgages trustee fees	An amount per annum as agreed in accordance with a fee arrangement dated on or about the initial closing date	Ahead of all revenue amounts payable to beneficiaries by the mortgages trustee, please refer to "**The mortgages trust—Mortgages trust calculation of revenue receipts**"	Each distribution date
Cash management fee	the sterling equivalent of 0.01% per year (inclusive of any VAT) of the principal amount outstanding of the notes/ The fee is capped at £100,000 per year (inclusive of VAT, if any).	Ahead of all revenue amounts payable to beneficiaries by the mortgages trustee, please refer to "**The mortgages trust—Mortgages trust calculation of revenue receipts**"	Each distribution date
Issuer cash management fee	The sterling equivalent of 0.01% per year (inclusive of any VAT) of the principal amount outstanding of the notes. The fee is capped at £100,000 per year (inclusive of VAT, if any).	Ahead of all notes, please refer to "**Cashflows—Distribution of issuer revenue receipts before note acceleration**"	Each issuer payment date

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Corporate expenses of mortgages trustee	Estimated £17,500 each year	Ahead of all revenue amounts payable to beneficiaries by the mortgages trustee, please refer to "**The mortgages trust—Mortgages trust calculation of revenue receipts**"	Each distribution date
Corporate expenses of issuer, the post-enforcement call option holder, Holdings and Funding 1	Estimated £22,000 each year	Ahead of all notes or, as applicable, all term advances, please refer to "**Cashflows—Distribution of issuer revenue receipts before note acceleration**"	Each interest payment date or, as applicable, Funding 1 payment date
Fee payable by Funding 1 to Funding 1 security trustee and by the issuer to the issuer security trustee, the note trustee and paying agents	An amount per annum as agreed in accordance with a fee arrangement letter dated on or about the initial closing date	Ahead of all notes or, as applicable, all revenue amounts payable by Funding 1 to the issuer, please refer to "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"	Each interest payment date or, as applicable, Funding 1 payment date

OVERVIEW OF THE NOTES

Issuance

Notes may only be issued on the satisfaction of certain issuance tests, as described below under "**The issuance of notes**". In particular, a note may be issued only if there is sufficient credit enhancement on that date in the form of outstanding subordinated term advances and reserves or other forms of credit enhancement, equal to or greater than the required subordinated amount for each outstanding class of notes. The required subordination percentage for a class of notes will, as at the date of issue of a series of notes incorporating such class, be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). However, the required subordination for a class of notes may, subject to certain conditions, including confirmations from S&P that its then current rating of the then outstanding rated notes will not be reduced, qualified or withdrawn as a consequence thereof (and advance notice in writing of such action 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), be increased or decreased without noteholder consent.

In certain circumstances, the requirement to comply with certain of the issuance tests may be waived, as described in "**The issuance of notes**".

It is also a condition to the issuance of each series and class (or sub-class) of rated notes that they be assigned the following ratings by at least one of Standard & Poor's, Moody's or Fitch.

	Class A	**Class B**	**Class M**	**Class C**	**Class D**
		(other than money market notes)			
Standard & Poor's	AAA (sf)	AA (sf)	A (sf)	BBB (sf)	BB (sf)
Moody's	Aaa (sf)	Aa3 (sf)	A2 (sf)	Baa2 (sf)	Ba2 (sf)
Fitch	AAAsf	AAsf	Asf	BBBsf	BBsf

It is a condition to the issuance of any series and class (or sub-class) of notes which are designated as money market notes that they will be assigned a rating of A-1+, P-1 or F1+ by at least one of Standard & Poor's, Moody's or Fitch, respectively. See further "**—Money market notes**", below.

The ratings assigned to each class (or sub-class) of rated notes of a series will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The term advances will not be rated by the rating agencies.

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

In relying on the fact that S&P has confirmed that the then current rating of the relevant series and/or class or classes of rated notes would not be adversely affected by a proposed modification to the transaction documents (and advance notice in writing of any such proposed modification 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), potential investors should note that any kind of confirmation provided by a rating agency does not impose or extend any actual or contingent liability for such rating agency to the note trustee or the issuer security trustee, the noteholders of any rated note or any other person or create any legal relations between the rating agencies and the note trustee, the issuer security trustee, the issuer noteholders or any other person whether by way of contract or otherwise.

Standard & Poor's, Moody's and Fitch together comprise the rating agencies referred to in this base prospectus. The term "**rating agencies**" also includes any further or replacement rating agency appointed by the issuer with the approval of the note trustee to give a credit rating to the rated notes of any series.

The issuer (or Funding 1, if the issuer is unable to pay) has agreed to pay ongoing surveillance fees to the rating agencies, in exchange for which each rating agency will monitor the ratings it has assigned to each series and class (or sub-class) of rated notes while they are outstanding.

Eligibility of notes for purchase by money market funds

Notes of a series designated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as money market notes issued by the issuer will be "Eligible Securities" within the meaning of Rule 2a-7 under the Investment Company Act.

Form and denominations of the notes

The notes (in either global or definitive form) of a series will be issued in such denominations as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), save that the minimum denomination of each note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant currency and save that euro-denominated notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof, U.S. dollar-denominated notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof and sterling-denominated notes will be issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. Notwithstanding the above, each note denominated in a currency other than euro (including U.S. dollar-denominated notes and sterling-denominated notes) shall have a minimum denomination in an amount equivalent (as at the date of the issue of the note) in that currency to at least €100,000.

The notes issued by the issuer will be constituted by the note trust deed.

The notes of any class (or sub-class) sold to non-U.S. persons in reliance on Regulation S will be represented by one or more Reg S global notes, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with a common safekeeper for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Reg S global note may only be held through, and transfers thereof will only be effected through, records maintained by Euroclear or Clearstream, Luxembourg or their participants (as applicable) at any time. The Reg S global note will bear a legend to the effect that such Reg S global note, or any interest therein, may not be transferred except to non-U.S. persons outside of the United States and only in compliance with the transfer restrictions set out in such legend. See "**Book entry clearance procedures**" and "**Transfer restrictions and investor representations**".

The notes of any class (or sub-class) sold in reliance on Rule 144A to persons who are QIBs that are also QPs acting for their own accounts or the accounts of other persons that are QIBs will be represented by one or more Rule 144A global notes, which will either (i) be deposited with Citibank, N.A., as custodian for, and registered in the name of a nominee for DTC or (ii) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with a common safekeeper for Euroclear and Clearstream, Luxembourg, as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Beneficial interests in a Rule 144A global note may only be held through, and transfers thereof will only be effected through, records maintained by DTC, Euroclear or Clearstream, Luxembourg or their participants (as applicable) at any time. The Rule 144A global notes will bear a legend to the effect that such Rule 144A notes, or any interest therein, may not be transferred except to persons that are QIBs that are also QPs and only in compliance with the transfer restrictions set out in such legend. See "**Book-entry clearance procedures**".

The global notes will not, except in limited circumstances, be exchangeable for notes in definitive form. The notes will not be issued in bearer form.

See "**Transfer restrictions and investor representations**".

Maturities

Notes of a series will be issued in such maturities as may be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Currencies

Subject to compliance with all applicable legal, regulatory and central bank requirements, a series and class (or sub-class) of notes may be denominated in such currency or currencies as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Issue Price

Each series and class (or sub-class) of notes may be issued on a fully paid basis and at an issue price which is at par, or at discount to, or premium over, par.

Selling restrictions

For a description of certain restrictions on offers, sales and deliveries of a series of notes and on the distribution of offering material in the United States of America, the United Kingdom and certain other jurisdictions see "**Subscription and sale**" below and in any supplementary prospectus.

Relationship between the notes and the intercompany loan

The intercompany loan will comprise multiple term advances. The gross proceeds of a class (or sub-class) of a series of notes will fund a single term advance. The repayment terms of a term advance (for example, dates for payment of principal and the type of amortisation or redemption) will reflect the terms of the class (or sub-class) of notes of the applicable series that funded that term advance. Subject to any swap agreements as described under "**The swap agreements**" below, the applicable Funding 1 priority of payments and the applicable issuer priority of payments, the issuer will repay a class (or sub-class) of notes of such series from payments received by it from Funding 1 under the corresponding term advance (and where the relevant series and class (or sub-class) of notes is denominated in a currency other than sterling, after making the appropriate currency exchange under the relevant issuer swap agreement).

The ability of Funding 1 to make payments on the intercompany loan will depend principally on Funding 1 receiving the amount required to make such payments from its share of collections on the trust property, and such amount will in turn depend principally on the collections the mortgages trustee receives on the loans and the related security and the allocation of monies among the seller, Funding 1 and any other beneficiaries under the trust. For more information on the intercompany loan, see "**The intercompany loan agreement**" below.

Payment and ranking of the notes

A series and class (or sub-class) of notes may be issued as **monthly notes**, in which case payments of interest on such notes and on the term advances which were funded by such notes will be made on a monthly basis (**monthly term advances**), or as **non-monthly notes**, in which case payments of interest on such notes and on the term advances which were funded by such notes (**non-monthly term advances**) will be made (prior to the occurrence of a trigger event, the service of a note acceleration notice on the issuer, or the service of an intercompany loan acceleration notice on Funding 1 or the occurrence of a step-up date (or any other date specified in relation thereto in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) in respect of that note) on a non-monthly basis (that is, for instance, on a quarterly, semi-annual or annual basis).

Notwithstanding the above, funds which are available to be applied in the payment of interest on all notes will be allocated towards payment (in the case of monthly notes and monthly term advances) or towards provision for payment (in the case of non-monthly notes and non-monthly term advances) on a monthly basis.

The monthly allocation of such available funds towards interest on the class A notes of all series will rank ahead of such allocation for interest on the class B notes of all series, the class M notes of all series, the class C notes of all series, the class D notes of all series and the class Z notes of all series. The monthly allocation of such available funds towards interest on the class B notes of all series will rank ahead of such allocation for interest on the class M notes of all series, the class C notes of all series, the class D notes of all series and the class Z notes of all series. The monthly allocation of such available funds towards interest on the class M notes of all series will rank ahead of such allocation for interest on the class C notes of all series, the class D notes of all series and the class Z notes of all series. The monthly allocation of such available funds towards interest on the class C notes of all series will rank ahead of such allocation for interest on the class D notes of all series and the class Z notes of all series. The monthly allocation of such available funds towards interest on the class D notes of all series will rank ahead of such allocation for interest on the class Z notes of all series.

Any amount that has been allocated in any month towards the payment, or provision for payment of interest, on any class (or sub-class) of notes of any series may only be applied on the interest payment date for such notes in payment of such interest amount on such class (or sub-class) of notes and will not be available for the payment of interest due on any other class (or sub-class) of notes of such series (or of any other series).

Payments of principal on the class A notes of any series due on an interest payment date will rank ahead of payments of principal on the class B notes of any series, the class M notes of any series, the class C notes of any series, the class D notes of any series and the class Z notes of any series (in each case due on such interest payment date). Payments of principal on the class B notes of any series due on an interest payment date will rank ahead of payments of principal on the class M notes of any series, the class C notes of any series, the class D notes of any series and the class Z notes of any series (in each case due on such interest payment date). Payments of principal on the class M notes of any series due on an interest payment date will rank ahead of payments of principal on the class C notes of any series, the class D notes of any series and the class Z notes of any series (in each case due on such interest payment date). Payments of principal on the class C notes of any series due and payable on an interest payment date will rank ahead of payments of principal on the class D notes of any series and the class Z notes of any series (in each case due on such interest payment date). Payments of principal on the class D notes of any series due on an interest payment date will rank ahead of payments of principal on the class Z notes of any series due and payable on such interest payment date.

However, prior to the occurrence of a pass-through trigger event (and in a manner similar to that for the payment or provision for payment of interest), funds which are available to be applied in the repayment of principal on pass-through notes will be allocated towards repayment (in the case of monthly notes and monthly term advances) or for the provision for repayment (in the case of non-monthly notes and non-monthly term advances) on a monthly basis. Any amount that has been allocated in any month towards the repayment, or provision for repayment, of principal on any class (or sub-class) of pass-through notes of any series may only be applied on the interest payment date for such notes in repayment of such principal amount on such class (or sub-class) of notes and will not be available for the repayment of principal (or the payment of interest) due on any other class (or sub-class) of notes (if any) of such series (or of any other series). However such amounts may be applied to make up a Funding 1 revenue deficit amount as more particularly set out herein.

For more information on such monthly allocations and the priority of payments, see "**Cashflows**" and see also "**Risk Factors—Subordination of other note classes may not protect noteholders from all risk of loss**".

Investors should note that subject as further described below under "**Cashflows**":

- Notes of different series and classes (or sub-classes) are intended to receive payment of interest and principal at different times and, therefore, lower-ranking classes (or sub-classes) of notes of one series may be paid interest and principal before higher-ranking classes (or sub-classes) of notes of a different series.

- No term advance other than the term AAA advances and, consequently, no notes of any class other than the class A notes may be repaid principal if, following such repayment, the amount of subordination available from all outstanding subordinated term advances, reserves and other forms of credit enhancement is less than the required subordination percentage for the relevant class of notes of a series, as at the date of issuance of such notes. The required subordinated amount for each class of notes will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) (however, the amount of required subordination for a class of notes may, subject to certain conditions, be increased or decreased, without noteholders' consent). The repayment tests, which determine whether any term advance and, consequently, any series and class (or sub-class) of notes may be repaid principal, are set out in "Cashflows" below. The failure to repay principal in respect of a term advance (other than the term AAA advances) and the related notes on the applicable interest payment dates due to the repayment tests not being met will not constitute an event of default in respect of such term advance or in respect of the related notes.

- If there is a debit balance on a principal deficiency sub-ledger with respect to a particular subordinate-ranking term advance or the general reserve fund is less than the Funding 1 reserve required amount or arrears in respect of loans in the mortgages trust exceed a specified amount (each as described below under "**Cashflows**") and there is a more senior term advance and related series and class (or sub-class) of notes outstanding, no amount of principal will be repayable, or allocated to provide for repayment, in respect of such subordinated term advance and related series and class (or sub-class) of notes until such situation is cured. The failure to repay principal in respect of such term advance and the related notes on the applicable redemption dates for such reason will not constitute an event of default in respect of such term advance or in respect of the related notes.

- To the extent required, but subject to certain limits and conditions, Funding 1 may apply amounts standing to the credit of the general reserve fund and the Funding 1 liquidity reserve fund (if any) in payment of, among other things, amounts due to the issuer in respect of the term advances.

- Prior to service of a note acceleration notice, a series and class (or sub-class) of notes will be redeemed on a permitted redemption date only to the extent of the amount (if any) repaid on the related term advance in respect of such date.

- If not redeemed earlier, a series and class (or sub-class) of notes will be redeemed by the issuer on the final maturity date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The failure to redeem a series and class (or sub-class) of notes on its final maturity date will constitute a note event of default in respect of such notes.

- Following service of a note acceleration notice, the priority of payments will change and the issuer will make payments of interest and principal in accordance with and subject to the relevant priority of payments as described below under "**Cashflows**".

Interest

Interest will accrue on a series and class (or sub-class) of notes from its date of issuance at the applicable interest rate specified for that series and class (or sub-class) of notes, which may be a fixed or floating rate or have a combination of these characteristics, in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Interest on a series and class (or sub-class) of notes will be due and payable on interest payment dates as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Any shortfall in payments of interest due on any series of the class B notes (to the extent that any class A notes are outstanding), the class M notes (to the extent that any class A notes and/or class B notes are outstanding), the class C notes (to the extent that any class A notes and/or class B notes and/or class M notes are outstanding), the class D notes (to the extent that any class A notes and/or class B notes and/or class M notes and/or class C notes are outstanding), the class Z notes (to the extent that any class A notes and/or class B notes and/or class M notes and/or class C notes and/or class D notes are outstanding) on any interest payment date in respect of such notes will be deferred (and will accrue interest) until the immediately succeeding interest payment date in respect of such notes. On that immediately succeeding interest payment date, the amount of interest due on the relevant class of notes will be increased to take account of such deferred interest together with additional interest that accrues on such deferred interest. If on that interest payment date there is still a shortfall, that shortfall will be deferred again. Noteholders may therefore not receive all interest amounts payable on those classes of notes. Payments of interest due on any interest payment date in respect of the most senior class of notes then outstanding may not be deferred and the failure to pay interest on such notes will be a note event of default.

Certain classes (or sub-classes) of notes in any series may include a step-up amount, payable on such class (or sub-class) of notes following a specified date (such date, a **step-up date**) (as detailed in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)). Such step-up amount in the rate of interest (the **step-up coupon**) will rank *pari passu* with interest and principal due on the relevant class of notes of such series.

Such step-up coupons, even on the most senior classes of notes, will only be due and payable on each applicable interest payment date to the extent that there are funds available to the issuer for such purpose after having made all payments ranking senior thereto in accordance with the applicable issuer priority of payments. Any shortfall in payments of step-up coupons will themselves accrue interest and be deferred until the next interest payment date on which there are funds available to the issuer for such purpose, provided that such deferred interest and additional interest shall not be deferred beyond the final maturity date of the applicable series and class (or sub-class) of notes. The detail of a step-up coupon, if any, for a series and class (or sub-class) of notes will be detailed in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Fixed rate notes

For a series and class (or sub-class) of fixed rate notes, interest will be payable at a fixed rate on such interest payment dates and on redemption as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and will be calculated on the basis of such day count fraction as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Floating rate notes

A series and class (or sub-class) of floating rate notes will bear interest in each case at such rate as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The margin, if any, relating to such series and class (or sub-class) of notes will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing

supplement). Interest on floating rate notes in respect of each interest period will be payable on such interest payment dates and will be calculated on the basis of such day count fraction as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Scheduled redemption notes

A series and class (or sub-class) of scheduled redemption notes will be redeemable on scheduled redemption dates in one or more scheduled amortisation instalments, the dates and amounts of which will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Funding 1 will seek to accumulate funds relating to scheduled amortisation instalments over their cash accumulation period in order to repay such funds as a lump sum payment to the issuer so that the issuer can make the corresponding payment in respect of the scheduled redemption notes on the relevant scheduled redemption date. A cash accumulation period in respect of a scheduled amortisation instalment is the period of time beginning on the date which is three months prior to the relevant scheduled redemption date, unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). If there are insufficient funds on a scheduled redemption date to repay a scheduled amortisation instalment in respect of a series and class (or sub-class) of scheduled redemption notes, then the issuer will be required to pay the shortfall, to the extent it receives funds therefor, on subsequent interest payment dates in respect of such notes. No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation period relating to a scheduled amortisation instalment to enable it to repay, in full, such instalment on its scheduled repayment date to the issuer so that the issuer is able to repay, in full, the scheduled amount due in respect of the related series of scheduled redemption notes on their scheduled redemption date.

Following the earlier to occur of a pass-through trigger event and any other date specified in relation thereto in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in relation to a series and class (or sub-class) of scheduled redemption notes, such notes will be deemed to be monthly pass-through notes and the issuer will repay such notes to the extent that funds are available and subject to the conditions regarding repayment on issuer payment dates.

Bullet redemption notes

A series and class (or sub-class) of bullet redemption notes will be redeemable in full on the bullet redemption date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Funding 1 will seek to accumulate funds relating to principal payments on each bullet term advance over its cash accumulation period in order to repay such funds as a lump sum payment to the issuer so that the issuer can redeem the corresponding bullet redemption notes in full on the relevant bullet redemption date. A cash accumulation period in respect of a bullet term advance is the period of time calculated as necessary (unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) for Funding 1 to accumulate enough principal receipts derived from its share of the trust property to repay that bullet term advance to the issuer on such scheduled repayment date so that the issuer will be able to redeem the corresponding bullet redemption notes in full on the relevant bullet redemption date. The cash accumulation period will be determined according to the formula described under "**The mortgages trust—Definitions**". To the extent that there are insufficient funds to redeem a series and class (or sub-class) of bullet redemption notes on the relevant bullet redemption date, then the issuer will be required to pay the shortfall, to the extent it receives funds therefor, on subsequent interest payment dates in respect of such notes. No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation period relating to a bullet term advance to enable it to repay, in full, such term advance on its scheduled repayment date to the issuer so that the issuer is able to repay, in full, principal of the related series of bullet redemption notes on their bullet redemption date.

Following the earlier to occur of a pass-though trigger event and any other date specified in relation thereto in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in relation to a series and class (or sub-class) of bullet redemption notes, such notes will be deemed to be monthly pass-through notes and the issuer will repay such notes to the extent that funds are available and subject to the conditions regarding repayment on issuer payment dates.

Pass-through notes

A series and class (or sub-class) of pass-through notes will be redeemable in full on the final maturity date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). On each Funding 1 payment date, Funding 1 may be permitted to make payments of amounts equal to the pass-through requirement in respect of pass-through term advances to the issuer or credit amounts to non-monthly term advance principal ledgers in respect of non-monthly pass-through term advances up to an amount equal to the pass-through requirement in respect of such pass-through term advances so that the issuer may, on the applicable interest payment date for the related series and class (or sub-class) of pass-through notes, repay all or part of the pass-through notes prior to their final maturity dates.

Following the earlier to occur of a pass-through trigger event or any other date specified in relation thereto in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in relation to a series and class (or sub-class) of notes, any notes comprising such series which are scheduled redemption notes or bullet redemption notes or non-monthly pass-through notes shall be deemed as of such occurrence to be monthly pass-through notes and the issuer will repay such notes *pari passu* and *pro rata* with any original pass-through notes of that series and class (or sub-class) to the extent that funds are available and subject to the conditions for repayment on issuer payment dates.

Money market notes

From time to time the issuer may issue a series and class (or sub-class) of notes designated as money market notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). **Money market notes** are notes which will be "Eligible Securities" within the meaning of Rule 2a-7 of the Investment Company Act of 1940, as amended (the **Investment Company Act**). However, any determination as to qualification and compliance with other aspects of Rule 2a-7 is solely the responsibility of each money market fund and its investment adviser, and no representation as to such compliance is made by any of the issuer, Funding 1, the mortgages trustee, Nationwide, the arranger, the note trustee, the Funding 1 security trustee, the issuer security trustee, the corporate services provider, the issuer corporate services provider, the issuer swap providers, any swap guarantors (as applicable), the paying agents, the registrar, the transfer agent, the exchange rate agent (if applicable), the agent bank, any remarketing agent (if applicable), any conditional purchaser (if applicable) or the dealers or any other party to the transaction documents, and no assurance can be given in this regard.

Money market notes will generally be bullet redemption notes or scheduled redemption notes, the final maturity date of which will be less than 397 days from the closing date on which such notes were issued.

The issuer may repay certain series and classes (or sub-classes) of such money market notes prior to their final maturity dates, but less than 397 days following issuance, using amounts received from a third party that has agreed to purchase those notes pursuant to the terms of a money market note purchase agreement. In addition, the issuer may provide for remarketing arrangements whereby such money market notes may be remarketed to other investors prior to the end of each of a specified number of periods of less than 397 days following issuance. If such arrangements apply to any such money market notes, the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will, in addition to providing information regarding a series and class (or sub-class) of

money market notes, identify any money market note purchaser or remarketing agent in respect of such money market notes and the terms of the applicable money market note purchase agreement or remarketing agreement.

Money market notes designated as remarketable notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will be issued subject to the mandatory transfer arrangements specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), if applicable, the remarketing agreement (as defined below) and the note trust deed (the **mandatory transfer**). Under the terms of the mandatory transfer, the issuer will procure the purchase of the remarketable notes on the interest payment date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as the initial mandatory transfer date and on each anniversary thereafter (subject to adjustment for non-business days and subject to the mandatory transfer termination event (as defined below, see **"Other Agreements—The remarketing agreement"**) not having occurred) (each such date being a **mandatory transfer date**) until the final maturity or earlier redemption in full of such remarketable notes. Upon payment of the principal amount outstanding on such remarketable notes on the relevant mandatory transfer date (following the application of note principal payments on that date) (the **mandatory transfer price**), all rights in respect of such remarketable notes will be transferred to or for the account of the remarketing agent (as defined below) or as designated by the remarketing agent.

Under the terms of the relevant remarketing agreement (see "**Summary of the transaction documents—The remarketing agreement**" below), the issuer will appoint the remarketing agent specified in a drawdown prospectus (the **remarketing agent**) to act as its agent to use reasonable efforts to identify third party purchasers for the relevant remarketable notes on each mandatory transfer date prior to the occurrence of a mandatory transfer termination event. If the remarketing agent is unable to identify third party purchasers for all such remarketable notes then outstanding, then the remarketing agent on behalf of the issuer will give notice to the conditional purchaser specified in a drawdown prospectus (the **conditional purchaser**) under an agreement (the **conditional purchase agreement**) to purchase all such remarketable notes. The obligation of the conditional purchaser to purchase such remarketable notes may be subject to limitations on the conditional purchaser's ability to fund its obligations (see "**Risk Factors—Certain events may affect the eligibility of any series or class of money market notes for investment by money market funds**" below). If a remarketing termination event (as defined below), other than a note event of default, occurs on or before the relevant mandatory transfer date, the conditional purchaser will be obliged to purchase all the relevant remarketable notes on such mandatory transfer date.

The remarketing agent will have the ability to increase or decrease the margin on the remarketable notes from that payable as at the closing date of the relevant remarketable notes on each mandatory transfer date in accordance with the remarketing agreement. Any increase in margin on the remarketable notes may not exceed an amount specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as the maximum reset margin. As from the occurrence of a remarketing termination event, the margin applicable to such remarketable notes will equal the maximum reset margin.

Certain risks relating to repayment of money market notes by means of a money market note subscriber are described under "**Risk Factors—Certain events may affect the eligibility of any series or class of money market notes for investment by money market funds**".

Maturity purchase notes

From time to time, the issuer may issue a series and class (or sub-class) of notes designated as maturity purchase notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) (the **maturity purchase notes**). Each series and class (or sub-class) of maturity purchase notes will be subject to the purchase arrangements referred to in condition 5.8 under "**Terms and conditions of the notes**", a maturity purchase deed (the **maturity purchase deed**) to be entered

into on or about the closing date for the notes by, among others, the issuer and the maturity purchaser specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) (the **maturity purchaser**) and the note trust deed.

Maturity purchase notes will be bullet redemption notes and a series and class or (sub-class) of maturity purchase notes will be redeemable in full on and from the bullet redemption date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) (the **expected maturity date**).

If the issuer fails to redeem a series and class (or sub-class) of maturity purchase notes in full on the expected maturity date for such notes (or within 3 business days thereof) then, under the purchase arrangements referred to in condition 5.8 and the applicable maturity purchase deed, the maturity purchaser will be required to purchase on the transfer date (defined below) for such notes, at the maturity purchase price (defined below) for such notes, all of the outstanding maturity purchase notes of that series and class (or sub-class) held by a holder of maturity purchase notes and in respect of which a valid transfer instruction (defined below) or tender instruction (defined below) has been delivered to the relevant clearing system, provided that no note event of default has occurred which is continuing on such transfer date (the **maturity purchase commitment**).

Maturity purchase price, for a series and class (or sub-class) of maturity purchase notes, will be the principal amount outstanding of such maturity purchase notes on the expected maturity date for such notes (plus any interest accrued from and including the expected maturity date to but excluding the transfer date for such notes at the rate of interest applicable on such notes on the basis that such rate of interest shall not be subject to any downward adjustment (including any reduction to the margin scheduled to apply on any step-up date for such notes) on or following the expected maturity date until (and including) the transfer date) after taking into account any principal repayments made by the issuer on or after the expected maturity date to (and including) the transfer date minus the principal deficiency losses (defined below) for such notes.

Principal deficiency losses, for a series and class (or sub-class) of maturity purchase notes, will be the outstanding balance on the principal deficiency ledger attributable, on a *pro rata* basis according to the principal amount outstanding of all notes of such class then outstanding, to such maturity purchase notes on the date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as the loss calculation date (the **loss calculation date**).

The **transfer date**, for a series and class (or sub-class) of maturity purchase notes, will be the later of (i) the date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as the scheduled transfer date (the **scheduled transfer date**) and (ii) the deferred transfer date (defined below).

Upon payment of the maturity purchase price for a series and class (or sub-class) of maturity purchase notes, all rights in respect of such maturity purchase notes will be transferred to or for the account of the maturity purchaser or as designated by the maturity purchaser.

On the business day following the loss calculation date in relation to a series and class of maturity purchase notes the issuer will on the business day following the loss calculation date for such notes (i) give notice (which notice shall be irrevocable) to the holder(s) of any maturity purchase notes held in Euroclear or Clearstream, Luxembourg via Euroclear and Clearstream, Luxembourg of the maturity purchaser's intention to purchase those maturity purchase notes on the transfer date for such notes for cash at a price equal to the maturity purchase price for such notes (the **EC/CS notice to purchase**), (ii) instruct the agent appointed to coordinate the purchase of any maturity purchase notes by the maturity purchaser held in DTC (the **DTC tender agent**) to give notice (which notices shall be irrevocable) to the holder(s) of any maturity purchase notes held in DTC via DTC of the maturity purchaser's intention to purchase such maturity purchase notes on the transfer date for such notes for

cash at a price equal to the maturity purchase price for such notes (the **DTC notice to purchase**) and (iii) make a corresponding announcement via the London Stock Exchange plc and Bloomberg.

A holder of any maturity purchase notes of a series and class (or sub-class) has the right (but not the obligation) to elect to have its maturity purchase notes purchased by the maturity purchaser on the transfer date for such notes. A holder of maturity purchase notes of a series and class (or sub-class) may exercise its right to have its maturity purchase notes purchased by the maturity purchaser on the transfer date for such notes (i) in the case of maturity purchase notes held in Euroclear and Clearstream, Luxembourg, by giving an electronic transfer and blocking instruction (which notice shall be irrevocable) in accordance with the usual procedures of Euroclear or Clearstream, Luxembourg (as applicable) (a **transfer instruction**) no later than 4:00 p.m. (London time) on the business day that is 5 business days prior to (but excluding) the transfer date (or such earlier deadline set by any relevant intermediary or clearing system) and (ii) in the case of maturity purchase notes held in DTC, by instructing the DTC tender agent to deliver instructions to DTC in accordance with the usual procedures of DTC acknowledging acceptance of the maturity purchaser's offer to buy the maturity purchase notes (a **tender instruction**) (which shall be irrevocable) no later than 4:00 p.m. (New York time) on the business day that is 5 business days prior to (but excluding) the transfer date (or such earlier deadline set by any relevant intermediary or clearing system).

Where a series and class (or sub-class) of maturity purchase notes in definitive form have been issued in accordance with the trust deed or if the relevant clearing system cease to offer the relevant mechanisms to enable the purchase and settlement of the maturity purchase notes as contemplated in condition 5.8 and the applicable maturity purchase deed, then the parties to that maturity purchase deed will be required to make reasonable efforts to enter into alternative arrangements to give effect to the arrangements contemplated by the maturity purchase deed and condition 5.8 and the maturity purchaser will be required to purchase the relevant maturity purchase notes on the later of (i) the relevant scheduled transfer date for such notes and (ii) the date (the **deferred transfer date**) which is the earlier of (a) the date that is 5 business days after the date on which the parties to the maturity purchase deed agree a procedure by which the purchase can occur and (b) 60 days after the scheduled transfer date.

The maturity purchase commitment relating to a series and class (or sub-class) of maturity purchase notes shall terminate upon the earlier of (i) the redemption in full of all of the relevant maturity purchase notes (ii) the purchase by the maturity purchaser of the relevant maturity purchase notes and (iii) in the case of the insolvency of the maturity purchaser, the payment of a liquidated damages amount by the maturity purchaser in respect of all of the relevant maturity purchase notes.

If, on or prior to the transfer date for a series and class (or sub-class) of maturity purchase notes, insolvency proceedings have been commenced against the maturity purchaser for such notes, then the maturity purchaser will procure the payment to the holders of such notes of the amount (in the currency in which the relevant maturity purchase notes are denominated) as liquidated damages, equal to the amount that a third party would be required to be paid as an upfront amount (in the currency in which the relevant maturity purchase notes are denominated) in order to assume the maturity purchaser's obligations in respect of the full amount of the relevant maturity purchase notes outstanding (the **liquidated damages amount**). Such amount will be determined in accordance with the provisions of the applicable maturity purchase deed.

Regardless of whether the applicable maturity purchaser purchases any or all of a series and class (or sub-class) of maturity purchase notes on the relevant transfer date, the maturity purchase notes will remain outstanding until such time as they are redeemed in full or until their final maturity date. Therefore, if the maturity purchaser fails to purchase any or all of a series and class (or sub-class) of maturity purchase notes, the relevant noteholders will remain noteholders with all related rights and their priority, standing and relationship with the issuer (as set out in this base prospectus and the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) will not be affected. If the maturity purchaser purchases any or all of that series and class (or sub-class) of

maturity purchase notes on the relevant transfer date and the maturity purchaser is the seller or any related entity, then the maturity purchase notes acquired by such maturity purchaser will be deemed not to remain outstanding for the purposes of certain provisions of the trust deed including the right to attend and vote at a meeting of noteholders.

Certain risks relating to repayment of maturity purchase notes are described under "**Risks in relation to the maturity purchase notes**" below.

Mandatory or optional redemption of the notes

The issuer may redeem all, but not some only, of a series and class (or sub-class) of notes outstanding at their aggregate redemption amount, together with any accrued and unpaid interest in respect thereof, by giving notice in accordance with the terms and conditions of the notes, subject to the notes not having been accelerated and the availability of sufficient funds, as described in detail in condition 5.5 below under "**Terms and conditions of the notes**" in the following circumstances, subject to certain conditions set out in the referenced section:

- by reason of a change in law, which change becomes effective on or after the closing date, it has become or will become unlawful for the issuer to make, fund or allow to remain outstanding all or any term advances made or to be made by it under the intercompany loan agreement; or

- the issuer or, as the case may be, Funding 1, being required by virtue of a change in the law and regulations of the United Kingdom or any other jurisdiction (or the application or interpretation thereof) to deduct or withhold from any payment of principal or interest or any other amount under a series and class (or sub-class) of notes or, as applicable, the intercompany loan agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, which obligation cannot be avoided by the issuer or, as applicable, Funding 1 taking reasonable measures available to it.

In addition, the issuer may redeem all but not some only (unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) of a series and class (or sub-class) of notes outstanding at their aggregate redemption amounts, together with any unpaid and accrued interest in respect thereof by giving notice in accordance with the terms and conditions of such notes, subject to the notes not having been accelerated and the availability of sufficient funds and satisfaction of the prepayment tests, as described in detail in condition 5.4 below under "**Terms and conditions of the notes**" in the following circumstances subject to certain conditions set out in the referenced section:

- on the step-up date (if any) relating to such series and class (or sub-class) of notes (as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) and on any interest payment date in respect of such notes thereafter;

- on any interest payment date on which the aggregate principal amount outstanding of such series and class (or sub-class) of notes and all other classes or sub-classes of notes of the same series is less than 10% of the aggregate principal amount outstanding of such series of notes as at the closing date on which such series of notes was issued;

- if specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), on any optional redemption date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in respect of such notes; or

- on any date in respect of which all the noteholders of a series and class (or sub-class) have consented to such redemption,

provided that, in the case of redemption of the class Z notes of a series, the class A notes, the class B notes, the class M notes, the class C notes and the class D notes, in each case, of such series are also redeemed in full on such date, in the case of redemption of the class D notes of a series, the class A notes, the class B notes, the class M notes and the class C notes, in each case, of such series are also redeemed in full on such date, in the case of redemption of the class C notes of a series, the class A notes, the class B notes and the class M notes, in each case, of such series are also redeemed in full on such date, in the case of redemption of the class M notes of a series, the class A notes and the class B notes, in each case, of such series are also redeemed in full on such date and in the case of redemption of the class B notes of a series, the class A notes of such series are also redeemed in full on such date. A series and class of notes may be redeemed other than in accordance with this proviso if S&P has confirmed that the then current ratings of the rated notes issued by the issuer will not be reduced, withdrawn or qualified as a result of such redemption, and advance notice of such redemption having been given 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.

Withholding tax

Payments of interest and principal with respect to the notes will be subject to any applicable withholding or deduction on account of tax and neither the issuer nor any other person will be obliged to pay additional amounts in relation thereto. The applicability of any UK withholding tax is discussed under "**United Kingdom taxation**" below.

New issuers

The programme will be structured to allow for new issuers, each of which is expected to be a subsidiary of Holdings, to issue new notes and on-lend all or part of the issue proceeds by way of new intercompany loans to Funding 1 or to a further funding company. Noteholders will be informed of any new issuers, the issue of notes by the issuer or new notes or by any new issuer and new intercompany loans made to Funding 1 or to any further funding company in the next investor report available after the date of such issue. Funding 1's obligations under any new intercompany loan agreements will be secured by the same security that secures the intercompany loan advanced by the issuer to Funding 1. If new issuers are established to issue new notes, one of the conditions precedent to any such issue is that the ratings of the then current rated notes (issued by the issuer or any new issuer) will not be downgraded, withdrawn or qualified by the rating agencies as a result of that issue; however, provided all conditions precedent to such issue are satisfied, your consent will not be required for the establishment of new issuers or further funding companies and the related transactions, nor will you have any right of review in respect thereof. Funding 1 will use the proceeds of new intercompany loans for the purposes more fully described in "**The intercompany loan agreement—New intercompany loan agreements**". All new notes issued from time to time by any new issuer, the proceeds of which are on lent to Funding 1, will also be secured ultimately over the Funding 1 share of the trust property and will be subject to the ranking described in the following sentences. Funding 1 will apply amounts it receives from its share in the trust property to pay amounts it owes under the term advances or new term advances without regard to when the interest in the trust property was acquired or when the term advances or new term advances were made. Funding 1's obligations to pay interest and principal to the issuer on the term advances or to new issuers on their respective new term advances will rank either equally with, ahead of or after each other, primarily depending on the relative rating of each term advance or, as applicable, new term advance. As Funding 1 enters into new intercompany loan agreements, it will also, if required, enter into new Funding 1 swaps with either Nationwide (in its capacity as the Funding 1 swap provider) or a different Funding 1 swap provider in order to address the potential mismatch between the variable rates or fixed rates paid by borrowers on the loans and the LIBOR-based rate of interest paid by Funding 1 on the new intercompany loans. Each new Funding 1 swap and the Funding 1 swap will rank without any order of priority between themselves, but in proportion to the respective amounts due and, in each case, ahead of payments on the term AAA advances, as described further in "**The swap agreements—The Funding 1 swaps**". As Funding 1 enters into new intercompany loan

agreements, it will, if required, simultaneously enter into new start-up loan agreements with either Nationwide (in its capacity as the start-up loan provider) or different start-up loan providers, which will provide for the costs and expenses of the issue of the new notes and, if required by the rating agencies in order to support the rating of such rated notes, for extra amounts to be credited to the general reserve fund. Each new start-up loan agreement and the start-up loan agreement will rank without any order of priority between them but in proportion to the respective amounts due and in each case, will be subordinated to payments on the term advances. Any amounts received by Funding 1 from its share in the trust property will not be available to pay (and the security granted by Funding 1 over its assets will not secure) amounts owed by any further funding companies under the new term advances made to such further funding companies, and any amounts received by such further funding companies from their respective shares in the trust property will not be available to pay (and the security granted by such further funding companies over their respective assets will not secure) amounts owed by Funding 1 under the term advances or new term advances made to Funding 1 by the issuer or any new issuer.

Operative documents relating to the notes

The issuer will issue each series of notes under the note trust deed. The notes will also be subject to the paying agent and agent bank agreement and the post-enforcement call option agreement (see also "**Other Agreements—The post-enforcement call option agreement**" in relation to the application of the post-enforcement call option agreement to notes issued on or after 22 October 2010). The security for the notes is provided for under the issuer deed of charge between the issuer, the issuer security trustee and the issuer's other secured creditors. Operative legal provisions relating to the notes are included in the note trust deed, the paying agent and agent bank agreement, the issuer deed of charge, the issuer cash management agreement and the notes themselves, each of which is governed by English law.

The loans

After the programme closing date, the seller may, from time to time, sell loans and their related security to the mortgages trustee in order to increase or maintain the size of the trust property. The seller may increase the size of the trust property from time to time (i) in relation to an issue of a new series of notes by the issuer or an issue of new notes by a new issuer in respect of either Funding 1 or a further funding company (or both), the proceeds of which may be applied to fund the purchase of the loans and their related security by the mortgages trustee; or (ii) to comply with the seller's obligations under the mortgage sale agreement as described under "**The mortgage sale agreement—Sale of loans and their related security to the mortgages trustee**".

When loans are sold to the mortgages trustee, the amount of the trust property will increase. Depending on the circumstances, the increase in the trust property may result in an increase in the seller share of the trust property, the Funding 1 share of the trust property and/or any further funding company share of the trust property. For a description of how adjustments are made to the seller share, Funding 1 share and any further funding company share, see "**The mortgages trust**" below.

United Kingdom tax status

You are referred to "**United Kingdom taxation**" for a discussion of certain UK tax matters, including UK withholding tax on interest payments to noteholders.

United States tax status

A discussion of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes is set out in "**United States federal taxation**". As set forth in that discussion, unless otherwise indicated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), it is anticipated that upon issuance of a series of Rule 144A notes, Allen &

Overy LLP, as U.S. tax adviser to the issuer, will deliver their opinion that, although there is no authority on the treatment of instruments substantially similar to the Rule 144A notes, the class A, the class B and the class M Rule 144A notes, when issued, will be treated as debt for U.S. federal income tax purposes and the class C Rule 144A notes, when issued, should be treated as debt for U.S. federal income tax purposes. Unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the class D Rule 144A notes will not be treated as debt for U.S. federal income tax purposes. Also, as discussed in "**United States federal taxation**" below, it is anticipated that Allen & Overy LLP, as U.S. tax adviser to the issuer, will deliver its opinion that, assuming compliance with the transaction documents, the mortgages trustee (acting in its capacity as such), Funding 1 and the issuer will not be subject to U.S. federal income tax.

Jersey (Channel Islands) tax status

It is the opinion of Mourant Ozannes, Jersey (Channel Islands) tax counsel to the mortgages trustee, that the mortgages trustee is resident in Jersey for taxation purposes and will be liable to income tax in Jersey at a rate of 0% in respect of the profits it makes from acting as trustee of the mortgages trust. The mortgages trustee will not be liable for any income tax in Jersey in respect of any income it receives in its capacity as mortgages trustee on behalf of the beneficiaries of the mortgages trust. See "**Material Jersey (Channel Islands) tax considerations**".

ERISA considerations for investors

The eligibility of the Rule 144A notes for purchase by employee benefit and other plans subject to section 406 of ERISA or section 4975 of the Code and by governmental, church or non-US plans that are subject to any US or non-US, state, local or federal law or regulation that is substantially similar to section 406 of ERISA or section 4975 of the Code will be set forth in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for such notes, subject to consideration of the issues described herein under "**ERISA considerations**". See "**ERISA considerations**".

THE ISSUANCE OF NOTES

The notes will be issued pursuant to the note trust deed. The following summary and the information set out in "**Overview of the notes**" and "**Terms and conditions of the notes**" summarise the material terms of the notes and the note trust deed.

General

The notes will be issued in series. Each series will comprise one or more sub-class of class A notes, class B notes, class M notes, class C notes, class D notes or class Z notes issued on a single closing date. A class designation determines the relative seniority for receipt of cash flows. The notes of a particular class in different series (and the notes of differing sub-classes of the same class and series) will not necessarily have the same terms. Differences may include principal amount, interest rates, interest rate calculations, currency, dates, final maturity dates and ratings. The terms of each series of notes will be set forth in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Listing

An application will be made to the UK Listing Authority for the listed notes issued under the programme during the period of 12 months from the date of this base prospectus to be admitted to the Official List and application will be made to the London Stock Exchange for such notes to be admitted to trading on the London Stock Exchange's regulated market.

Issuance

The issuer may issue new series and classes (or sub-classes) of notes and advance new term advances to Funding 1 from time to time without obtaining the consent of existing noteholders. As a general matter the issuer may only issue a new series and class (or sub-class) of notes if sufficient subordination is provided for that new series and class (or sub-class) of notes by one or more subordinate classes of notes and/or the general reserve fund maintained by Funding 1. The required subordination percentage, which is used to calculate the required subordination for each class of notes other than the class Z notes, will be set forth in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for each series of that class of notes. Similarly, the Funding 1 reserve required amount will be specified in each final terms (or, in the case of exempt notes, the applicable pricing supplement). The conditions and tests (including the required levels of subordination) necessary to issue a series and class (or sub-class) of notes, or the issuance tests, include the following:

All classes of notes

On the closing date of any series and class (or sub-class) of notes:

- there must be no debit balance on the principal deficiency ledger in respect of any term advance (excluding any debit balance caused by a debit balance on the NR principal deficiency sub-ledger);
- no note event of default shall have occurred which is continuing or will occur as a consequence of such issuance;
- no acceleration notice has been served on the issuer;
- no intercompany loan acceleration notice has been served on Funding 1;
- the general reserve fund is fully funded up to the Funding 1 reserve required amount;

– each of the applicable transaction documents has been executed by the relevant parties to those documents;

– the issuer has delivered a solvency certificate to the note trustee substantially in the form set out in the note trust deed; and

– S&P has provided written confirmation that their ratings of the outstanding rated notes will not be reduced, qualified or withdrawn as a consequence of such issuance (and advance notice in writing of such issuance 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),

AND,

For the class A notes of any series,

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class A available subordinated amount must be equal to or greater than the class A required subordinated amount.

The **class A required subordinated amount** will be calculated, on any date, as the product of:

$$A \times B$$

where:

A = the class A required subordination percentage as specified in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for class A notes of any series (whether or not such notes are then outstanding); and

B = the principal amount outstanding of all notes (excluding the class Z GIC collateral notes) on such date (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger, the Funding 1 principal ledger and (without duplication) the non-monthly term advance principal ledgers available on such date for the repayment of principal on the term advances (after giving effect to any repayments of principal to be made on the term advances on such date).

The **class A available subordinated amount** will be calculated, on any date, as:

(a) the sum of (i) the aggregate of the principal amounts outstanding of the class B notes of all series, the class M notes of all series, the class C notes of all series, the class D notes of all series and the class Z notes of all series (excluding the class Z GIC collateral notes) (after giving effect to repayments of principal to be made on the notes on such date); and (ii) the aggregate amount of the general reserve fund on such date and (iii) stressed excess spread;

less

(b) without duplication, the sum of (i) amounts standing to the credit of the Funding 1 principal ledger; (ii) the non-monthly term advance principal ledgers available on such date for the payment of principal on term AA advances, term A advances, term BBB advances, term BB advances and term NR advances (after giving effect to any payments of principal to be made on the term advances on such date); and (iii) any debit balance on the NR principal deficiency sub-ledger.

For the class B notes of any series,

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class B available subordinated amount must be equal to or greater than the class B required subordinated amount.

The **class B required subordinated amount** will be calculated, on any date, as the product of:

$$A \times B$$

where:

A = the class B required subordination percentage as specified in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for class B notes of any series (whether or not such notes are then outstanding); and

B = the principal amount outstanding of all notes on such date (excluding the class Z GIC collateral notes) (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger, the Funding 1 principal ledger and (without duplication) the non-monthly term advance principal ledgers available on such date for the repayment of principal on the term advances (after giving effect to any repayments of principal to be made on the term advances on such date).

The **class B available subordinated amount** will be calculated, on any date, as:

(a) the sum of (i) the aggregate of the principal amounts outstanding of the class M notes of all series, the class C notes of all series, the class D notes of all series and the class Z notes of all series (excluding the class Z GIC collateral notes) (after giving effect to repayments of principal to be made on the notes on such date); and (ii) the aggregate amount of the general reserve fund on such date and (iii) stressed excess spread;

less

(b) without duplication, the sum of (i) the amounts standing to the credit of the Funding 1 principal ledger; (ii) the non-monthly term advance principal ledgers available on such date for the payment of principal on term A advances, term BBB advances, term BB advances and term NR advances (after giving effect to any payments of principal to be made on the term advances on such date); and (iii) any debit balance on the NR principal deficiency sub-ledger.

For the class M notes of any series,

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class M available subordinated amount must be equal to or greater than the class M required subordinated amount.

The **class M required subordinated amount** will be calculated, on any date, as the product of:

$$A \times B$$

where:

A = the class M required subordination percentage as specified in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for class M notes of any series (whether or not such notes are then outstanding); and

B = the principal amount outstanding of all notes on such date (excluding the class Z GIC collateral notes) (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger, the Funding 1 principal ledger and (without duplication) the non-monthly term advance principal ledgers available on such date for the repayment of principal on the term advances (after giving effect to any repayments of principal to be made on the term advances on such date).

The **class M available subordinated amount** will be calculated, on any date, as:

(a) the sum of (i) the aggregate of the principal amounts outstanding of the class C notes of all series, the class D notes of all series and the class Z notes of all series (excluding the class Z GIC collateral notes) (after giving effect to repayments of principal to be made on the notes on such date); and (ii) the aggregate amount of the general reserve fund on such date and (iii) stressed excess spread;

less

(b) without duplication, the sum of (i) the amounts standing to the credit of the Funding 1 principal ledger; (ii) the non-monthly term advance principal ledgers available on such date for the payment of principal on term BBB advances, term BB advances and term NR advances (after giving effect to any payments of principal to be made on the term advances on such date); and (iii) any debit balance on the NR principal deficiency sub-ledger.

For the class C notes of any series,

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class C available subordinated amount must be equal to or greater than the class C required subordinated amount.

The **class C required subordinated amount** will be calculated, on any date, as the product of:

$$A \times B$$

where:

A = the class C required subordination percentage as specified in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for class C notes of any series (whether or not such notes are then outstanding); and

B = the principal amount outstanding of all notes on such date (excluding the class Z GIC collateral notes) (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger, the Funding 1 principal ledger and (without duplication) the non-monthly term advance principal ledgers available on such date for the repayment of principal on the term advances (after giving effect to any repayments of principal to be made on the term advances on such date).

The **class C available subordinated amount** will be calculated, on any date, as:

(a) the sum of (i) the aggregate of the principal amounts outstanding of the class D notes of all series and the class Z notes of all series (excluding the class Z GIC collateral notes) (after giving effect to repayments of principal to be made on the notes on such date); and (ii) the aggregate amount of the general reserve fund on such date and (iii) stressed excess spread;

less

(b) without duplication, the sum of (i) the amounts standing to the credit of the Funding 1 principal ledger; the non-monthly term advance principal ledgers available on such date for the payment of principal on term BB advances and term NR advances (after giving effect to any payments of principal to be made on the term advances on such date); and (iii) any debit balance on the NR principal deficiency sub-ledger.

For the class D notes of any series,

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class D available subordinated amount must be equal to or greater than the class D required subordinated amount.

The **class D required subordinated amount** will be calculated, on any date, as the product of:

$$A \times B$$

where:

A = the class D required subordination percentage as specified in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for class D notes of any series (whether or not such notes are then outstanding); and

B = the principal amount outstanding of all notes on such date (excluding the class Z GIC collateral notes) (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger, the Funding 1 principal ledger and (without duplication) the non-monthly term advance principal ledgers available on such date for the repayment of principal on the term advances (after giving effect to any repayments of principal to be made on the term advances on such date).

The **class D available subordinated amount** will be calculated, on any date, as:

(a) the sum of (i) the aggregate of the principal amounts outstanding of the class Z notes of all series (excluding the class Z GIC collateral notes) (after giving effect to repayments of principal to be made on the notes on such date); and (ii) the aggregate amount of the general reserve fund on such date and (iii) stressed excess spread;

less

(b) without duplication, the sum of (i) the amounts standing to the credit of the Funding 1 principal ledger; (ii) the non-monthly term advance principal ledgers available on such date for the payment of principal on term NR advances (after giving effect to any payments of principal to be made on the term advances on such date); and (iii) any debit balance on the NR principal deficiency sub-ledger.

For the class Z notes of any series

The class Z notes will be supported by surplus available revenue receipts.

In relation to the above, the amounts available on any date for the payment of principal on any term advance shall be calculated in accordance with the Funding 1 pre-enforcement principal priority of payments (as set out in "**Cashflows—Distribution of Funding 1 available principal receipts**") and shall be calculated without reference to the rules for the application of Funding 1 available principal receipts (as set out in "**Cashflows—Distribution of Funding 1 available principal receipts**").

Stressed excess spread will be calculated, on any date, as:

(a) the product of:

$$\frac{X + Y}{2}$$

and the aggregate outstanding principal amount at such date of the term advances advanced under the intercompany loan agreement (including any term advances made on such date) less the amount debited to the principal deficiency ledger as at such date; less

(b) the product of the weighted average interest rate of the outstanding notes at such date, including any notes issued on such date (subject to adjustment where the step-up date occurs for any series and class (or sub-class) of notes and taking into account the margins on the issuer swaps as at such date and the expenses of the issuer ranking in priority to payments on such notes) and the aggregate principal amount outstanding of such notes at such date.

where:

X = the weighted average yield on the loans in the portfolio at such date, together with loans (if any) to be assigned to the mortgages trustee on such date (taking into account the margins on the Funding 1 swaps as at such date); and

Y = the minimum yield (which will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) or in a supplement or amendment by way of supplementary prospectus to this base prospectus).

The required subordinated amount for any class of notes or the method of computing the required subordinated amount may be changed at any time without the consent of any noteholders provided confirmation has been obtained from S&P that the change will not result in the reduction, qualification or withdrawal of its then current rating of any outstanding rated notes (and advance notice in writing of such change 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).

In addition, if confirmation is obtained from S&P that the issuance of a new series and class (or sub-class) of notes will not cause a reduction, qualification or withdrawal of the ratings of any outstanding rated notes rated by that rating agency (and advance notice in writing of such issuance 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), then some of the other conditions to issuance described above may be waived by the note trustee. For example, the note trustee may, in accordance with and subject to the provisions of the note trust deed, without the consent of the noteholders, but only if and so far as in its opinion the interests of the noteholders of any series and class (or sub-class) of notes shall not be materially prejudiced thereby, determine at the request of the issuer that any note event of default in respect of a series and class (or sub-class) of notes (the absence of which constitutes a condition to issuance of notes) shall not be treated as such.

THE MORTGAGE SALE AGREEMENT

The following section contains a summary of the material terms of the mortgage sale agreement.

Nationwide, Funding 1, the mortgages trustee and the Funding 1 security trustee entered into the mortgage sale agreement on the programme closing date. The mortgage sale agreement makes provision for the accession and adherence of further funding companies established by Holdings; although there is no guarantee that any such event may occur and noteholder consent will not be sought provided that, among other things, S&P confirms in writing that the then current ratings of the rated notes then outstanding will not be affected (and advance notice in writing of such accession and adherence of further funding companies established by Holdings 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).

The mortgage sale agreement sets out and provides for the following:

– the sale and assignment of loans and their related security by the seller to the mortgages trustee;

– the representations and warranties to be given by the seller in relation to the sale of loans and their related security;

– the repurchase by the seller of loans in the portfolio and their related security where the seller has materially breached any of its representations and warranties in respect of such loans or their related security or, in certain circumstances, where such loan is the subject of a product switch or a further advance or is a surplus loan in connection with the redemption of the series 2011-1 class 3A notes;

– the making of future drawings and the making of further advances to borrowers, with respect to loans in the trust property; and

– the circumstances for the transfer of legal title to the loans to the mortgages trustee.

In relation to Scottish loans, the mortgage sale agreement provides for the transfer of the beneficial interest in any Scottish loans and their related security to be effected by a Scottish declaration of trust by the seller in favour of the mortgages trustee (and in relation to Scottish loans, references in this base prospectus to the **assignment** of the loans where used in the context of an equitable assignment are to be read as references to the transfer of the beneficial interest therein by the making of such Scottish declarations of trust and the terms "**assigned**" and "**assign**" shall in that context be construed accordingly) (see "**Transfer of legal title to the mortgages trustee**").

The terms of the mortgage sale agreement may be amended, for instance as and when new issuers are established or new loan types are added to the mortgages trust or further funding companies accede and adhere to the mortgage sale agreement. **The prior consent of noteholders will not be sought in relation to any of the proposed amendments to the mortgage sale agreement, provided that (among other things) S&P has previously confirmed that the ratings of the rated notes will not be downgraded, withdrawn or qualified as a result of such amendments (and advance notice in writing of any such proposed amendment 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). There can be no assurance, however, that the effect of any such amendments will not ultimately adversely affect your interests as a noteholder** (see "**Risk Factors—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests**").

Sale of loans and their related security to the mortgages trustee

The seller may, from time to time, sell loans and their related security to the mortgages trustee. The sale of English loans and Northern Irish loans and their related security will take effect in equity only (until transfer of legal title). The seller will transfer the beneficial interest only in Scottish loans and their related security by way of a Scottish declaration of trust or Scottish declarations of trust executed on the relevant sale date (until transfer of legal title). The transfer of legal title to loans and their related security may not occur or, if it does occur, will not occur until a later date (see "**Transfer of legal title to the mortgages trustee**").

Each portfolio of loans and their related security so sold will form part of the trust property to be held on trust by the mortgages trustee for, as applicable, Funding 1 (as to the Funding 1 share), and the seller (as to the seller share) in accordance with the terms of the mortgages trust deed. In future, further funding companies may adhere and accede to the mortgage sale agreement, although there is no certainty that this will happen.

The consideration for the sale of loans and their related security will consist of:

– the initial purchase price, representing a cash payment payable on the relevant sale date by the mortgages trustee to the seller for the sale and assignment to the mortgages trustee of the relevant loans and their related security;

– to the extent that the initial purchase price is less than the aggregate true balance of the loans to be transferred on any sale date, an increase in the seller share of the trust property; and

– the deferred purchase price, representing cash payments payable after the relevant sale date by the mortgages trustee to the seller as further consideration for the sale of the relevant loans and their related security in accordance with the provisions of the mortgage sale agreement and the mortgages trust deed (see further "**—Payment of purchase price**" below).

Payment of purchase price

Payment of the initial purchase price will be made to the seller by the mortgages trustee out of funds received by the mortgages trustee from the initial contribution contributed by a funding company pursuant to the terms of the mortgages trust deed.

Payments of the deferred purchase price will be made by the mortgages trustee out of funds received by way of deferred contributions contributed by a funding company to the mortgages trustee from time to time. Upon receipt of such a deferred contribution, the mortgages trustee will pay an amount equal to such deferred contribution to the seller as deferred purchase price for the sale of the loans to the mortgages trustee. Funding 1 is only required to make deferred contributions out of excess income to which it is entitled in accordance with and subject to the relevant Funding 1 priority of payments, as set out in "**The mortgages trust—Cash management of trust property—revenue receipts**".

Conditions for sale of loans

The sale of loans and their related security to the mortgages trustee on the relevant sale date will be subject to certain conditions being satisfied, including the following:

(a) no event of default under the transaction documents (or event of default under the transaction documents of any further funding company) shall have occurred which is continuing as at the relevant sale date;

(b) the principal deficiency ledger does not have a debit balance (excluding a debit balance caused by a debit balance on the NR principal deficiency sub-ledger) as at the most recent Funding 1 payment date after applying all Funding 1 available revenue receipts on that Funding 1 payment date (and the equivalent condition is met in respect of each further funding company's principal deficiency ledger at the relevant time);

(c) S&P has not provided written confirmation to the mortgages trustee, the Funding 1 security trustee or the issuer that such sale of loans to the mortgages trustee on the relevant sale date will adversely affect the then current ratings of the then outstanding rated notes of the issuer or the new rated notes of any new issuer and advance notice in writing of such sale of loans to the mortgages trustee 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 (provided that, if the issuer issues a new series of notes on or about such sale date, the ratings agencies must have provided written confirmation that the then current ratings of the then outstanding rated notes will not be reduced, withdrawn or qualified as a result of such sale);

(d) as at the relevant sale date, the aggregate true balance of the loans in the mortgages trust in arrears by more than 3 times the monthly payments then due divided by the aggregate true balance of all the loans in the mortgages trust as at such date (expressed as a percentage) is less than 5%;

(e) except where a funding company makes an initial contribution to the mortgages trustee, the proceeds of which will be applied by the mortgages trustee to purchase loans, the aggregate true balance (excluding accrued interest and amounts in arrears) of loans transferred in any three consecutive Funding 1 interest periods must not exceed 15% of the aggregate true balance of loans (excluding accrued interest and amounts in arrears) in the trust property as at the beginning of that Funding 1 interest period;

(f) the product of the weighted average foreclosure frequency (**WAFF**) and weighted average loss severity (**WALS**) for the loans comprised in the trust property calculated on the relevant sale date in accordance with a methodology as provided by S&P (the **S&P methodology**) at the "AAA level" as calculated in accordance with S&P methodology) does not exceed the product of the WAFF and WALS for the loans constituting the trust property calculated on the most recent previous closing date, plus 0.25%;

(g) the yield of the loans in the trust property together with the yield of the loans to be sold to the mortgages trustee on the relevant sale date is at least the minimum yield (which will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) at the relevant sale date, after taking into account the weighted average yield on the loans in the portfolio and the margins on the Funding 1 swap(s) (and the relevant swaps of any further funding companies), in each case as at the relevant sale date;

(h) the assignment of loans does not result in the **Moody's portfolio variation test value** of the loans in the portfolio after such assignment, (calculated by applying the **Moody's portfolio variation test** to the loans in the portfolio on such assignment date), exceeding the most recently determined Moody's portfolio variation test value as calculated in relation to the mortgage loans in the portfolio as at the most recent date on which Moody's performed a full pool analysis on the portfolio (not to be less frequent than annually) plus 0.3%;

(i) no sale of loans may occur, if, as at the relevant sale date, the step-up date in respect of any class of notes has been reached and the issuer who issued that class of notes has not exercised its option to redeem the relevant class of notes on or before that sale date, in accordance with the conditions of that class of notes. For the avoidance of doubt, this prohibition on the sale of loans to the mortgages trustee shall remain in effect only for so long as any such class of notes remains outstanding and, upon its redemption, the sale of loans to the mortgages trustee may be resumed in accordance with the terms of the mortgage sale agreement;

(j) as at the sale date, the general reserve fund is fully funded up to the Funding 1 reserve required amount and the general reserve fund level (if any) in relation to each further funding company (if any) is funded up to the required level (or, if any such general reserve fund is not so fully funded as at the sale date, the general reserve fund is at a level that is not lower than its level as at the previous Funding 1 payment date);

(k) if the sale of loans would include the sale of new loan types to the mortgages trustee, the Funding 1 security trustee and/or issuer has received written confirmation from S&P that the sale of such new loan types would not have an adverse effect on the then current ratings of the rated notes (and advance notice in writing of the sale of such new loan types 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);

(l) each loan and its related security complies in all material respects at the relevant sale date with the representations and warranties set out in the mortgage sale agreement, which are summarised in "**The Mortgage Sale Agreement—Representations and warranties**";

(m) the Funding 1 swap agreement (or the relevant interest rate hedge agreements of each further funding company) has been modified if and as required (or, if appropriate, Funding 1 has entered into a new Funding 1 swap agreement) to hedge against the interest rates payable in respect of such loans and the floating rate of interest payable on the term advances or the relevant debt obligations of each further funding company;

(n) no trigger event has occurred on or before the relevant sale date; and

(o) the sale and assignment of loans to the mortgages trust will not result in a breach of any of the Fitch conditions (as the same may be amended from time to time as calculated on the relevant sale date).

The **Fitch conditions** are collectively that:

(a) the original weighted average LTV (calculated in the manner agreed with Fitch from time to time) of the loans in the trust property, including the loans to be sold to the mortgages trustee on the relevant date, cannot be more than the weighted average original LTV as at the most recent closing date plus the "**original weighted average LTV margin**", as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The true balance (for flexible loans, the maximum drawable amount shall be taken into account) and the property valuation at the relevant origination date, in each case, in respect of such loan, shall be used in the calculation of original weighted average LTV;

(b) the current weighted average LTV (calculated in the manner agreed with Fitch from time to time) of the loans in the trust property, including the loans to be sold to the mortgages trustee on the relevant date, not taking into account any indexation cannot be more than the weighted average current LTV as at the most recent closing date plus the "**current weighted average LTV margin**", as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The true balance (for flexible loans, the maximum drawable amount shall be taken into account) and the most recent property valuation at the relevant calculation date, in each case, in respect of such loan, shall be used in the calculation of current weighted average LTV;

(c) the weighted average income multiple (calculated in the manner agreed with Fitch from time to time) of the loans in the trust property, including the loans to be sold to the mortgages trustee on the relevant date, cannot be more than the "**current weighted average income multiple threshold**", as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); and

(d) the proportion of loans with an original LTV (calculated in the manner agreed with Fitch from time to time) higher than 80% in the trust property, including the loans to be sold to the mortgages trustee on the relevant date, cannot be more than the proportion of loans with an original LTV higher than 80% at the most recent closing date plus the "**original LTV margin**", as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

In the mortgage sale agreement, the seller covenants to use all reasonable endeavours to offer to sell to the mortgages trustee in accordance with the terms of the mortgage sale agreement, and the mortgages trustee covenants to use all reasonable endeavours to acquire from the seller and hold in accordance with the terms of the mortgages trust deed, until the occurrence of a trigger event, sufficient loans and their related security so that the aggregate true balance of loans comprised in the mortgages trust is not less than the minimum trust size at any time. However, the seller is not obliged to sell to the mortgages trustee, and the mortgages trustee is not obliged to acquire, loans and their related security if, in the opinion of the seller, such sale would adversely affect the business of the seller. Funding 1 or any further funding company that acquires an interest in the trust property in accordance with the terms of the mortgages trust deed, may at any time with the prior written consent of the other funding companies and subject to written confirmation from S&P that the then current ratings of any rated notes then outstanding will not be downgraded, withheld or qualified as a result of such increase or decrease (and advance notice in writing of such increase or decrease 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), notify the seller of any increase or decrease in the minimum trust size or any amendment to the period in which the covenant of the seller and the mortgages trustee referred to at the beginning of this paragraph shall apply.

Representations and warranties

The mortgage sale agreement contains representations and warranties given by the seller to the mortgages trustee, each funding company, the Funding 1 security trustee and the funding security trustee of each further funding company in relation to each loan and its related security sold to the mortgages trustee pursuant to the terms of the mortgage sale agreement. None of the mortgages trustee, Funding 1, the note trustee, the issuer security trustee, the Funding 1 security trustee, the dealers, the underwriters, the joint bookrunners or the issuer will make or will cause to be made on its behalf any enquiries, searches or investigations in respect of the loans and their related security. Instead, each is relying entirely on the representations and warranties to be given by the seller, contained in the mortgage sale agreement. The representations and warranties in relation to each loan and its related security are made on the sale date that the relevant loan together with its related security is sold to the mortgages trustee (or, in relation to a further advance or permitted product switch on the date that further advance or permitted product switch is made). The parties to the mortgage sale agreement may, with the prior written consent of the Funding 1 security trustee (which consent will be given if S&P confirms in writing that the then current ratings of the rated notes will not be downgraded, withdrawn or qualified as a result of such waiver or amendment (and advance notice in writing of such waiver or amendment 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)), waive or amend the representations and warranties in the mortgage sale agreement. The representations and warranties include:

Loans

- The particulars of the loans set out in the mortgage sale agreement (or, as the case may be, the relevant new portfolio notice) are true, complete and accurate in all material respects.
- Each loan was originated by the seller (or Anglia, Staffordshire or Portman (as applicable)) in the ordinary course of business and was denominated in pounds Sterling upon origination (or was denominated in euro upon origination if the euro has been adopted as the lawful currency of the United Kingdom).

- Loans without independent valuation will make up no more than 15%, in aggregate value, of the initial portfolio.

- No loan has a true balance of more than £1,000,000.

- Each borrower has established a direct debit mandate with the seller or is a borrowing member of Nationwide.

- Each loan has a remaining term of less than 40 years as at the relevant sale date.

- Prior to the making of each initial advance and additional loan advance, the lending criteria which were applicable at the time of the origination of the loan and all preconditions to the making of the loan were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a reasonable, prudent mortgage lender.

- The lending criteria are consistent with the criteria that would be used by a reasonable, prudent mortgage lender.

- (a) Each loan was made and its related security taken or received substantially 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.

  (b) The brochures, application forms, offers, offer conditions and marketing material distributed by the seller (or Anglia, Staffordshire or Portman (as applicable)) to the borrower when offering a loan to a borrower:

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

    (ii) do not conflict with and would not prohibit or otherwise limit the terms of, the transaction documents or the matters contemplated thereby, including for the avoidance of doubt and without limitation:

      (A) the assignment or assignation of the loans and their related security to the mortgages trustee or the granting of each Scottish declaration of trust; and

      (B) the administration of the loans and their related security by the seller or a delegate of the seller or the appointment of a new servicer following the occurrence of an insolvency event in relation to the seller.

- The first two monthly payments due in respect of each loan have been paid by the relevant borrower.

- No loan is guaranteed by a third party save where the guarantee constitutes legal, valid and binding obligations of the guarantor enforceable in accordance with their terms except that 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.

- The true balance on each loan and its related security constitute a legal, valid, binding and enforceable debt due to the seller from the relevant borrower and the terms of each loan and

its related security constitute valid and binding obligations of the borrower enforceable in accordance with their terms except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.

- The rate of interest under each loan is charged in accordance with the standard documentation, subject to the terms of any offer letter in relation thereto.

- No agreement for any loan other than relating to a CCA mortgage is in whole or in part a regulated agreement or consumer credit agreement (as defined in Section 8 of the CCA). The procedures and requirements set out in the CCA have been complied with in all material respects in respect of each agreement relating to a CCA mortgage.

- All of the borrowers are individuals and were aged 18 years or older at the date he or she executed the relevant mortgage.

- To the best of the seller's knowledge none of the material terms of the loans or their related security are not binding by virtue of their being unfair pursuant to the Unfair Terms in Consumer Contracts Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999.

- To the best of the seller's knowledge it has not committed any material breach of the Consumer Protection from Unfair Trading Regulations 2008 that would result in any irrecoverable losses under the loans.

- All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the transaction documents from the seller to the mortgages trustee, of the loans and their related mortgages to be sold under the mortgage sale agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the loans and their related mortgages and such transfer or disposal shall not give rise to any claim by the borrower against the mortgages trustee, the Funding 1 security trustee, the issuer security trustee or any of their successors in title or assigns.

- No related security consists of stock or marketable securities (in either case for the purposes of Section 122 of the Stamp Act 1891), chargeable securities (for the purposes of Section 99 of the Finance Act 1986) or a "chargeable interest" for the purposes of Section 48 of the Finance Act 2003.

- None of the provisions of the loans have been waived, altered or modified in any way by the seller.

- The total amount of interest or principal in arrears, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment, on any loan is not as at the relevant sale date in respect of that loan, nor has been during the 12 months immediately preceding the relevant sale date, more than the amount of the monthly payment then due.

- The final maturity date of the loan is no later than the later of (i) 2 January 2053 and (ii) the earliest final maturity date of any outstanding notes (other than any notes designated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as money market notes for the purposes of Rule 2a-7 under the Investment Company Act and any notes with a final maturity date of 21 January 2055) minus 2 years.

- No loan is an offset loan.

- So far as the seller is aware, other than with respect to monthly payments, no borrower is or has, since the date of execution of the relevant mortgage, been in material breach of any obligations owed in respect of the relevant loan or its related security and accordingly no steps have been taken by the seller to enforce any related security.

- Each loan and its related security is valid, binding and enforceable in accordance with its terms, and non-cancellable.

- None of the loans sold by the seller to the mortgages trustee are buy-to-let loans, staff loans or equity release loans.

- None of the loans were originated prior to 1 January 1986.

- To the best of the seller's knowledge, on each trust calculation date, no order has been made under section 140B of the CCA in respect of any loan.

- No loan has been entered into as a consequence of any conduct constituting fraud of the seller and, to the best of the seller's knowledge, no loan has been entered into fraudulently by the relevant borrower.

Mortgages

- Subject to, in relation to a right to buy loan, any charge or security which may arise or be granted in favour of the relevant local authority (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, the whole of the true balance on each loan is secured by a mortgage over a residential property.

- Each mortgage is substantially in the form of the pro forma contained in the standard documentation which was applicable at the time the mortgage was executed.

- Subject to, in relation to a right to buy loan, any charge or security which may arise or be granted in favour of the relevant local authority (or in Northern Ireland, the Northern Ireland Housing Executive) which has not been postponed, subject only in certain appropriate cases to the completion of an application for registration at the Land Registry, the Registers of Scotland or the Registers of Northern Ireland, each mortgage constitutes a valid and subsisting first charge by way of legal mortgage or (in Scotland) first ranking standard security over the relevant property or (in Northern Ireland) a valid and subsisting first legal charge (in relation to registered land) or a valid and subsisting first mortgage by way of demise or sub-demise (in relation to unregistered land) except in relation to Flexible Advances entered into before 31 October 2004 linked to loans entered into before 1 September 2002 in which case the mortgage or legal charge or Standard Security as the case may be, is second ranking behind the mortgage or Standard Security securing the balance of the relevant loan.

The properties

- All of the properties are located in England, Wales, Scotland or Northern Ireland.

- Each property constitutes a separate dwelling unit and is either freehold, leasehold or (in Scotland) heritable or held under a long lease.

- Save where a rating agency confirmation has been given which covers the borrower not occupying his property, the relevant property is owner-occupied.

- Save for children of borrowers and children of someone living with the borrower, every person who, at the date upon which a mortgage over property situated in England and Wales or Northern Ireland was granted, had attained the age of 18 and who had been notified to the seller as being in or about to be in actual occupation of the relevant property, is either named as a borrower or has signed a Deed of Consent in the form of the pro forma contained in the standard documentation which was applicable at the time the mortgage was executed and in relation to each mortgage over property situated in Scotland, all necessary MHA Documentation has been obtained so as to ensure that neither the relevant property nor the relevant mortgage is subject to or affected by any statutory right of occupancy in favour of such person under the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004.

- No property has been let by the borrower otherwise than by way of:

  (a) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988 (in England) or (in Northern Ireland) a tenancy agreement either not controlled by the Rent (Northern Ireland) Order 1978 or not a controlled tenancy under the provisions of the Private Tenancies (Northern Ireland) Order 2006;

  (b) an assured tenancy; or

  (c) a short assured tenancy which meets the requirements of Section 32 of the Housing (Scotland) Act 1988,

  in each case which meets the seller's policy in connection with lettings to non-owners.

- In relation to each loan where the initial advance was made for the purpose of construction of a dwelling, all advances have been made under such loan and the dwelling has been signed off as complete by a valuer.

Valuers' and Solicitors' Reports

- Unless the loan is a loan without independent valuation, not more than 12 months (or a longer period as may be acceptable to a reasonable, prudent mortgage lender) prior to the granting of each mortgage, the seller (or Anglia, Staffordshire or Portman (as applicable)) received a valuation report on the relevant property (or another form of report concerning the valuation of the relevant property as would be acceptable to a reasonable, prudent mortgage lender), the contents of which were such as would be acceptable to a reasonable, prudent mortgage lender.

- Prior to the taking of each mortgage (other than a remortgage), the seller (or Anglia, Staffordshire or Portman (as applicable)):

  (a) instructed its solicitor, licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant property and to undertake other searches, investigations, enquiries and other actions on behalf of the seller (or Anglia, Staffordshire or Portman (as applicable)) in accordance with the instructions which the seller (or Anglia, Staffordshire or Portman (as applicable)) issued to the relevant solicitor, licensed conveyancer or (in Scotland) qualified conveyancer as are set out, in the case of English loans, in the CML's Lenders' Handbook for England and Wales (or, for mortgages taken before the CML's Lenders' Handbook for England and Wales was adopted in 1999, the seller's (or Anglia's, Staffordshire's or Portman's (as applicable)) standard form instructions to solicitors) and, in the case of Scottish loans, the CML's Lenders' Handbook for Scotland (or, for mortgages taken before the CML's Lenders' Handbook for Scotland was adopted in 2000, the seller's

(or Anglia's, Staffordshire's or Portman's (as applicable)) standard form instructions to solicitors) and, in the case of Northern Irish loans, the CML's Lender's Handbook for Northern Ireland (or, for mortgages taken before the CML's Lender's Handbook was adopted in 2003, the seller's (or Anglia's, Staffordshire's or Portman's (as applicable)) standard form instructions to solicitors) or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a reasonable, prudent mortgage lender; and

(b) received a certificate of title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer referred to in paragraph 5.2(a) relating to such property the contents of which were such as would have been acceptable to a reasonable, prudent mortgage lender at that time.

- The benefit of all valuation reports any other valuation report referred to above and certificates of title which were provided to the seller not more than two years prior to the date of the mortgage sale agreement or the relevant transfer date (as applicable) can be validly assigned to the mortgages trustee without obtaining the consent of the relevant valuer, solicitor, licensed conveyancer or (in Scotland) qualified conveyancer.

Buildings Insurance

Each property is insured under:

(a) a buildings insurance policy arranged by the borrower; or

(b) in the case of a leasehold property a buildings insurance policy arranged by the relevant landlord; or

(c) the properties in Possession Cover.

The Seller's Title

- Immediately prior to the purchase of any loan and the related security by the mortgages trustee, and subject to registration or recording at the Land Registry or the Registers of Scotland or (as the case may be) the Registers of Northern Ireland, the seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the loans and their related security agreed to be sold and/or assigned by the seller to the mortgages trustee pursuant to the mortgage sale agreement free and clear of all security interests, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of either Section 3(xvi) of the Land Registration Act 1925 in the case of any property, interests or rights governed by English law, or Section 28(1) of the Land Registration (Scotland) Act 1979, in the case of any property, interests or rights governed by Scots law or Section 38 and Part 1 of Schedule 5 of the Land Registration Act (Northern Ireland) 1970 in the case of any property, interests or rights governed by Northern Irish law) subject in each case only to the mortgage sale agreement and the borrower's equity of redemption and the seller is not in breach of any covenant or warrandice implied by reason of its selling the relevant portfolio with full title guarantee (or, in the case of Scottish loans and their related security comprised in the relevant portfolio, with absolute warrandice or, in the case of Northern Irish loans and their related security comprised in the relevant Portfolio, as beneficial owner) (or which would be implied if the relevant Land Registry Transfers, Scottish Transfers or, as applicable, Northern Irish Transfers were completed and registered or recorded, as appropriate).

- All steps necessary to perfect the seller's title to the loans and their related security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.

- The customer files relating to each of the loans and their related security are held by, or are under the control of:

  (a) the seller; or

  (b) the relevant servicer.

- Neither the entry by the seller into the mortgage sale agreement nor any transfer, assignment, assignation or creation of trust contemplated by the mortgage sale agreement affects or will adversely affect any of the loans and their related security (including, without limitation, the insurance policies) and the seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the mortgage sale agreement without breaching any term or condition applying to any of them.

- The seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a loan or its related security, other than waivers and acquiescence such as a reasonable, prudent mortgage lender might make on a case by case basis.

Interest Rates payable under the loans

Each loan in the relevant portfolio is either:

(a) a variable rate loan or fixed rate loan; or

(b) a new loan type which each of the rating agencies has confirmed in writing would not if included in the relevant new portfolio adversely affect the then current ratings of the notes.

If new loan types are to be sold to the mortgages trustee, then the representations and warranties in the mortgage sale agreement will be modified as required to accommodate these new loan types. Your prior consent to the requisite amendments will not be sought, provided that the conditions for the sale of new loan types to the mortgages trustee have been satisfied.

For the purpose of determining whether there has been a breach of any of the representations and warranties with respect to a particular loan and/or its related security, the representations and warranties shall be in the form set out in the mortgage sale agreement as at the date on which such representations and warranties were given with respect to such loan and/or its related security, notwithstanding any subsequent amendment, restatement, novation and/or supplement to the mortgage sale agreement.

Repurchase of loans

Save with respect to product switches and further advances (as to which, see "**Product Switches and further advances**"), under the mortgage sale agreement, if a loan does not materially comply on the sale date with the representations and warranties made under the mortgage sale agreement

(1) the seller will be required to remedy the breach within 20 London business days of the mortgages trustee giving written notice of the breach to the seller; or

(2) if the breach is not remedied within the 20 London business day period then, at the direction of Funding 1 and each further funding company (with the prior written consent of the Funding 1 security trustee), the mortgages trustee serve a notice on the seller which will require the seller to purchase on the distribution date immediately following receipt of the notice (or such other date as the mortgages trustee may direct) the loan and its related security from the mortgages trustee at a price equal to its true balance.

The seller will also be required to repurchase the loan and its related security if a court or other competent authority or any ombudsman makes any determination in respect of that loan and its related security that:

(a) any term which relates to the recovery of interest under the standard documentation applicable to that loan and its related security is unfair; or

(b) the interest payable under that loan is to be set by reference to the seller's variable base rate; or

(c) the variable margin above the Bank of England base rate under any tracker rate loan must be set by the seller; or

(d) the interest payable under that loan is to be set by reference to an interest rate other than that set or purported to be set by either the servicer or the mortgages trustee as a result of the seller having more than one variable mortgage rate.

If the seller fails to pay the consideration due for the repurchase (or otherwise fails to complete the repurchase), then (under the terms of the mortgages trust deed) the seller share of the trust property shall be deemed to be reduced by an amount equal to that consideration as of the end of the current trust calculation period.

Repurchase of loans following redemption of certain series 2011-1 notes

The seller may, following the redemption in full of the series 2011-1 class 3A1 notes, the series 2011-1 class 3A2 notes and the series class 3A3 notes, at its option, make a one-off offer to repurchase any surplus loans and their related security from the mortgages trustee provided that the date of completion (the **repurchase date**) of such repurchase takes place on a date on or prior to 21 April 2015. The Funding 1 security trustee will be required to give its written consent if the seller certifies to the Funding 1 security trustee not less than 5 business days prior to the repurchase date that: (i) each rating agency has been notified of such repurchase and none of the them has indicated that there would be a reduction, qualification or withdrawal by it of the then current ratings of the rated notes as a consequence thereof; (ii) the surplus loans and their related security will include (x) fixed rate loans and their related security in the trust property and (y) a random selection of loans and their related security up to an aggregate outstanding principal balance of £8,088,403,586; and (iii) the portfolio which remains after the surplus loans have been repurchased has an aggregate outstanding principal balance of approximately £16,025,136,372 minus the true balance of any loans which have been redeemed in full or in part since 31 July 2014.

Product switches and further advances

A **product switch** is a variation in the financial terms and conditions of a loan in which a borrower exchanges its then current loan product for a different loan product offered by the seller (including loans subject to a fixed rate re-fix) other than any variation:

– agreed with a borrower to control or manage arrears on the loan;

– in the maturity date of the loan unless, while the intercompany loan is outstanding, it is extended beyond 2 January 2053;

– imposed by statute;

– in the rate of interest payable in respect of the loan where that rate is actively marketed to the borrowers of more than 10 per cent. by true balance of loans in the trust property in any Funding 1 interest period; or

– in the frequency with which the interest payable in respect of the loan is charged.

A **permitted product switch** is a product switch where:

– the relevant borrower has made at least one monthly payment, in full, on its then current loan;

– the new loan for which the prior loan is to be exchanged is subject to either a fixed rate, the seller's variable rate or a base rate linked rate of interest;

– on the trust calculation date immediately following the making of the product switch, each of the conditions as set forth under "**—Conditions for product switches and further advances**" below are satisfied; and

– the **interest-only mortgages level test** is satisfied if, as calculated on the most recent trust calculation date:

Where:

A = the aggregate true balance of all interest-only loans (which, for the avoidance of doubt includes interest-only components of part-and-part loans) in the portfolio as calculated on the relevant trust calculation date;

B = the aggregate true balance of all loans comprising the trust property as calculated on the relevant trust calculation date; and

C = the percentage number specified in relation to interest-only loans in the most recent final terms.

A loan will be subject to a **further advance** if, following a request from the borrower and the servicer (on behalf of the seller) agreeing to it, a further amount is lent to the borrower under the mortgage.

If the servicer (on behalf of the seller) agrees to any request regarding a product switch or further advance and if the loan which is the subject of the product switch or further advance is in the portfolio at such time, the seller pursuant to the terms of the mortgage sale agreement will agree that:

– in the case of a product switch, the product switch is a permitted product switch; and/or

– as of the trust calculation date immediately following the trust calculation period in which the product switch or the making of the further advance takes place, each of the relevant conditions set forth below under "**—Conditions for product switches and further advances**" will be satisfied.

If, following such product switch or further advance, the conditions as set out above are not satisfied, the seller will be required to repurchase such loan and its related security (in accordance with the procedures set out under "**—Repurchase of Loans**") from the mortgages trustee on the distribution date following the trust calculation period in which such product switch or further advance takes place at a price equal to its true balance at the end of the trust calculation period in which the product switch or further advance takes place (as calculated on the trust calculation date immediately following the end of such trust calculation period).

Further advances, along with re-draws and further draws, are collectively referred to as **additional loan advances**. The conditions which must be satisfied to enable a loan which is subject to any additional loan advance to remain in the portfolio are the same as the conditions that apply in relation to further advances, as set out below under "**—Conditions for product switches and further advances**".

In addition, the seller is entitled to (but is not obliged to) repurchase loans that are the subject of further advances or permitted product switches and their related security from the mortgages trustee at a price equal to their true balance (at the end of the trust calculation period in which the product switch or further advance takes place as calculated on the trust calculation date immediately following the end of such trust calculation period) on the distribution date immediately following the trust calculation period in which the product switch or further advance takes place. If not previously exercised, such entitlement to repurchase will expire at close of business on the distribution date immediately following the trust calculation period in which the further advance or product switch takes place.

It should be noted that, whilst the obligation on the seller to repurchase (a) loans which do not materially comply with the representations and warranties, or (b) loans that are subject to product switches or further advances which do not comply as required above is an obligation which arises daily, reconciliation of the transfer of the related security will not occur until the next following distribution date. The mortgages trustee covenants in the mortgage sale agreement that it shall not deal with the related security corresponding to such loans other than on the instructions of the seller (acting through the servicer) during the period between such loan being repurchased by the seller and the legal requirements for the retransfer of the beneficial interest in its related security or, in relation to related security for Scottish loans, the release of the relevant Scottish loan and its related security from the relevant Scottish declaration of trust being completed on the next following trust calculation date.

The seller will be solely responsible for funding a further advance and the seller share of the trust property will increase by an amount equal to the advance made to the borrower. Neither the mortgages trustee nor Funding 1, nor any further funding company if established, may themselves advance funds to the seller and/or the borrower for the purposes of funding a further advance in any circumstances. Furthermore, no variations may be made to the loans and no drawings under flexible loans or other further advances or product switches may be made in respect of the loans, where this would result in the mortgages trustee arranging, advising on, administering or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the mortgages trustee would be required to be authorised under the FSMA to do so.

Conditions for product switches and further advances

In order for any loan which has been the subject of a product switch or a further advance to remain in the mortgages trust, the following conditions (which may be varied or waived by the mortgages trustee (subject to the prior confirmation by S&P that the then current ratings of any rated notes (and any new notes, where applicable) will not be downgraded, withdrawn or qualified as a result of such variation or waiver (and advance notice in writing of such variation or waiver 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))) must be complied with as of the trust calculation date immediately following the trust calculation period in which the product switch or the making of the further advance takes place:

(a) no event of default under the transaction documents (or event of default under the transaction documents of any further Funding company, where applicable) shall have occurred which is continuing or unwaived as at the relevant trust calculation date;

(b) as at the relevant trust calculation date, the true balance of loans comprising the trust property, in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due, is less than 5 per cent. of the aggregate true balance of the loans comprising the trust property at that date or such other percentage as S&P confirms is sufficient in order that the then current ratings of the rated notes (and any new notes, where applicable) then outstanding are not downgraded, withdrawn or qualified (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 trust calculation date, the adjusted general reserve fund level is equal to or greater than the Funding 1 reserve required amount (and the equivalent condition is met in relation to each further Funding company, where applicable);

(d) the mortgages trustee is not aware that the then current ratings of the rated notes (and any new notes, where applicable) then outstanding would be downgraded, withdrawn or qualified as a result of the relevant product switch and/or further advance remaining in the mortgages trust;

(e) each loan and its related security which is the subject of a product switch and/or a further advance materially complies at the date of such product switch and/or further advance with the representations and warranties set out in the mortgage sale agreement, which are described earlier in this section in "**—Representations and warranties**";

(f) as a result of the relevant product switch and/or further advance remaining in the mortgages trust, on the relevant trust calculation date, the product of the WAFF and WALS for the loans comprising the trust property after such product switch and/or further advance calculated on such trust calculation date will not exceed the product of the WAFF and WALS (when tested by S&P at the "AAA level" as calculated in accordance with S&P methodology) for the loans comprising the trust property calculated on the initial closing date, plus 0.25 per cent.;

(g) the yield of the loans in the trust property on the relevant trust calculation date is at least the minimum yield (which is specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) calculated in respect of the immediately preceding Funding 1 payment date (in respect of the then current Funding 1 interest period), after taking into account the average yield on the loans which are variable rate loans, base rate linked loans and fixed rate loans and the margins on the Funding 1 swap(s) (and any relevant swap agreements of each further Funding company, where applicable), in each case as at the relevant trust calculation date;

(h) if the making of a product switch and/or further advance would result in a new loan type being included in the mortgages trust, then the Funding 1 security trustee (and any further funding security trustee, where applicable) has previously received written confirmation from S&P that the then current ratings of the rated notes (and any new notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of the loans which were subject to a product switch and/or further advance remaining in the trust property (and advance notice in writing of any such loans subject to a product switch and/or further advance remaining in the trust property 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);

(i) the Funding 1 swap agreement (and any swap agreement of each further Funding company, where applicable) has been modified if and as required (and, if appropriate, Funding 1 has entered into a new Funding 1 swap agreement or each further Funding company have entered into any new swap agreements) to hedge against the interest rates payable in respect of such product switches and/or further advances and the floating rate of interest payable on the intercompany loan;

(j) no trigger event has occurred on or before the relevant trust calculation date;

(k) the principal deficiency ledger does not have a debit balance (excluding a debit balance on the NR principal deficiency sub-ledger) as at the most recent Funding 1 payment date after applying all Funding 1 available revenue receipts on that Funding 1 payment date (and the equivalent condition is met in respect of each further funding company's principal deficiency ledger at the relevant time);

(l) as at the relevant trust calculation date, the seller has not received any notice that its short-term, unsecured, unguaranteed and unsubordinated debt obligations are not rated at least A-2 by S&P, P-2 by Moody's and F2 by Fitch; and

(m) as a result of the relevant product switch and/or further advance remaining in the mortgages trust, on the relevant trust calculation date, the loans comprising the trust property after such product switch and/or further advance calculated on such trust calculation date will not result in a breach of any Fitch conditions.

Transfer of legal title to the mortgages trustee

Each sale of English loans and Northern Irish loans and their respective related security to the mortgages trustee will be made by way of an equitable assignment.

Each sale of Scottish loans and their related security to the mortgages trustee will be made by way of a Scottish declaration of trust under which the beneficial interest in such Scottish loans will be transferred to the mortgages trustee. This means that legal title to the loans and their related security will remain with the seller, until legal assignments or (in Scotland) assignations are delivered by the seller to the mortgages trustee and notice of such assignments or assignations is given to the borrowers. Legal assignment or assignation of the loans and their related security (including, where appropriate, their registration or recording in the relevant property register) to the mortgages trustee will be deferred and will only take place, if at all, in the limited circumstances described below. See "**Risk Factors—There may be risks associated with the fact that the mortgages trustee has no legal title to the loans and their related security, which may adversely affect payments on your notes**".

Legal assignment or assignation (as appropriate) of the loans and their related security to the mortgages trustee will be completed within 20 London business days of receipt of written notice from the mortgages trustee, any funding company and/or any funding security trustee requesting that the seller take such actions. The mortgages trustee, each funding company and the funding security trustees will each undertake that they will not make such a request unless any of the following events occur:

(a) the seller being required to perfect the legal title to the loans and their related security to the mortgages trustee: (i) by law; (ii) by an order of a court of competent jurisdiction; (iii) by a regulatory authority which has jurisdiction over the seller; or (iv) by any organisation of which the seller is a member or any organisation whose members comprise but are not necessarily limited to mortgage lenders with whose instructions it is customary for the seller to comply;

(b) the seller requesting a transfer by way of assignment or assignation (as appropriate) by giving notice in writing to the mortgages trustee and the security trustee;

(c) a written direction is received by the seller from the FCA requiring the transfer of all of the engagements or the business of the seller to another entity in circumstances where the rights of borrowing members of the seller will cease (provided that, where approval of the transfer from the members of the seller is required by either the FCA or applicable law, such approval is obtained);

(d) subject to the seller having transferred the whole of its business to a successor in business in accordance with section 97 of the Building Societies Act, the successor in business ceasing to be assigned a long-term unsecured, unsubordinated unguaranteed debt obligation rating by Moody's of at least Baa3 or by S&P of at least BBB- or by Fitch of at least BBB-;

(e) the occurrence of an insolvency event in respect of the seller (but only if the Funding 1 security trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Funding 1 secured creditors under the Funding 1 deed of charge);

(f) the termination of the seller's role as servicer under the servicing agreement; but only if (i) the Funding 1 security trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Funding 1 secured creditors under the Funding 1 deed of charge and (ii) S&P shall have provided confirmation that the then current ratings of the then rated notes will be withdrawn, downgraded or qualified as a result of such termination (and advance notice in writing of such termination having been provided to Moody's and Fitch and notice being received at that time of a reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the rated notes as a consequence thereof); or

(g) Nationwide has failed, on three monthly Funding 1 payment dates (which do not need to be consecutive), to make a payment required under the Funding 1 swap agreement related to the SMR loans or the Funding 1 swap agreement related to the BMR loans and such failure is not cured within the relevant grace period set forth in the related Funding 1 swap agreement and the relevant rate with respect to such missed payment and Funding 1 payment date is either (1) with respect to the Funding 1 swap agreement related to the SMR loans, set below three-month LIBOR plus 2%, or (2) with respect to the Funding 1 swap agreement related to the BMR loans, set below the lower of (x) three-month LIBOR plus 2% and (y) the Bank of England base rate plus 2%.

Pending completion of the transfer, the right of the mortgages trustee to exercise the powers of the legal owner of the mortgages is secured or, in relation to Scottish loans, supported by an irrevocable power of attorney granted by the seller in favour of the mortgages trustee, Funding 1 and the Funding 1 security trustee.

The title deeds (to the extent retained by the seller) and customer files relating to the loans are currently held by or to the order of the seller or by solicitors or licensed conveyancers or (in Scotland) qualified conveyancers acting for the seller in connection with the creation of the loans and their related security. The seller has undertaken that all the title deeds (to the extent retained by the seller) and customer files relating to the loans in 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 mortgages trustee.

The seller does not retain title deeds (except in certain circumstances relating to mortgages over unregistered land and land in Scotland and Northern Ireland) following the introduction of dematerialisation introduced by the Land Registration Act 2003 and the seller has returned any such documents that it may currently have in its possession to borrowers.

Reasonable, prudent mortgage lender

Reference in the documents to the seller and/or the servicer acting to the standard of a "**reasonable, prudent mortgage lender**" means the seller and/or the servicer, as applicable, acting in accordance with the standards of a reasonably prudent prime residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital.

Governing law

The mortgage sale agreement and any non-contractual obligations arising out of or in connection with it are principally governed by English law, but contains certain Scots law and Northern Irish law provisions, which in the case of Scots law provisions, are construed in accordance with Scots law and in the case of Northern Irish law provisions, are construed in accordance with Northern Irish law. The Scottish declarations of trust are and will be governed by Scots law.

THE INTERCOMPANY LOAN AGREEMENT

The following section contains a summary of the material terms of the intercompany loan agreement

The facility

Pursuant to the terms of the intercompany loan agreement, the issuer will lend to Funding 1 from time to time on the relevant closing date for each series and class (or sub-class) of notes an aggregate amount in sterling equal to the gross proceeds of issue of such notes, after converting, if applicable, the proceeds of the notes issued in a currency other than sterling into sterling at the relevant currency exchange rates. Each such advance of funds will be a separate term advance under the intercompany loan agreement. Each term advance will relate to a particular series and class (or sub-class) of notes. The applicable intercompany loan confirmation will contain the terms of each term advance. Funding 1 will primarily use the proceeds of each term advance to:

– make an initial contribution to the mortgages trustee to acquire a share of the trust property. The mortgages trustee will use the proceeds of the initial contribution to pay the seller part of the consideration for loans (together with their related security) sold to the mortgages trustee in connection with the issuance of notes by the issuer, which will result in a corresponding increase in the Funding 1 share of the trust property; or

– make a further contribution to the mortgages trustee to acquire part of a further funding company share and/or the seller share (such contribution to be paid to a further funding company (a **refinancing distribution**) or the seller (a **special distribution**), as the case may be, which will result in a corresponding decrease of such further funding company share or seller share of the trust property, as the case may be, and a corresponding increase in the Funding 1 share of the trust property); or

– fund or replenish the general reserve fund and/or the Funding 1 liquidity reserve fund; or

– make a payment to the issuer to refinance an existing term advance.

In addition, a fee (the **facility fee**) will be payable by Funding 1 to the issuer equal to the aggregate of (i) the amount required by the issuer to pay or provide for all amounts (excluding interest and principal on any of the notes and any periodic payments relating to "interim exchange amounts" and "final exchange amounts" (each as defined in the relevant issuer swap agreements) payable by the issuer to the relevant issuer swap providers and tax that can be met out of the issuer's profit), if any, due and payable to the third parties (including any irrecoverable VAT) on the corresponding Interest Payment Date pursuant to the relevant issuer priority of payments; and (ii) a sum (in an amount equal to 0.01% of the interest paid to the issuer on the relevant term advances on each Funding 1 payment date or such lesser amount as may be determined from time to time by the directors of the issuer acting in good faith (pursuant to their obligation to review such amount) and certified by them to the issuer security trustee, with a copy to the rating agencies (the **issuer profit amount**)). Such fee will also be paid out of Funding 1 available revenue receipts.

The issuer may, pursuant to the intercompany loan agreement, direct Funding 1 to pay in satisfaction (or, as the case may be, part satisfaction) of its obligation to pay the facility fee (or part thereof) such amounts directly to relevant third parties as are equal to amounts payable by the issuer to such third parties (provided that, for the avoidance of doubt, the obligation to pay such amounts to such third parties will remain with the issuer). The facility fee will be paid out of the Funding 1 available revenue receipts in accordance with the applicable Funding 1 priority of payments.

On each closing date, Funding 1 will pay a fee to the issuer pursuant to the terms of the intercompany loan agreement in an amount equal to the issuer's expenses in connection with the issue of notes on such closing date.

Ratings designations of the term advances

The designated term advance ratings of the term AAA advances reflect the ratings expected to be assigned to any class A notes by the rating agencies on the relevant closing date except that money market notes will have different short-term ratings. The designated term advance ratings of the term AA advances reflect the ratings expected to be assigned to any class B notes by the rating agencies on the relevant closing date. The designated term advance ratings of the term A advances reflect the ratings expected to be assigned to any class M notes by the rating agencies on the relevant closing date. The designated term advances ratings of the term BBB advances reflect the ratings expected to be assigned to any class C notes by the rating agencies on the relevant closing date. The designated term advances ratings of the term BB advances reflect the ratings expected to be assigned to any class D notes by the rating agencies on the relevant closing date. The term NR advance will correspond to the unrated class Z notes (including the term NR GIC collateral advance which will correspond to the unrated class Z GIC collateral notes). The foregoing ratings assigned to a term advance and the designation of the term NR advance are collectively referred to as the **term advance ratings**. If, after any closing date, the rating agencies change the rating assigned to a series and class (or sub-class) of notes, this will not affect the term advance ratings of the related term advance under the intercompany loan agreement.

Issuance of term advances

The issuer may advance term advances to Funding 1 and issue corresponding series and classes (or sub-classes) of notes from time to time without obtaining the consent of existing noteholders. The issuer will not be obliged to advance term advances to Funding 1 unless on the relevant closing date certain conditions have been met, including:

– that the related series and class (or sub-class) of notes have been issued and the proceeds received by or on behalf of the issuer;

– that Funding 1 has delivered a certificate certifying that it is solvent;

– that each of the applicable transaction documents has been duly executed by the relevant parties to it; and

– one or more deeds of accession relating to the Funding 1 deed of charge have been executed by the parties to the Funding 1 deed of charge.

Representations and agreements

Funding 1 makes several representations to the issuer in the intercompany loan agreement including representations that Funding 1 has been duly incorporated and that it has the requisite corporate power and authority to enter into the transaction documents to which it is a party.

In addition, Funding 1 has agreed, among other things, that:

– it will not create or permit to subsist any encumbrance, unless arising by operation of law, or other security interest over any of its assets other than pursuant to the transaction documents;

– it will not carry on any business or 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 Funding 1 will engage;

– it will not have any subsidiaries, any subsidiary undertakings, or any employees or premises;

– it will not transfer, sell, lend, part with or otherwise dispose of all or any of its assets, properties or undertakings or any interest, estate, right, title or benefit therein other than as contemplated in the transaction documents;

– it will not pay any dividend or make any other distribution to its shareholders without the consent of the Funding 1 security trustee and it will not issue any new shares;

– it will not incur any indebtedness in respect of any borrowed money or give any guarantee in respect of any indebtedness or of any obligation of any person whatsoever other than indebtedness contemplated by the transaction documents; and

– it will not enter into any amalgamation, demerger, merger or reconstruction, nor acquire any assets or business nor make any investments other than as contemplated in the transaction documents.

Payments of interest and fees

Payment of interest and fees on each term advance will be made principally from and to the extent of distributions by the mortgages trustee of amounts constituted from revenue receipts to Funding 1 in respect of the Funding 1 share of the trust property. Such payments of interest and fees will be made on Funding 1 payment dates in the priorities set forth in "**Cashflows**".

On each closing date, Funding 1 will pay a fee to the issuer pursuant to the terms of the intercompany loan agreement in an amount equal to the issuer's expenses in connection with the issue of notes on such closing date.

The interest rates applicable to the term advances from time to time will be determined by reference to a LIBOR-based rate for sterling deposits for such period specified in the applicable intercompany loan confirmation plus or minus, in each case, a margin which may differ for each separate term advance. The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for a series of notes will set out details relating to the interest payment dates and payment of interest on the term advances related to the classes (or sub-classes) of notes of such series.

Repayment of principal on the term advances

Repayment of a term advance may be by way of bullet repayment, scheduled amortisation or on a pass-through basis. A term advance with a bullet repayment date is an advance that is scheduled to be repaid in full on one Funding 1 payment date (a **bullet term advance**). A term advance with scheduled amortisation is an advance that is scheduled to be repaid in instalments (each a **scheduled amortisation instalment**) on more than one Funding 1 payment date (a **scheduled amortisation term advance**). A term advance with pass-through repayment is an advance that has no scheduled repayment date other than its final repayment date (a **pass-through term advance**). A pass-through term advance will, subject to the dates on which such amounts fall due as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) of the series and class (or sub-class) of notes which funded such term advance, be repaid on or after the Funding 1 payment date on which the term advances with the same series designation and a higher rating designation in respect of the series have been fully repaid.

Repayment of principal on the term advances will be made principally from and to the extent of distributions by the mortgages trustee of amounts constituted from principal receipts to Funding 1 in respect of the Funding 1 share of the trust property (and in certain circumstances amounts in the general reserve fund and revenue receipts used to cure deficiencies on the relevant principal deficiency ledger (if any)).

The intercompany loan confirmation for each term advance and the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the series and class (or sub-class) of notes which funded such term advance will set forth (i) the bullet repayment dates, (ii) the scheduled repayment dates, or (iii) the final repayment date on which a pass-through term advance is scheduled to be paid, as applicable. Each such date will be the same as the equivalent dates for the related series and class (or sub-class) of notes and may be monthly, quarterly, six-monthly, annually or otherwise.

Repayment of a term advance (or part thereof) will become due on the earliest to occur of:

– any date specified in relation to such term advance in the applicable intercompany loan confirmation and applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the series and class (or sub-class) of notes which funded such term advance;

– the date upon which a trigger event occurs;

– the date upon which a note acceleration notice is served on the issuer;

– the date upon which an intercompany loan acceleration notice is served on Funding 1 under the Funding 1 deed of charge; and

– the date upon which a step-up date, if any, occurs in relation to the relevant term advance as specified in the applicable intercompany loan confirmation and applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the series and class (or sub-class) of notes which funded such term advance,

in each case subject to the applicable Funding 1 priority of payments.

In each case, when repayment of a term advance becomes due, it shall continue to be due until it is fully repaid. If there are insufficient funds available to repay a term advance on a Funding 1 payment date upon which that term advance has become or remains due, then the shortfall will be repaid on subsequent Funding 1 payment dates from Funding 1 available principal receipts until that term advance is fully repaid. You should note that in certain circumstances payments on the term AA advances, the term A advances, the term BBB advances, the term BB advances and the term NR advances will be deferred. See "**Cashflows—Distribution of Funding 1 available principal receipts**".

Funding 1 shall make a repayment of principal on a term advance corresponding to any optional redemption of all or part of the notes by the issuer. The issuer may only redeem the notes of any class if, following such redemption, each class of notes then outstanding retains its required amount of subordination. This general requirement is expressed in the repayment tests set out in "**Cashflows—Distribution of Funding 1 available principal receipts**" which must be satisfied in respect of any redemption of the notes.

Limited recourse

Funding 1 will only be obliged to pay amounts to the issuer in respect of any term advance to the extent that it has funds to do so after making payments or provisions ranking in priority to amounts due on such term advances (including amounts due on term advances of a more senior ranking). To the extent that Funding 1 does not have such funds available, the shortfall will itself accrue interest and, together with such accrued interest, will be deferred until such Funding 1 payment date as Funding 1 does have the relevant funds available in accordance with the then applicable Funding 1 priority of payments.

If, on the final repayment date of a term advance advanced under the intercompany loan agreement, there is a shortfall between the amount of interest and/or principal due on that term advance and the

amount available to Funding 1 to make that payment, then that shortfall shall not be due and payable to the issuer until the time when Funding 1 has enough money available to pay the shortfall on that term advance (after making any other payments due that rank higher in priority to that term advance). However, if as stated below in "**—Funding 1 intercompany loan events of default**" such an event were to occur on the last occurring final repayment date of any term advance then outstanding, then it would constitute an event of default under the intercompany loan agreement.

Any amounts that have been credited to a non-monthly term advance revenue ledger for a non-monthly term advance on a Funding 1 payment date to provide for the payment of interest (and, if applicable, step-up amount) or any amounts that have been credited to a non-monthly term advance principal ledger for a non-monthly term advance on a Funding 1 payment date to provide for the payment of principal on a non-monthly term advance may not be used to make payments on amounts owing for any other term advance, provided that any such amounts so retained will be paid out within 18 months of receipt thereof. However, amounts standing to the credit of a non-monthly term advance principal ledger may in certain circumstances be applied to make up a Funding 1 revenue deficit.

Following enforcement of the Funding 1 security and distribution of all proceeds of such enforcement in accordance with the terms of the Funding 1 deed of charge, all outstanding claims of, amongst others, the issuer and the Funding 1 security trustee against Funding 1 will be extinguished.

Funding 1 intercompany loan events of default

The intercompany loan agreement contains events of default (each a **Funding 1 intercompany loan event of default**), which include, among others, the following events:

– a default by Funding 1 for a period of five London business days in the payment of any amount payable under the intercompany loan agreement (but subject to the limited recourse provisions described in this section);

– Funding 1 does not comply in any material respect with its obligations under any of the transaction documents (other than non-payment as set out in the preceding paragraph) and that non-compliance, if capable of remedy, is not remedied promptly and in any event within 20 London business days of Funding 1 becoming aware of its non-compliance or of receipt of written notice from the issuer security trustee requiring Funding 1's non-compliance to be remedied; or

– an insolvency event occurs in relation to Funding 1 or it is, or becomes, unlawful for Funding 1 to perform its obligations under any of the transaction documents.

Investors should note that, as described in "**—Repayment of principal on the term advances**" and "**—Limited recourse**" above, it will not be an event of default under the intercompany loan agreement if default is made by Funding 1 in paying amounts due under the intercompany loan agreement where Funding 1 does not have the money available to make the relevant payment or where the repayment tests are not satisfied except on the last occurring final repayment date of any term advance advanced under the intercompany loan agreement which is then outstanding. The ability of the issuer to repay each series and class (or sub-class) of notes will depend, among other things, upon payments received by the issuer from Funding 1 under the related term advances pursuant to the intercompany loan agreement. See "**Risk Factors—Funding 1 is not obliged to make payments on the term advances if it does not have enough money to do so, which could adversely affect payments on your notes**".

If a Funding 1 intercompany loan event of default occurs and is continuing under the intercompany loan agreement, then the issuer security trustee will be entitled to deliver an acceleration notice to Funding 1 stating that the Funding 1 intercompany loan event of default has occurred. Upon the

service of such an acceleration notice, the Funding 1 security trustee may direct that all term advances outstanding under the intercompany loan agreement become immediately due and payable and/or that all term advances outstanding under the intercompany loan agreement become due and payable on the demand of the Funding 1 security trustee.

New intercompany loan agreements

After the date of this base prospectus, new issuers may be established for the purpose of issuing new notes to investors and using the proceeds thereof to make new intercompany loans to Funding 1. The issuance of new notes by any new issuer and the making of the related new intercompany loans will only be permitted if certain conditions precedent are satisfied, including, among others, that the then current ratings of the rated notes issued by the issuer will not be reduced, withdrawn or qualified at the time of the issuance of such new notes by such new issuer. See "**Risk Factors—Other creditors will share in the same security granted by Funding 1 to the Funding 1 security trustee, and this may adversely affect payments on your notes**".

Funding 1's bank accounts

Funding 1 maintains the Funding 1 GIC account and the Funding 1 transaction account (the **Funding 1 bank accounts**) in England in its name with Nationwide. The reserve funds are credited to the Funding 1 GIC account and on each distribution date Funding 1's share of the mortgages trust available revenue receipts, any distribution of principal receipts to Funding 1 under the mortgages trust and any balance remaining in the cash accumulation ledger will be deposited in the Funding 1 GIC account. On each Funding 1 payment date, monies standing to the credit of the Funding 1 GIC account representing Funding 1 available principal receipts and Funding 1 available revenue receipts will be credited to the Funding 1 transaction account to be applied by the cash manager in accordance with the relevant order for priority of payments. Prior to enforcement, amounts representing Funding 1's profits will be paid into and retained in the Funding 1 GIC account.

If the Funding 1 account bank ceases to have any of the Funding 1 account bank required ratings then either:

- the Funding 1 transaction account and the Funding 1 GIC account will be closed and all amounts standing to the credit thereof shall be transferred within 30 days to accounts held with a financial institution: (i) that has the Funding 1 account bank required ratings; and (ii) which is an authorised person under the FSMA unless Fitch and Standard & Poor's confirm that the then current ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified; or

- the Funding 1 account bank will obtain a guarantee of its obligations under the Funding 1 bank account agreement from a financial institution that has the Funding 1 account bank required ratings unless, in any case, Fitch, Moody's and S&P confirm that the then current ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified; but

- where the Funding 1 account bank ceases to have the Funding 1 account bank required ratings relating to S&P and the Funding 1 account bank fails to obtain a guarantee of its financial obligations (the **Funding 1 account bank S&P rating event**), the transfer (where required) to the replacement financial institution shall occur within the S&P remedy period where S&P remedy period means the period from (but excluding) the date of the occurrence of the Funding 1 account bank S&P rating event to (and including) the later of: (A) the 60th calendar day following the date of the occurrence of the Funding 1 account bank S&P rating event and (B) if the cash manager or Funding 1 has, on or before the 60th calendar day following the date of the Funding 1 account bank S&P rating event, delivered to S&P a written proposal setting out the remedial action it is to take and S&P has notified the cash

manager or Funding 1 that such proposal will result in the rating of the rated notes then outstanding being maintained at the level it was at immediately prior to the date of the Funding 1 account bank S&P rating event, the 90th calendar day following the date on which such Funding 1 account bank S&P rating event occurs (the **S&P remedy period**).

On each Funding 1 payment date, monies standing to the credit of the Funding 1 GIC account, the Funding 1 collateralised GIC account or the Funding 1 eligible bank GIC account, as the case may be, are, with the consent of the Funding 1 security trustee, transferred to the Funding 1 transaction account and applied by the cash manager in accordance with the relevant order for priority of payments of Funding 1. Amounts representing Funding 1's profits are retained in the Funding 1 transaction account;

Notwithstanding the foregoing, in the event that the Funding 1 account bank ceases to have the Funding 1 account bank required ratings, it may continue to operate, and receive Funding 1 deposit non-reserved amounts into, the Funding 1 collateralised GIC account provided that (i) the Funding 1 account bank provides collateral against the amount standing to the credit of the Funding 1 collateralised GIC account in the form of (x) procuring that term NR GIC collateral advances are made by the issuer through increases on the class Z GIC collateral notes, and/or (y) by posting eligible collateral under the collateral agreement and (ii) the "Issuer Default Ratings" of the Funding 1 account bank does not fall below BBB- by Fitch.

The Funding 1 account bank required ratings means the "Issuer Default Ratings" of the Funding 1 account bank which shall be at least F1 short-term and A long-term by Fitch and the unguaranteed, unsubordinated and unsecured debt obligations of the Funding 1 account bank which shall be at least P-1 short-term and A2 long-term by Moody's and A-1 short term or A long-term (or, if not rated at least A-1 short-term, at least A+ long-term) by S&P respectively.

Governing law

The intercompany loan agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

THE MORTGAGES TRUST

The following section contains a summary of the material terms of the mortgages trust deed.

General legal structure

The mortgages trust was formed on the programme closing date under English law with the mortgages trustee as trustee for the benefit of seller and Funding 1 as the initial beneficiaries. This section describes the material terms of the mortgages trust, including how money is distributed from the mortgages trust to Funding 1, each further funding company (if any) and the seller. The mortgages trust makes provision for the accession and adherence of further funding companies established by Holdings; although there is no guarantee that any such event may occur and noteholder consent will not be sought provided that, among other things, S&P confirms in writing that the then current ratings of the rated notes then outstanding will not be affected (and advance notice in writing of such accession and adherence of further funding companies established by Holdings 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).

The mortgages trust is a trust constituted under English law, with the mortgages trustee as trustee, for the benefit of the seller and Funding 1 and each further funding company (if any) as beneficiaries. The mortgages trust has been constituted for the programme described in this document and for the possibility of future financings by any further funding companies.

The terms of the mortgages trust deed may be amended as and when new issuers are established or new loan products are added to the mortgages trust or when further funding companies acquire an interest in the trust property. Such amendments may affect the timing of payments on the notes.

The prior consent of noteholders will not be sought in relation to any of the proposed amendments to the mortgages trust deed, provided *(inter alia)* that S&P confirms that the then current ratings of the rated notes will not be downgraded, withdrawn or qualified as a result of such amendments (and advance notice in writing of any such amendment 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). There can be no assurance, however, that the effect of any such amendments will not ultimately adversely affect your interests as a noteholder (see "Risk Factors—The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree modifications to and/or waive or authorise any breach of the transaction documents without your prior consent, which may adversely affect your interests").

The trust property

Under the terms of the mortgages trust deed, the mortgages trustee has agreed to hold all of the trust property on trust absolutely for Funding 1 (as to the Funding 1 share), for each further funding company (as to its respective further funding company share) and for the seller (as to the seller share). The **trust property** is:

- the sum of £100 settled by the Jersey share trustee on trust on the programme closing date;
- any loans and their related security sold to the mortgages trustee by the seller after the programme closing date;
- as a result of capitalisation of interest, any increase in the true balance of a loan due to a borrower making underpayments or taking payment holidays under a loan or the seller making a further advance under a loan (unless repurchased by the seller) or due to the capitalisation of arrears or accrued interest and other amounts in arrears in respect of any loan;
- any revenue receipts and principal receipts on the loans in the portfolio;

- any contribution paid by Funding 1, any further funding company or the seller to the mortgages trustee, for application in accordance with the terms of the mortgages trust deed;

- any other amounts received under or in respect of the loans and their related security on or after the relevant sale date (excluding third party amounts), including the proceeds of any sale of the loans and their related security and any other proceeds of sale of any other trust property;

- any authorised investments made by or on behalf of the mortgages trustee from time to time (and income earned on these investments);

- rights under the insurance policies that are assigned to the mortgages trustee or which the mortgages trustee has the benefit of;

- amounts on deposit (and interest earned on those amounts) in the mortgages trustee bank accounts; and

- any other property representing any of the above;

less

- any actual losses in relation to the loans and any actual reductions occurring in respect of the loans in the portfolio as described in paragraph (1) of "**—Adjustments to trust property**" below;

- distributions of revenue receipts and principal receipts made from time to time to the beneficiaries of the mortgages trust;

- refinancing distributions and/or special distributions made from time to time to the beneficiaries of the mortgages trust; and

- the initial purchase price (if any) paid by the mortgages trustee to the seller on each sale date for the sale to the mortgages trustee of loans and their related security.

No beneficiary is entitled to particular loans and their related security separately from any other beneficiary. Instead each of the beneficiaries has an undivided interest in all of the loans and their related security forming part of the trust property. The beneficial interests of Funding 1, any further funding company and the seller, represent *pro rata* undivided interests in the trust property.

The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for a series of notes will set out the approximate Funding 1 share, seller share and each further funding company share (if any) of the trust property as at the relevant closing date for such notes.

Fluctuation of shares in the trust property

The shares of Funding 1, any further funding company and the seller in the trust property will fluctuate depending on a number of factors, including:

(a) the allocation of revenue receipts and principal receipts on the loans to Funding 1, each further funding company and/or the seller;

(b) losses arising on the loans in the portfolio;

(c) if loans and their related security are sold to the mortgages trustee;

(d) any of the beneficiaries increasing its beneficial interest in, and hence its share of, the trust property by making contributions (other than deferred contributions) to the mortgages trustee in accordance with the mortgage trust deed;

(e) the mortgages trustee making a special distribution to the seller (including through the proceeds of a class z GIC collateral note) or a refinancing distribution to any funding company;

(f) if the mortgages trustee makes a payment of the initial purchase price to the seller for loans and their related security sold to it;

(g) if a borrower makes underpayments, overpayments or takes payment holidays under a loan or drawings under a flexible loan;

(h) if the seller makes a further advance to a borrower under a loan; and

(i) the capitalisation of arrears or accrued interest and other amounts in arrears in respect of any loan.

None of the Funding 1 share, any further funding company share or the seller share may be reduced below zero, regardless of the requirements in relation to the minimum seller share.

Contributions to the mortgages trust

Pursuant to the terms of the mortgages trust deed, each of the beneficiaries may contribute certain assets to the mortgages trust (each a **contribution**). A contribution may be made to the mortgages trust by way of an initial contribution, a refinancing contribution, a further contribution, a seller contribution or a deferred contribution.

An **initial contribution** is a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by a funding company in respect of any trust property sold to the mortgages trustee at the time of such contribution for the purposes of enabling the mortgages trustee to fund the payment of the initial purchase price owed by the mortgages trustee, pursuant to the terms of the mortgage sale agreement, to the seller in respect of any loans and their related security sold to the mortgages trustee from time to time.

A **further contribution** is a contribution (excluding any initial contribution or deferred contribution but including a refinancing contribution and a seller contribution) by way of cash payable pursuant to the terms of the mortgages trust deed by a beneficiary to the mortgages trustee to increase the share of that beneficiary in the trust property. Upon receipt of a further contribution (other than a further contribution (or a part thereof) which is a refinancing contribution or a seller contribution) made by a funding company, the mortgages trustee will pay an amount equal to such further contribution to the seller on such further contribution date (whether or not such date is a distribution date) by way of a special distribution (the payment of such special distribution will decrease the seller share of the trust property).

A **refinancing contribution** is a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by a beneficiary to the mortgages trustee. A refinancing contribution made by a beneficiary will increase the share of that beneficiary in the trust property by a corresponding amount. The mortgages trustee will allocate and pay amounts received as a refinancing contribution on a further contribution date to make a refinancing distribution to the funding company specified by the beneficiary that made the refinancing contribution on such further contribution date. The recipient's share in the trust property will be reduced accordingly (see further "**—Refinancing distributions**"). A refinancing contribution is a contribution (or a part thereof) made by any one of the beneficiaries while any indebtedness of any funding company is outstanding, which (and to the extent that) such

beneficiary elects, in its sole discretion, to designate in whole or part as a refinancing contribution in relation to the recipient funding company. The amount of any refinancing contribution cannot exceed the aggregate principal amount of all debt obligations of the funding companies then outstanding (including the outstanding balance of any intercompany loan and start-up loan).

A **seller contribution** is a contribution by way of cash payable pursuant to the terms of the mortgages trust deed by the seller to the mortgages trustee to increase the share of the seller in the trust property. The seller will be required to make a contribution in an amount equal to the unpaid interest element otherwise due under any loan which is subject to an authorised underpayment or payment holiday.

A **deferred contribution** is a contribution by way of cash payable pursuant to the terms of the mortgages trust deed, by a funding company and in respect of the share of that funding company in the trust property for the purposes of enabling the mortgages trustee to fund the payment of the deferred purchase price (including in respect of early repayment charges) owed by the mortgages trustee, pursuant to the terms of the mortgage sale agreement, to the seller in respect of the portfolio.

Dates for recalculation of the share of each beneficiary

The cash manager will calculate and/or recalculate the then current share of each of the beneficiaries in the trust property on the twelfth day of each calendar month (or, if such a day is not a London business day, the next succeeding London business day) and the day on which the mortgages trust is terminated (each such date, a **trust calculation date**).

On each trust calculation date the relevant shares and share percentages of each beneficiary for the then current trust calculation period will be calculated. The way in which such shares and share percentages will be calculated on such trust calculation date is described in the sections entitled "- **Funding 1 share of trust property—trust calculation date recalculation**", "**—Further funding company's trust property**" and "**Seller share of trust property—trust calculation date recalculation**" below. Such calculation will apply for the period from the start of such trust calculation period to the end of such trust calculation period unless a sale date or further calculation date (each, an **interim trust calculation date**) occurs during such trust calculation period. If an interim trust calculation date occurs during a trust calculation period in respect of which the relevant shares and share percentages of each beneficiary are calculated, then on the trust calculation date immediately succeeding such trust calculation period, the relevant shares and share percentages of each beneficiary for each interim trust calculation period will be calculated. The way in which such shares and share percentages will be calculated in respect of each interim trust calculation period is described in the sections entitled "**—Funding 1 share of trust property—interim trust calculation period recalculation**", "**—Seller share of trust property—interim trust calculation period recalculation**" and "**—Each further funding company**".

The reason for the recalculation of the share of each beneficiary in respect of an interim trust calculation period is so as to determine the percentage share of each beneficiary in the trust property which will reflect the addition of loans and their related security or a further contribution (as the case may be) to the trust property.

On the trust calculation date immediately preceding each distribution date, the weighted average share percentages for each of the seller, Funding 1 and any further funding company and the minimum seller share will be calculated. The way in which such weighted average share percentages and minimum seller share will be calculated on such trust calculation date is described in the sections entitled "- **The weighted average share percentages**", "**The weighted average share percentage of each further funding company**", "**The weighted average Funding 1 share percentage**", "**The weighted average seller share percentage**") and "**The minimum seller share**". These amounts will be calculated in respect of the trust calculation period and will only be required to be recalculated if an interim trust calculation date occurred during such trust calculation period ending immediately *prior to* such trust calculation date.

The share percentage that each beneficiary has in the trust property will determine that beneficiary's entitlement to revenue receipts and principal receipts from the loans in the trust property and also the allocation of losses arising on the loans for each trust calculation period or interim trust calculation period, as applicable.

The period from (and including) the first day of each calendar month (or, in the case of the first trust calculation period, the initial closing date) to (but excluding) the first day of the next calendar month or, as applicable, the date of termination of the mortgages trust is a **trust calculation period**.

In respect of a trust calculation period, the date of sale of any loans to the mortgages trustee is each a **sale date**.

In respect of a trust calculation period, the date that any of the beneficiaries makes a further contribution to the mortgages trust and/or a further funding company becomes a beneficiary is each, a **further contribution date**.

The period from (and including) the first day of each interim trust calculation date (or, in the case of the first interim trust calculation period in respect of a trust calculation period, the first day of such trust calculation period) to (but excluding) the next interim trust calculation date (or, as applicable, the last day of such trust calculation period) is an **interim trust calculation period**.

Distribution date means the 19th day of each month or, if not a London business day, the next London business day being the date that the mortgages trustee will distribute principal receipts and revenue receipts to Funding 1, any further funding company and the seller.

Funding 1 share of trust property – trust calculation date recalculation

On each trust calculation date (also referred to in this section as the **relevant trust calculation date**), the interest of Funding 1 in the trust property (the **Funding 1 share**) will be recalculated to take effect for the then current trust calculation period (unless an interim trust calculation date occurs during such trust calculation period) in accordance with the following formulae:

- The Funding 1 share of the trust property will be an amount equal to:

$$A - B - C + D + E + F$$

- The percentage share of Funding 1 (the **Funding 1 share percentage**) in the trust property will be an amount equal to:

$$\frac{A - B - C + D + E + F}{G} \times 100$$

in the latter case, expressed as a percentage and rounded upwards to five decimal places,

where:

A = the amount of the Funding 1 share in the trust property as determined on the immediately preceding trust calculation date or, as the case may be, the applicable initial closing date;

B = the sum of (i) the amount of any principal receipts on the loans to be distributed to Funding 1 on the distribution date immediately following the relevant trust calculation date and (ii) any refinancing distribution made to Funding 1 in the trust calculation period ending immediately prior to the relevant trust calculation date;

C = the amount of losses sustained on the loans which were allocated to Funding 1 in the trust calculation period ending immediately prior to the relevant trust calculation date and the amount of any reductions occurring in respect of the loans as described in paragraph (1) in "**—Adjustments to trust property**" below, in each case allocated to Funding 1 in the trust calculation period ending immediately prior to the relevant trust calculation date;

D = the amount of any initial contribution paid by Funding 1 to the mortgages trustee during the trust calculation period ending immediately prior to the relevant trust calculation date in respect of the Funding 1 share of any new trust property sold by the seller to the mortgages trustee during such trust calculation period (the **new trust property**);

E = the amount of any further contribution including a refinancing contribution (but only to the extent of the amount of such refinancing contribution that is ultimately applied to repay a term advance) paid by Funding 1 to the mortgages trustee during the trust calculation period ending immediately prior to such relevant trust calculation date to increase the Funding 1 share of the trust property;

F = the amount of any capitalised arrears which have been allocated to Funding 1 in the trust calculation period ending immediately prior to the relevant trust calculation date and the increase in the true balance of the loans in the trust property for any amount of interest not paid on such loans in the trust calculation period ending immediately prior to the relevant trust calculation date due to the authorised underpayments or payment holidays that are allocated to Funding 1;

G = the aggregate true balance of all the loans in the trust property as at the beginning of the then current trust calculation period or, as the case may be, the initial closing date, after making or provisioning for the distributions, allocations and additions referred to in **B, C, D, E** and **F** and after taking account of (without double counting any amounts referred to in **B, C, D, E** and **F** above):

- the sale, if any, of loans during the trust calculation period ending immediately prior to the relevant trust calculation date;
- any distribution of principal receipts and revenue receipts (but only insofar as such revenue receipts are taken into account in determining the true balance) to any of the beneficiaries on the distribution date immediately following the relevant trust calculation date;
- any contributions by any beneficiaries in the trust calculation period ending immediately prior to the relevant trust calculation date (excluding deferred contributions);
- any distributions of principal receipts to any beneficiaries in the trust calculation period ending immediately prior to the relevant trust calculation date;
- the amount of any losses or capitalised arrears to be allocated to the beneficiaries in the trust calculation period ending immediately prior to the relevant trust calculation date;
- the amount of any increase in the true balance of the loans due to capitalisation of insurance premiums due by borrowers during the trust calculation period ending immediately prior to such relevant trust calculation date;

- the adjustments referred to in paragraphs (1) to (4) below in "**—Adjustments to trust property**" below (or, if the seller share is zero, the adjustments referred to in (1) only); and

- the amount of any other additions to or subtractions from the aggregate true balance of the loans comprising the trust property (including any subtractions made from the aggregate true balance of such loans resulting from overpayments made by borrowers and/or any additions to the aggregate true balance of such loans resulting from borrowers making underpayments or taking payment holidays under a loan during the trust calculation period ending immediately prior to such relevant trust calculation date, as described below in "**Additions to and reductions in the trust property**").

Further funding company's trust property

Following the acquisition by a further funding company of a share in the mortgages trust and its accession to the mortgages trust deed, the share of such further funding company in the trust property (a **funding company share**) and the percentage share of such further funding company in the trust property (each such share percentage a **funding company share percentage**) will be recalculated on the trust calculation date for the then current trust calculation period in the same way that the Funding 1 share and the Funding 1 share percentage are recalculated as described in "**—Funding 1 share of trust property—trust calculation date recalculation**", except that references to Funding 1 are to be read as references to the relevant further funding company.

Funding 1 share of trust property – interim trust calculation period recalculations

On each trust calculation date (also referred to in this section as the **relevant trust calculation date**), the Funding 1 share in the trust property will be recalculated in respect of each interim trust calculation period (each, a **relevant interim trust calculation period** and the first day of a relevant interim trust calculation period being a **relevant interim trust calculation date**) occurring during the trust calculation period ending immediately prior to the relevant trust calculation date, for the sole purpose of calculating the distributions to be made from the trust property on the distribution date immediately succeeding such trust calculation date, in accordance with the following formula:

(i) the current Funding 1 share of the trust property will be an amount equal to:

$$(A - B + D)$$

(ii) the current Funding 1 share percentage of the trust property will be an amount equal to:

$$\frac{(A - B + D)}{G} \times 100$$

expressed as a percentage and rounded upwards to five decimal places,

where:

A = the size of the Funding 1 share as determined in respect of the later to occur of the beginning of the trust calculation period ending immediately prior to the relevant trust calculation date and, if applicable, the interim trust calculation date immediately preceding the relevant interim trust calculation date;

B = the actual amount of any refinancing distribution (but only to the extent of the amount of such refinancing contribution that is ultimately applied to repay a term advance) paid to Funding 1 on the relevant interim trust calculation date;

D = (a) the amount of any initial contribution paid by Funding 1 to the mortgages trustee on the relevant interim trust calculation date or, as the case may be, (b) an amount equal to the further contribution including a refinancing contribution (but only to the extent of the amount of such refinancing contribution that is ultimately applied to repay a term advance) paid by Funding 1 to the mortgages trustee on the relevant interim trust calculation date which is a further contribution date; and

G = the sum of:

(i) the true balance of all of the loans in the trust property as at the later to occur of the beginning of the trust calculation period ending immediately prior to the relevant trust calculation date and, if applicable, the interim trust calculation date immediately preceding the relevant interim trust calculation date; and

(ii) the true balance of the loans sold to the mortgages trustee on the relevant interim trust calculation date,

in each case, after taking into account the amounts and adjustments referred to in the calculation of G as set out under the heading "**—Funding 1 share of trust property—trust calculation date recalculation**" above.

Each further funding company

Following the acquisition by a further funding company of a share in the mortgages trust and its accession to the mortgages trust deed the share of such further funding company in the trust property and its further funding company share percentage in the trust property will be recalculated on each trust calculation date for each interim trust calculation period occurring in the trust calculation period ending immediately prior thereto in the same way that the Funding 1 share and the Funding 1 share percentage are recalculated as described in "**—Funding 1 share of trust property—interim trust calculation period recalculations**", except that references to Funding 1 are to be read as references to the relevant further funding company.

Adjustment of shares

In making the relevant calculations on each trust calculation date and making the distributions to the beneficiaries, the mortgages trustee, or the cash manager on its behalf, will take account of and make adjustments for such calculations and distributions in order that:

(a) subject as provided in sub-paragraphs (b) to (f) below, payment by any beneficiary of a contribution (excluding a deferred contribution) shall increase that beneficiary's share by a corresponding amount. The amount of any such increase will be calculated on the trust calculation date immediately following the end of the trust calculation period in which such payment took place and will take effect from and including the relevant sale date or further contribution date;

(b) any consideration provided by the seller shall increase the seller share by a corresponding amount. The amount of any such increase will be calculated on the trust calculation date immediately following the end of the trust calculation period in which such payment took place and will take effect from and including the relevant sale date;

(c) any further advance funded (and not repurchased) by the seller shall increase the seller share by a corresponding amount. The amount of any such increase will be calculated on the trust calculation date immediately following the end of the trust calculation period in which such payment took place and will take effect from the trust calculation date following the trust calculation period in which the further advance is funded;

(d) any seller contribution shall increase the seller share by a corresponding amount. The amount of any such increase will be calculated on the trust calculation date immediately following the end of the trust calculation period in which such payment took place and will be deemed to take effect from the trust calculation date following the trust calculation period in which the seller contribution is made;

(e) payment of any special distribution to the seller shall decrease the seller share by a corresponding amount. The amount of any such decrease will be calculated on the trust calculation date immediately following the end of the trust calculation period in which such payment took place and will take effect from the further contribution date on which such special distribution is paid to the seller; and

(f) payment of any refinancing distribution to a funding company shall decrease the share of the recipient funding company by a corresponding amount. The amount of any such decrease will be calculated on the trust calculation date immediately following the end of the trust calculation period in which such payment took place and will take effect from the further contribution date on which such refinancing distribution is paid to the recipient funding company.

Adjustments to trust property

If any of the following events occurs during a trust calculation period or, as applicable, interim trust calculation period, then the aggregate true balance of the loans in the trust property will be reduced or deemed to be reduced for the purposes of the calculation of **G** above with respect to the relevant sale date or, as applicable, further contribution date recalculation and the trust calculation date recalculation:

(1) Any borrower exercises a right of set-off so that the amount of principal and interest owing under a loan in the portfolio is reduced but no corresponding payment is received by the mortgages trustee. In this event, the aggregate true balance of the loans in the trust property will be reduced by an amount equal to the amount of that set-off; and/or

(2) A loan or its related security (i) does not on the date of its sale to the mortgages trustee materially comply with the representations and warranties contained in the mortgage sale agreement or (ii) is the subject of a product switch or a further advance and does not comply with the relevant conditions for remaining in the trust property or does not, on the date of the further advance or product switch materially comply with the representations and warranties contained in the mortgage sale agreement or (iii) the seller exercises its option to repurchase such loan and its related security (and, in each case, the seller fails to repurchase the loan or loans and their related security to the extent required by the terms of the mortgage sale agreement). In this event, the aggregate true balance of the loans in the trust property will be deemed to be reduced for the purposes of the calculation of **G** by an amount equal to the true balance of the relevant loan or loans; and/or

(3) The seller would be required to repurchase a loan and its related security as required by the terms of the mortgage sale agreement, but the loan and its related security is not capable, for any reason, of being repurchased. In this event, the aggregate true balance of the loans in the trust property will be deemed to be reduced for the purposes of the calculation of **G** by an amount equal to the true balance of the relevant loan or loans; and/or

(4) The seller does not comply, in any material respect, with any other warranty under the mortgage sale agreement and/or (for so long as the seller is the servicer) the servicing agreement, which will also be grounds for terminating the appointment of the servicer. In this event, the aggregate true balance of the loans in the trust property will be deemed to be reduced for the purposes of the calculation of **G** by an amount equal to the resulting loss (if any) incurred by the beneficiaries.

The reductions or deemed reductions set out in paragraphs (1) to (4) above will be made on each business day, but only aggregated and accounted for on the next following trust calculation date first to the seller share and thereafter (but in respect of paragraph (1) only) will be made to each Funding 1 share and further funding company share, *pro rata* according to the then current funding company share percentage thereof.

Any sums that are subsequently recovered by the mortgages trustee in connection with a reduction or deemed reduction of the trust property under paragraphs (1) to (4) above will constitute a revenue receipt under the relevant loan. Such revenue receipt will be allocated to each of the funding companies according to the then current funding company share percentage thereof (but only if and to the extent that the related reductions were applied against the Funding 1 share, and the funding company share of the trust property) and thereafter will belong to the seller.

The weighted average share percentages

On any trust calculation date where, during the trust calculation period ending immediately prior thereto, the seller has sold loans to the mortgages trustee or a beneficiary has made a further contribution, the cash manager will calculate (for the sole purpose of making the distributions to be made on the immediately succeeding distribution date) the weighted average of the current Funding 1 share percentage, each further funding company percentage and the current seller share percentage in respect of each interim trust calculation period occurring in that trust calculation period ending immediately prior thereto. The calculation will be based on the amount of the revenue receipts and the principal receipts received and the losses sustained during each such preceding interim trust calculation period.

The weighted average Funding 1 share percentage

The **weighted average Funding 1 share percentage** for any such trust calculation date will be equal to:

(a) in respect of the distribution of revenue receipts to be made on the immediately succeeding distribution date (the **weighted average Funding 1 share (revenue) percentage**), the sum, in respect of all interim trust calculation periods during the trust calculation period ending immediately prior to the relevant trust calculation date, of:

(i) for each interim trust calculation period during that trust calculation period, the amount, expressed as a percentage, calculated as the product of:

(A) the related Funding 1 share percentage for that interim trust calculation period; and

(B) the amount of all revenue receipts received by the mortgages trustee during that interim trust calculation period;

divided by:

(ii) the aggregate of all revenue receipts received by the mortgages trustee during the trust calculation period ending immediately prior to the relevant trust calculation date;

(b) in respect of the distribution of principal receipts to be made on the immediately succeeding distribution date (the **weighted average Funding 1 share (principal) percentage**), the sum, in respect of all interim trust calculation periods during the trust calculation period ending immediately prior to the relevant trust calculation date, of:

(i) for each interim trust calculation period during that trust calculation period, the amount, expressed as a percentage, calculated as the product of:

(A) the related Funding 1 share percentage for that interim trust calculation period; and

(B) the amount of all principal receipts received by the mortgages trustee during that interim trust calculation period;

divided by:

(ii) the aggregate of all principal receipts received by the mortgages trustee during the trust calculation period ending immediately prior to the relevant trust calculation date; and

(c) in respect of the allocation of losses to be made on the immediately succeeding distribution date (the **weighted average Funding 1 share (losses) percentage**), the sum, in respect of all interim trust calculation periods during the trust calculation period ending immediately prior to the relevant trust calculation date, of:

(i) for each interim trust calculation period during that trust calculation period, the amount, expressed as a percentage, calculated as the product of:

(A) the related Funding 1 share percentage for that interim trust calculation period; and

(B) the amount of all losses sustained on the loans during that interim trust calculation period;

divided by:

(ii) the aggregate of all losses sustained on the loans during the trust calculation period ending immediately prior to the relevant trust calculation date.

The weighted average share percentage of each further funding company and the weighted average Funding 1 share percentage

The **weighted average further funding company share percentage** of each further funding company (if any) will be calculated in the same way as the weighted average Funding 1 share percentage, except that references to Funding 1 are to be read as references to the relevant further funding company.

The **weighted average further funding company share (revenue) percentage** will be calculated in the same way as the weighted average Funding 1 share (revenue) percentage, except that references to Funding 1 are to be read as references to the relevant further funding company.

The **weighted average further funding company share (principal) percentage** will be calculated in the same way as the weighted average Funding 1 share (principal) percentage, except that references to Funding 1 are to be read as references to the relevant further funding company.

The **weighted average further funding company share (losses) percentage** will be calculated in the same way as the weighted average Funding 1 share (losses) percentage, except that references to Funding 1 are to be read as references to the relevant further funding company.

Seller share of trust property – trust calculation period calculation

On each trust calculation date, the interest of the seller in the trust property will be calculated for the trust calculation period ending immediately prior thereto or (where a sale date or further contribution date occurs during such trust calculation period, each interim trust calculation period) beginning on the first day of such trust calculation period in accordance with the following formulae:

The **seller share** in the trust property will be an amount equal to:

- the amount calculated under G as set out under the heading "**—Funding 1 share of trust property—trust calculation date recalculation**" above) minus the aggregate of the Funding 1 share and each further funding company share as calculated on the relevant trust calculation date in accordance with the formula set out in "**Funding 1 share of the trust property-trust calculation date recalculation**".

The percentage share of the seller in the trust property will be an amount equal to:

- 100% minus the aggregate of the Funding 1 share percentage and each further funding company share percentage as calculated on the relevant trust calculation date in accordance with the formula set out in "**Funding 1 share of the trust property-trust calculation date recalculation**".

Seller share of trust property – interim trust calculation period recalculation

On each trust calculation date, the interest of the seller in the trust property will be recalculated in respect of each interim trust calculation period (each, a **relevant interim trust calculation period**) occurring during the trust calculation period ending immediately prior to such trust calculation date in accordance with the following formulae:

The **seller share** in the trust property for a relevant interim trust calculation period will be an amount equal to:

- the amount calculated under G as set out under the heading "**—Funding 1 share of trust property—interim trust calculation date recalculations**" above for the relevant interim trust calculation period minus the aggregate of the Funding 1 share and each further funding company share as calculated for the relevant interim trust calculation period.

The percentage share of the seller in the trust property will be an amount equal to:

- 100% minus the aggregate of the Funding 1 share percentage and each further funding company share percentage as calculated for the relevant interim trust calculation period.

Beneficiary shares not to be reduced below zero

None of the Funding 1 share, each further funding company share or the seller share of the trust property may be reduced to or below zero, regardless of the requirements in relation to the minimum seller share.

The weighted average seller share percentage

On any trust calculation date where, during the trust calculation period ending immediately prior thereto, the seller has sold loans to the mortgages trustee or a beneficiary has made a further contribution, the cash manager will calculate (for the sole purpose of making the distributions to be made on the immediately succeeding distribution date) the weighted average of the current seller share percentages that were calculated previously in respect of each interim trust calculation period

occurring in such trust calculation period ending immediately prior to such trust calculation date. The calculation will be based on the amount of the revenue receipts and the principal receipts received and the losses sustained during each such preceding interim trust calculation period.

The **weighted average seller share percentage** for any such trust calculation date will be equal to:

(a) in respect of the distribution of revenue receipts to be made on the immediately succeeding distribution date (the **weighted average seller share (revenue) percentage**), the sum based on the following formula:

100%	*minus*	(Then current weighted average Funding 1 share (revenue) percentage *plus* the then current weighted average further funding company share (revenue) percentage of each further funding company)

(b) in respect of the distribution of principal receipts to be made on the immediately succeeding distribution date (the **weighted average seller share (principal) percentage**), the sum based on the following formula:

100%	*minus*	(Then current weighted average Funding 1 share (principal) percentage *plus* the then current weighted average further funding company share (principal) percentage of each further funding company)

(c) in respect of the allocation of losses to be made on the immediately succeeding distribution date (the **weighted average seller share (losses) percentage**), the sum based on the following formula:

100%	*minus*	(Then current weighted average Funding 1 share (losses) percentage *plus* the then current weighted average further funding company share (losses) percentage of each further funding company)

Minimum seller share

The seller share includes an amount known as the **minimum seller share**. The amount of the minimum seller share will fluctuate depending on changes to the characteristics of the loans in the trust property. The seller will not be entitled to receive principal receipts which would reduce the seller share to an amount less than the minimum seller share unless and until the earlier of:

- each of the Funding 1 share, and the funding company share of each further funding company is in an amount equal to zero; or
- an asset trigger event occurs.

The minimum seller share will be the amount determined on each trust calculation date in accordance with the following formula:

$$X + Y + Z$$

where:

X = the product of (i) OC and (ii) for borrowers whose total deposits exceed the FSCS limit, the total deposit account balances of such borrower minus the FSCS limit; provided, that if the total deposit account balances of each borrower minus the FSCS limit is not available on the relevant trust calculation date, X shall equal 4% of the true balance of the loans in the trust property, as calculated on the relevant trust calculation date;

OC means (i) 1.05, or (ii) such other amount as is specified in the most recent final terms which the cash manager reasonably determines will not cause the downgrade, withdrawal or qualification of then current ratings of the rated notes.

Y = the product of p, q and r

where:

p = 8%;

q = the **flexible draw capacity**, being an amount equal to the maximum amount of cash withdrawals (including cash withdrawals in respect of flexible advances) that borrowers may draw under loans (including flexible loans) that permit such withdrawals in the trust property as determined in respect of the immediately preceding trust calculation period; and

r = 3; and

Z = to the extent applicable, the aggregate amount of loans included in the trust property which are not represented to be enforceable.

The purpose of X is to mitigate the risks relating to certain set-off risks relating to the loans. The amount of X may be reduced from time to time at the request of any of the beneficiaries (acting reasonably) provided that the Funding 1 security trustee has previously received written confirmation from S&P that the then current ratings of the rated notes as a result thereof will not be downgraded, withdrawn or qualified (and 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).

The purpose of the calculation in Y is to mitigate the risk of the seller failing to fund any cash withdrawals which borrowers are entitled to draw) under certain types of loans (including flexible loans and other loans incorporating flexible advances excluding any further advances for these purposes).

The purpose of Z is to mitigate enforceability risks relating to loans which are subject to the CCA (if applicable).

Cash management of trust property – revenue receipts

Under the cash management agreement, the cash manager is responsible for distributing revenue receipts on behalf of the mortgages trustee on each distribution date in accordance with the order of priority described in the following section. For further information on the role of the cash manager, see "**Cash management agreements—Cash management services provided in relation to the mortgages trust**".

Mortgages trust calculation of revenue receipts

Mortgages trust available revenue receipts are calculated by the cash manager on each trust calculation date and is an amount equal to the sum of:

- revenue receipts on the loans in the portfolio received during the immediately preceding trust calculation period;

- interest received or payable to the mortgages trustee on the mortgages trustee GIC account and the mortgages trustee transaction account during the immediately preceding trust calculation period;

- the amount of any seller contribution received by the mortgages trustee during the immediately preceding trust calculation period; and

- any amounts subsequently recovered from the mortgages trustee GIC account (while such amounts are collateralised pursuant to clause 4.10 of the cash management agreement) which were previously not capable of being withdrawn and ceased being mortgages trust available principal receipts or mortgages trust available revenue receipts,

less:

- amounts due to third parties (also known as **third party amounts**), including:

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

  (b) recoveries in respect of amounts deducted from loans as described in paragraphs (1) to (4) above in "**Adjustments to trust property**" above, which will belong to and be paid to the funding companies and/or the seller as described therein,

provided that revenue amounts and amounts of interest accrued in respect of amounts which cannot be withdrawn from the mortgages trustee GIC account while such amounts are collateralised pursuant to clause 4.10 of the cash management agreement (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute mortgages trust available revenue receipts; provided further, that any amounts subsequently recovered in respect of such revenue amounts or amounts of interest from realisation of the related eligible collateral shall constitute mortgages trust available revenue receipts;

which amounts may be paid daily from monies on deposit in the mortgages trustee GIC account.

In the mortgages trust revenue priority of payments below, references to the term **relevant trust calculation date** means the trust calculation date occurring in the most recently completed trust calculation period.

On each distribution date (or in respect of amounts due to third parties under paragraph (b)(ii) below or to the mortgages trustee account bank under paragraph (c)(iv) below, when due), the cash manager will apply mortgages trust available revenue receipts in accordance with the following **mortgages trust revenue priority of payments**:

(a) *first*, to the seller in an amount equal to any seller accrued interest amounts received by the mortgages trustee in the immediately preceding trust calculation period;

(b) then, *pari passu* and *pro rata*, to pay or provide for:

(i) amounts due and payable to the mortgages trustee under the provisions of the mortgages trust deed or to become due and payable to the mortgages trustee during the current trust calculation period; and

(ii) amounts due and payable to third parties or to become due and payable to third parties during the current trust calculation period from the mortgages trustee in respect of the mortgages trust, but only if:

(A) payment is not due as a result of a breach by the mortgages trustee of the documents to which it is a party; and/or

(B) payment has not already been provided for elsewhere in the Mortgages Trust Deed;

(c) then, *pari passu* and *pro rata*, to pay or provide for:

(i) amounts due and payable to the servicer or to become due and payable to the servicer during the current trust calculation period, in each case by the mortgages trustee under the provisions of the servicing agreement;

(ii) amounts due and payable to the cash manager or to become due and payable to the cash manager during the current trust calculation period, in each case by the mortgages trustee under the provisions of the cash management agreement;

(iii) amounts due and payable to the mortgages trustee corporate services provider or to become due and payable to the mortgages trustee corporate services provider during the current trust calculation period, in each case by the mortgages trustee under the provisions of the mortgages trustee corporate services agreement; and

(iv) amounts due and payable to the mortgages trustee account bank or to become due and payable to the mortgages trustee account bank during the current trust calculation period, in each case by the mortgages trustee under the provisions of the mortgages trustee bank account agreement; and

(d) *finally*, *pari passu* and *pro rata* subject to the proviso below, to allocate and pay the remaining mortgages trust available revenue receipts to:

(i) Funding 1 in an amount determined by multiplying the total amount of the remaining mortgages trust available revenue receipts by the Funding 1 share percentage as calculated on the relevant trust calculation date (or, in the case of the first distribution date, as of the initial closing date);

(ii) each further funding company in an amount determined by multiplying the total amount of the remaining mortgages trust available revenue receipts by each further funding company share percentage as calculated on the relevant trust calculation date (or, in the case of the first distribution date following the date on which such further funding company acceded to the mortgages trust deed, as of the date on which such further funding company acceded to the mortgages trust deed);

(iii) the seller in an amount determined by multiplying the total amount of the remaining mortgages trust available revenue receipts by the seller share percentage as calculated on the relevant trust calculation date (or, in the case of the first distribution date, as of the initial closing date),

PROVIDED THAT, if a sale date or further contribution date has occurred during the trust calculation period immediately preceding the relevant distribution date, then the cash manager will use:

(a) the weighted average Funding 1 share (revenue) percentage (instead of the Funding 1 share percentage) in determining the amount of mortgages trust available revenue receipts to distribute to Funding 1;

(b) the weighted average funding company share (revenue) percentage of each further funding company (instead of each further funding company share percentage) in determining the amount of mortgages trust available revenue receipts to distribute to each further funding company;

(c) the weighted average seller share (revenue) percentage (instead of the seller share percentage) in determining the amount of mortgages trust available revenue receipts to distribute to the seller.

Amounts due to the mortgages trustee, the servicer, the cash manager, the mortgages trustee corporate services provider and the mortgages trustee account bank will include amounts payable in respect of VAT, if any.

You should note that when a further funding company acquires an interest in the trust property, the allocation of mortgages trust available revenue receipts may change. In particular, Funding 1 may not receive mortgages trust available revenue receipts that would be available to pay amounts to any start-up loan providers or in respect of deferred contributions.

You will not have any right of prior review or consent to such changes, provided that (among other things) S&P confirms that the ratings of the rated notes will not be downgraded, withdrawn or qualified by such changes (and advance notice in writing of such changes 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).

Cash management of trust property – principal receipts

Under the cash management agreement, the cash manager is also responsible for distributing principal receipts on behalf of the mortgages trustee on each distribution date. To understand how the cash manager distributes principal receipts on the loans on each distribution date, you need to understand the definitions set out below.

On each trust calculation date, the cash manager will ascertain whether the next following distribution date is within a cash accumulation period relating to a cash accumulation advance for any funding company and will ascertain each funding company's cash accumulation requirement and repayment requirement.

The cash accumulation period will be calculated separately for each cash accumulation advance.

Definitions

An **asset trigger event** will occur when an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 (or any further funding company). For more information on the principal deficiency ledger, see **"Credit structure"**. The definition of **asset trigger event** may change as new loan types are sold to the mortgages trustee or when a further funding company acquires an interest in the trust property.

bullet term advance means any funding company term advance where the full amount of principal is scheduled to be repaid in full on one date (being the scheduled repayment date). In respect of any bullet term advance made to Funding 1, such bullet term advance will be deemed to be a monthly pass-through term advance (and no longer a bullet term advance) if:

- any pass-through trigger event occurs; or
- any other date specified in the intercompany loan confirmation for such term advance occurs in relation to which it is specified that the bullet term advance will be deemed to be a monthly pass-through term advance.

If a bullet term advance is made to any further funding company the amount and scheduled repayment date of that bullet term advance will be notified to noteholders in the first investor report published after the date such bullet term advance is made. Noteholders will not be notified if any bullet term loan advance made to any further funding company is deemed to be a pass-through term advance.

cash accumulation advance means in relation to Funding 1, a bullet term advance and/or scheduled amortisation instalment.

cash accumulation ledger means a ledger maintained by the cash manager to record the amount accumulated by a funding company from time to time to pay relevant accumulation amounts. There will be a separate cash accumulation ledger for each funding company.

cash accumulation period means, as applicable, a Funding 1 cash accumulation period and/or a further funding company cash accumulation period.

cash accumulation requirement means on a trust calculation date in relation to a funding company:

- the principal amount remaining to be repaid in relation to each cash accumulation advance due to that funding company that is within its cash accumulation period;
- *plus*, on a trust calculation date falling immediately prior to a funding company payment date, amounts due and payable by that funding company on the immediately following funding company payment date (or which will become due and payable in the current funding company calculation period) in priority to payment of a cash accumulation advance due by that funding company on the relevant accumulation amount under the pre-enforcement principal priority(s) of payments relevant to that funding company (e.g. in relation to Funding 1, item (a) of the Funding 1 pre-enforcement principal priority of payments and, after first determining the amounts payable pursuant to items (a) to (r) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments, item (b) of the Funding 1 pre-enforcement principal priority of payments);
- *plus*, on a trust calculation date falling immediately prior to a funding company payment date, the amount of principal required to meet the funding company revenue deficit amount (if any) in respect of that funding company as such amount is determined on the funding company calculation date preceding such funding company payment date;
- less the amount standing to the credit of the cash accumulation ledger of the relevant funding company at the last funding company payment date (which amount was not distributed on that funding company payment date and which is available to reduce the relevant cash accumulation requirement.

funding company calculation period means the period from (and including) a funding company payment date to (but excluding) the next following funding company payment date.

funding company term advance means any term advance made to a funding company (e.g. the term advances made to Funding 1 from time to time).

Funding 1 cash accumulation period in respect of each relevant accumulation amount means:

(a) in relation to bullet redemption notes, the period of time beginning on the earlier of the following two dates:

(i) the date determined after counting back in time from the relevant scheduled repayment date of the relevant accumulation amount, the number of months calculated under the definition of the Funding 1 anticipated cash accumulation period; and

(ii) the date determined after counting back in time from the relevant scheduled repayment date of the relevant accumulation amount, the number of months (if any) specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the series and class (or sub-class) of notes which funded the relevant term advance; or

(b) in relation to scheduled redemption notes, the period of time beginning on the date which is three months prior to the scheduled repayment date, unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement),

PROVIDED THAT:

(A) a Funding 1 cash accumulation period shall end in respect of a relevant accumulation amount when Funding 1 has repaid the relevant scheduled amortisation instalment and/or bullet term advance in full (or provided sufficient funds for repayment thereof in full); and

(B) a Funding 1 cash accumulation period shall not be longer than the period (if any) specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the series and class (or sub-class) of notes which funded the relevant term advance to be the maximum length of such period.

Funding 1 anticipated cash accumulation period means on any trust calculation date the anticipated number of months required to accumulate sufficient principal receipts to pay the relevant accumulation amount in relation to a bullet term advance and/or a scheduled amortisation instalment made to Funding 1, which will be equal to:

$$\frac{J + K - L}{M \times N \times O}$$

calculated in months and rounded up to the nearest whole number, where:

J = the relevant accumulation amount;

K = the aggregate outstanding principal amount on that trust calculation date of:

- each bullet term advance or scheduled amortisation instalment made to Funding 1, the scheduled repayment date of which falls on or before the scheduled repayment date of the relevant accumulation amount; and

- each other bullet term advance or scheduled amortisation instalment made to the funding companies, the scheduled repayment date of which falls on or before the scheduled repayment date of the relevant accumulation amount;

L = the amount of any available cash already standing to the credit of the cash accumulation ledger of Funding 1 at the start of that Funding 1 interest period plus the aggregate amount of cash accumulation requirement paid to Funding 1 since the previous Funding 1 payment date;

M = the lower of (i) the sum of each monthly CPR on the 12 most recent trust calculation dates which have occurred prior to that date divided by 12 (or, if less than 12 trust calculation dates have occurred prior to such date, the number of calculation dates which have occurred) and (ii) the sum of each monthly CPR on the 3 most recent trust calculation dates which have occurred prior to that date divided by 3 (or, if less than 3 trust calculation dates have occurred prior to such date, the number of calculation dates which have occurred);

N = 0.85; and

O = the aggregate outstanding principal balance of the loans comprising the trust property as calculated on that trust calculation date.

further funding company cash accumulation period means the anticipated period required to accumulate sufficient funds to repay a cash accumulation advance made to a further funding company (ending when that further funding company has accumulated an amount equal to that cash accumulation advance, taking into account its obligation to accumulate for any other cash accumulation advance before, or at the same time as, the relevant cash accumulation advance).

monthly CPR on any trust calculation date means the total principal receipts received during the immediately preceding trust calculation period divided by the outstanding principal balance of the loans comprised in the trust property as at the immediately preceding trust calculation date.

A **non-asset trigger event** will occur on a trust calculation date if:

(a) an insolvency event occurs in relation to the seller on or before that trust calculation date;

(b) Nationwide ceasing to be the servicer or being required to use reasonable efforts to delegate to a new third party servicer, where a new servicer is not appointed or such delegation does not occur within 60 days;

(c) the seller share at any time is equal to or less than the minimum seller share on two consecutive trust calculation dates (in each case by reference to the most recent trust calculation date); or

(d) on two consecutive trust calculation dates (in each case by reference to the most recent trust calculation date) (i) the aggregate true balance of loans comprising the trust property at that date is less than the minimum trust size (if any) as specified in respect of such date in the most recent final terms, or (ii) the aggregate true balance of loans comprising the trust property at that date which mature no later than 2 January 2053 is not equal to or greater than the product of (1) 1 plus the minimum seller share expressed as a percentage of the aggregate outstanding principal balance of the loans and (2) the aggregate principal amount outstanding of the notes with a final maturity date of 21 January 2055.

The definition of **non-asset trigger event** may change as new loan types are sold to the mortgages trustee or when a further funding company acquires an interest in the trust property.

original bullet term advance means any funding company term advance which at any time has been a bullet term advance (even if such funding company term advance has subsequently become a pass-through term advance).

pass-through term advance means a funding company term advance which has no scheduled repayment date other than the final repayment date. The pass-through term advances of Funding 1 from time to time will be all the term advances other than the cash accumulation advances. In respect of any non-monthly pass-through term advance made to Funding 1, such pass-through term advance will be deemed to be a monthly pass-through term advance if:

- a pass-through trigger event occurs;
- the step-up date (if any) for the pass-through term advance occurs; or
- any other date specified in the intercompany loan confirmation occurs in relation to which it is specified that the pass-through term advance will be deemed to be a monthly pass-through term advance.

relevant accumulation amount means the amount of funds to be accumulated over a cash accumulation period in order to repay a bullet term advance or make a scheduled amortisation instalment in respect of a scheduled amortisation term advance, in each case on its scheduled repayment date (whether or not actually repaid on that scheduled repayment date).

repayment requirement means on a trust calculation date the amount, if any, by which:

- the aggregate of all principal amounts that will be due and payable by a funding company on the next funding company payment date in respect of the funding company term advances made to that funding company and the aggregate of all principal amounts that will be required to be credited to a non-monthly term advance principal ledger on the next funding company payment date on the basis:

  (a) that there would be no deferral of those funding company term advances due to the operation of applicable deferral rules (e.g. in respect of Funding 1, pursuant to Rule (1) as described in "**Cashflows—Distribution of Funding 1 available principal receipts—Rule (1) – Repayment deferrals**");

  (b) in respect of Funding 1 only (separate rules may apply to further funding companies), where Rule (2) as described in "**Cashflows—Distribution of Funding 1 available principal receipts—The Rules**" applies to the intercompany loan, that the amount so payable by Funding 1 in respect of term advances (other than bullet term advances and scheduled amortisation term advances) under the intercompany loan shall be treated as the lesser of:

    (i) the amount due in respect of those term advances (excluding bullet term advances and scheduled amortisation term advances);

    (ii) the aggregate amount that may be repaid by Funding 1 on a Funding 1 payment date in respect of the intercompany loan (if Rule (2) applies) (excluding bullet term advances and scheduled amortisation term advances);

    and

    (iii) the remaining mortgages trust available principal receipts after paying or providing for amounts set out in items (a) to (c) (inclusive) of the mortgages trust principal priority of payments;

  (c) that funding company term advance will be treated as due if they are already due, or would become due on or before the next Funding 1 payment date in accordance with the terms of the relevant intercompany loan agreement or new intercompany loan agreement; and

  (d) that amounts due to that funding company in respect of bullet term advances and scheduled amortisation term advances are excluded,

exceeds the sum of each repayment requirement amount paid to the relevant funding company on a previous distribution date (if any) during the relevant Funding 1 interest period.

scheduled amortisation instalment means that part of a scheduled amortisation term advance which is payable on a scheduled repayment date of that scheduled amortisation term advance.

scheduled amortisation term advance means any funding company term advance which is scheduled to be repaid in one or more instalments (being scheduled amortisation instalments) on scheduled repayment dates in accordance with the terms of the relevant debt instruments of the funding companies. In respect of any scheduled amortisation term advance made to Funding 1 under the intercompany loan agreement, such scheduled amortisation term advance will be deemed to be a monthly pass-through term advance (and no longer a scheduled amortisation term advance) if:

- a pass-through trigger event occurs; or
- any other date specified in the intercompany loan confirmation for such term advance occurs in relation to which it is specified that the scheduled amortisation term advance will be deemed to be a monthly pass-through term advance.

If a scheduled amortisation term advance is made to any further funding company, the amount and scheduled repayment dates of each scheduled amortisation instalment will be notified to noteholders in the first investor report available after the date such scheduled amortisation term advance is made.

There may be circumstances when the scheduled amortisation term advances made to a further funding company will be deemed to be monthly pass-through term advances.

scheduled repayment date means the funding company payment date when a funding company is required to repay a bullet term advance or make a scheduled amortisation instalment in respect of a scheduled amortisation term advance.

trigger event means an asset trigger event and/or a non-asset trigger event.

Mortgages trust calculation of principal receipts

Mortgages trust available principal receipts are calculated by the cash manager on each trust calculation date and will be equal to the amount that is standing to the credit of the principal ledger at the end of the immediately preceding trust calculation period, provided that, principal amounts which cannot be withdrawn from the mortgages trustee GIC account while such amounts are collateralised pursuant to the cash management agreement (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute mortgages trust available principal receipts; provided further that any amounts subsequently recovered in respect of such principal amounts from realisation of the related eligible collateral shall constitute mortgages trust available principal receipts. Amounts subsequently recovered in respect of such principal amounts from the mortgages trustee GIC account will not constitute mortgages trust available principal receipts but will instead constitute mortgages trust available revenue receipts.

The cash manager will calculate the repayment requirement and the cash accumulation requirement (if any) on each trust calculation date and the relevant amounts will be notified to the mortgages trustee (who will be entitled to rely on such notifications).

In the mortgages trust principal priority of payments, references to the term **relevant trust calculation date** means the trust calculation date occurring in the most recently completed trust calculation period.

Mortgages trust allocation and distribution of principal receipts prior to the occurrence of a trigger event

On each distribution date (the **relevant distribution date**), provided no trigger event has occurred on or before the immediately preceding trust calculation date, the cash manager will apply further contributions (including refinancing contributions) (to the extent not already applied by the mortgages trustee in accordance with the terms of the mortgages trust deed) and the mortgages trust available principal receipts as follows (the **mortgages trust principal priority of payments**):

(a) first, in respect of any further contributions (other than any refinancing contributions) to allocate and pay to the seller, the amount of any special distribution which is then available and payable to the seller in accordance with the terms of the mortgages trust deed and in respect of any refinancing contributions to allocate and pay to the funding companies (as applicable), the amount of any refinancing distribution which is then available and payable to the relevant funding company in accordance with the terms of the mortgages trust deed;

(b) then *pari passu* and *pro rata*, if any of the funding companies has a cash accumulation requirement on that distribution date:

  (i) to allocate and pay to Funding 1 an amount equal to the lesser of (1) all remaining mortgages trust available principal receipts multiplied by the Funding 1 share percentage and (2) an amount up to but not exceeding the sum of Funding 1's cash accumulation requirement (if any) on that distribution date;

  (ii) to allocate and pay to each further funding company an amount equal to the lesser of (1) all remaining mortgages trust available principal receipts multiplied by that further funding company's funding company share percentage (2) an amount up to but not exceeding the sum of such further funding company's cash accumulation requirement (if any) on that distribution date;

(c) then *pari passu* and *pro rata*:

  (i) to allocate and pay to Funding 1 an amount up to but not exceeding Funding 1's cash accumulation requirement (if any) on that distribution date after taking into account any amounts received by Funding 1 in accordance with paragraph (b)(i) above;

  (ii) to allocate and pay to each further funding company an amount up to but not exceeding such further funding company's cash accumulation requirement (if any) on such distribution date after taking into account any amounts received by such further funding company in accordance with paragraph (b)(ii) above;

(d) then, *pari passu* and *pro rata*, if any of the funding companies has a repayment requirement on that distribution date:

  (i) to allocate and pay to Funding 1 an amount equal to the lesser of (1) all remaining mortgages trust available principal receipts multiplied by the Funding 1 proportion and (2) an amount up to but not exceeding the sum of Funding 1's repayment requirement (if any) on that distribution date;

  (ii) to allocate and pay to each further funding company an amount equal to the lesser of (1) all remaining mortgages trust available principal receipts multiplied by that further funding company proportion and (2) an amount up to but not exceeding the sum of such further funding company's repayment requirement (if any) on that distribution date;

(e) then, *pari passu* and *pro rata*:

(i) to allocate and pay to Funding 1 an amount up to but not exceeding Funding 1's repayment requirement (if any) on that distribution date after taking into account any amounts received by Funding 1 in accordance with paragraphs (c)(i) and (d)(i) above;

(ii) to allocate and pay to each further funding company an amount up to but not exceeding such further funding company's repayment requirement (if any) on that distribution date after taking into account any amounts received by such further funding company's in accordance with paragraphs (c)(ii) and (d)(ii) above; and

(f) finally, provided that the seller share on the immediately preceding trust calculation date is greater than the minimum seller share, to allocate and pay all remaining mortgages trust available principal receipts to the seller,

PROVIDED THAT, in relation to paragraphs (a) to (f) above, the following rules shall apply:

(a) the amount of mortgages trust available principal receipts to be allocated and paid:

(i) to Funding 1 on a distribution date will be reduced by an amount equal to the aggregate of Funding 1 available revenue receipts which are to be applied on the immediately succeeding Funding 1 payment date in reduction of deficiencies on the principal deficiency ledger and the amounts standing to the credit of the principal ledger of Funding 1 as at the last Funding 1 payment date (which amount was not distributed on that Funding 1 payment date); and

(ii) to each further funding company on a distribution date will be reduced by an amount equal to the aggregate of available revenue receipts of such further funding company which are to be applied on the immediately succeeding funding company payment date in reduction of deficiencies on the principal deficiency ledger(s) of the relevant funding company and the amounts standing to the credit of the principal ledger of such further funding company as at the last funding company payment date (which amount was not distributed on that funding company payment date),

but in each case only to the extent that (following any such reduction) amounts falling due under paragraphs (b), (c), (d) and (e) are still able to be paid in full;

(b) a funding company will not be entitled to have allocated to it (nor will it have allocated to it or receive) in aggregate an amount of mortgages trust available principal receipts from the mortgages trustee on a distribution date which is in excess of:

(i) in respect of Funding 1, the Funding 1 share on such distribution date;

(ii) in respect of each further funding company, such further funding company share on such distribution date; and

(c) if on any trust calculation date prior to the occurrence of a non-asset trigger event the seller share (as calculated on such date) is equal to or less than the minimum seller share (as calculated on such date):

(i) the mortgages trustee will make provision in an amount which would have been payable to the seller if the seller share had been greater than the minimum seller share; and

(ii) the seller will not receive nor have allocated to it any amount so provided for by the mortgages trustee in paragraph (c)(i) above until such time as the seller share as calculated at the relevant time is greater than the minimum seller share as calculated at such time and provided that (i) the seller will not receive nor have allocated to it any such amount if a non-asset trigger event occurs and is occurring (such amount being allocated to the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and each further funding company proportion, respectively) and (ii) if an asset trigger event occurs and is occurring, the seller will have allocated to it and will be paid such amount but only to the extent permitted by the rules governing distribution of principal receipts after the occurrence of an asset trigger event.

Mortgages trust allocation and distribution of principal receipts on or after the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event

On each distribution date after the occurrence of a non-asset trigger event and until the occurrence of an asset trigger event, the cash manager will apply all mortgages trust available principal receipts by way of allocation and payment to the funding companies *pari passu* and *pro rata* according to the Funding 1 proportion and each further funding company proportion respectively, until each of the Funding 1 share and the funding company share of each further funding company in the trust property (as calculated on the trust calculation date falling in the immediately preceding trust calculation period) is zero. When the Funding 1 share and each further funding company share is zero, the remainder, if any, of such receipts will be allocated and paid to the seller (and, for the avoidance of doubt, such payments may reduce the seller share of the trust property to an amount less than the minimum seller share).

Notwithstanding the foregoing, if a sale date or a further contribution date has occurred during the trust calculation period immediately preceding such distribution date, the cash manager on behalf of the mortgages trustee will apply all principal receipts by way of allocation and payment between and to Funding 1 and each further funding company according to the weighted average Funding 1 proportion and the relevant weighted average further funding company proportion for that distribution date, until each of the Funding 1 share and each further funding company share is zero.

The **weighted average Funding 1 proportion** and the **weighted average further funding company proportion**, in respect of a distribution date, shall mean the weighted average of the Funding 1 proportion and the further funding company proportion, each calculated with respect to each interim trust calculation period in the immediately preceding trust calculation period.

Following the occurrence of a non-asset trigger event, the notes will be subject to prepayment risk (that is, they may be repaid earlier than expected). See "**Risk Factors—The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**".

Mortgages trust allocation and distribution of principal receipts on or after the occurrence of an asset trigger event

On each distribution date after the occurrence of an asset trigger event or the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice, the cash manager will allocate and pay all mortgages trust available principal receipts, *pari passu* and *pro rata*, to the funding companies and the seller according to the Funding 1 share percentage, the relevant further funding company share percentage and the seller share percentage, respectively (in each case as calculated on the trust calculation date falling in the immediately preceding trust calculation period), until each of the Funding 1 share, each further funding company share is zero. Following the occurrence of an asset trigger event, the making of allocations and payments to the seller may reduce the seller share below the minimum seller share.

Notwithstanding the foregoing, if a sale date has occurred during the trust calculation period immediately preceding any such distribution date, the cash manager on behalf of the mortgages trustee will apply all principal receipts by way of allocation and payment between and to the funding companies and the seller according to the weighted average Funding 1 share (principal) percentage and the relevant weighted average further funding company share (principal) percentages, and the weighted average seller share (principal) percentage, for that distribution date, until each of the Funding 1 share and each further funding company share is zero.

Following the occurrence of an asset trigger event, it is possible that the notes of any series may not be repaid in full by their respective final maturity dates. See "**Risk Factors—The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**".

Losses

All losses arising on the loans and in respect of any inability to withdraw amounts standing to the credit of the mortgages trustee GIC account will be applied in reducing each beneficiary's share.

Save as otherwise provided, each beneficiary's share of the losses will be determined on any date by multiplying the amount of losses by:

- in relation to Funding 1, the Funding 1 share percentage;
- in relation to each further funding company, the relevant funding company share percentage; and
- in relation to the seller, the seller share percentage,

in each case as determined on the immediately preceding trust calculation date, until the share of each beneficiary in the trust property is zero, regardless of the requirements in relation to the minimum seller share.

However, if, during the trust calculation period ending immediately prior to a trust calculation date, the seller has sold loans to the mortgages trustee, then the amount of losses shall be multiplied by, as applicable, the weighted average Funding 1 share (losses) percentage, the weighted average funding company share (losses) percentage of each further funding company and the weighted average seller share (losses) percentage, in each case as calculated on that trust calculation date, rather than the then current Funding 1 share percentage, the then current funding company share percentage of each further funding company and the then current seller share percentage respectively.

Disposal of trust property

The trust property is held on bare trust for the benefit of Funding 1, the seller and any further funding companies (if any) absolutely. Subject as provided otherwise in the mortgages trust deed and the other transaction documents, the mortgages trustee is not entitled to dispose of the trust property or create any security interests over the trust property.

If an event of default occurs under the intercompany loan agreement and (following the service on Funding 1 and the Funding 1 security trustee of an intercompany loan acceleration notice) the Funding 1 security trustee enforces the Funding 1 security, then the Funding 1 security trustee will be entitled, among other things, to sell the Funding 1 share of the trust property (see "**Security for Funding 1's obligations**").

Additions to and reductions in the trust property

Pursuant to the terms of the mortgage sale agreement, the seller will be solely responsible for funding any further advance made to a borrower on a loan in the loan portfolio. Any further advance made to a borrower will have the analogous effect of increasing the true balance of the relevant loan with effect from the following day and will therefore increase the seller share in the trust property, by the amount of that further advance on the next trust calculation date unless and until such affected loan is repurchased by the seller pursuant to the terms of the mortgage sale agreement.

If a borrower exercises a right to make an underpayment or take a payment holiday under a loan in the loan portfolio, then that will increase the true balance of the loan with effect from the day following the making of the underpayment or the taking of the payment holiday by an amount equal to the amount of interest not paid on the relevant loan in the month during which such underpayment or payment holiday option is exercised. The increase in the true balance of the loan will, on the trust calculation date following the trust calculation period in which the making of the underpayment or the taking of the payment holiday occurs be allocated to each of the beneficiaries *pro rata* according to their current respective shares in the trust property, unless and until the seller makes a seller contribution to the mortgages trustee in an amount equal to the unpaid interest element otherwise payable under any loan which is subject to an underpayment or payment holiday. If the seller makes such a seller contribution, then it will be deemed to be a revenue receipt, and only the seller share shall increase by a corresponding amount. The seller has agreed to make such seller contributions on an on-going basis pursuant to the terms of the mortgages trust deed, but it may cease making such contributions if it is subject to an insolvency event.

Increasing the shares of the funding companies by way of further contributions and additional initial contributions

On receipt by Funding 1 of term advances or new term advances made pursuant to the terms of the intercompany loan agreement or a new intercompany loan agreement (if any) or on receipt by a further funding company (if any) of new term advances made pursuant to the terms of a new funding intercompany loan agreement (if any), then any such funding company may apply the proceeds of that term advance or new term advance (as applicable) as either a further contribution or an additional initial contribution to the mortgages trust to increase its beneficial interest in the trust property, and the Funding 1 share or the relevant further funding company's funding company share (as applicable). A funding company will be permitted to do this only if certain conditions are met, including *inter alia*:

(a) no event of default under the transaction documents or the documents relating to the indebtedness of any further funding company has occurred and is continuing or unwaived as at the relevant sale date or further contribution date (as applicable);

(b) no deficiency was recorded on the principal deficiency ledger (excluding any deficiency caused by a debit balance on the NR principal deficiency sub-ledger) or any principal deficiency ledger in respect of any further funding company as at the relevant sale date or further contribution date (as applicable);

(c) S&P has confirmed in writing that the proposed increase in the Funding 1 share or the funding company share of any further funding company share (as applicable) would not cause the then current ratings by the rating agencies of any rated notes then outstanding to be downgraded, withdrawn or qualified (and advance notice in writing of such proposed increase 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);

(d) as of the first day of the then current trust calculation period, the aggregate true balance of the loans in the trust property, in respect of which the aggregate amount in arrears is more than three times the monthly payment then due, is less than 5% of the aggregate true balance of the loans in the trust property as of such date, unless S&P has confirmed that the then current ratings of any rated notes will not be downgraded, withdrawn or qualified as a result of any increase in, as applicable, the Funding 1 share or the funding company share of any further funding company share (and 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);

(e) the seller has not received written notice that its short term, unsecured, unguaranteed and unsubordinated debt obligations are not rated at least A-2 by Standard & Poor's, F2 by Fitch and P-1 by Moody's at the time of, and immediately following, the payment made by Funding 1 on the relevant date;

(f) the product of the WAFF and WALS (as defined below) for the loans comprised in the trust property calculated on the relevant date in accordance with the S&P methodology in the same way as for the portfolio on or about the initial closing date (or as agreed by the servicer and S&P from time to time) does not exceed the product of the WAFF and the WALS for the loans constituting the trust property calculated on the most recent previous closing date, plus 0.25%;

(g) such contribution does not result in the Moody's portfolio variation test value of the loans in the portfolio after such contribution, exceeding the most recently determined Moody's portfolio variation test value as at the most recent date on which a full pool analysis on the loans in the portfolio was conducted by Moody's, plus 0.30%;

(h) in respect of Funding 1, the general reserve fund has not been debited on or before the relevant sale date or further contribution date (as applicable) for the purposes of curing a principal deficiency in respect of the term advances in circumstances where the general reserve fund has not been replenished by a corresponding amount by the relevant sale date of further contribution date (as applicable); and

(i) no security granted by a funding company has been enforced by the relevant funding security trustee,

provided that Funding 1 may not make any further contribution or additional initial contribution if, as at the relevant date of making such contribution, the step-up date in respect of any class (or sub-class) of notes of any series has been reached and the issuer of such notes has not exercised its option to redeem that class of notes as at the relevant date in accordance with the conditions of that class of notes. For the avoidance of doubt, this prohibition on Funding 1 making further contributions and additional initial contributions shall remain in effect only for so long as any such class of notes remains outstanding and, upon redemption, Funding 1 may again make such contributions to the mortgages trustee; and

provided further that in respect of a further contribution funded by Funding 1 through the making of a term NR GIC collateral advance, conditions (a) to (i) (and any other conditions set out in the mortgages trust deed) shall not apply (other than the condition to deliver a solvency certificate with respect to the seller as described in the mortgages trust deed, which shall apply). If Funding 1 makes a term NR GIC collateral advance on or prior to a further contribution date, Funding 1 will make a further contribution (with the effect of increasing the Funding 1 share and decreasing the seller share on that further contribution date) in an amount equal to the amount of such term NR GIC collateral advance.

Special distributions

Pursuant to the terms of the mortgages trust deed, the funding companies and the seller will agree that amounts held by the mortgages trustee on any date in respect of any further contribution (other than a refinancing contribution) paid by any funding company to the mortgages trustee (therefore excluding, for the avoidance of doubt, seller contributions) will be allocated and paid by the mortgages trustee to the seller as a distribution (a **special distribution**) from the mortgages trust on such date whether or not such date is a distribution date, subject to satisfaction of the conditions precedent for a further contribution set out under "**—Increasing the shares of the funding companies by way of further contributions and additional initial contributions**" above and the seller delivering a solvency certificate (executed by an authorised signatory of the seller) in a form and content acceptable to the mortgages trustee, the relevant Funding company that funded the corresponding further contribution and (in respect of Funding 1), the Funding 1 security trustee and (in respect of each further funding company) their respective security assignees. The payment of any such special distribution will reduce the seller share accordingly.

Refinancing distributions

Each of the beneficiaries may make a refinancing contribution (being a contribution designated as such by the beneficiary in the relevant documentation) to the mortgages trustee from time to time. A refinancing contribution is a cash payment made by a beneficiary to the mortgages trustee, which the relevant beneficiary directs the mortgages trustee to apply to reduce the share of another beneficiary (other than the seller). A beneficiary may only give such a direction to the mortgages trustee with the prior consent of the relevant funding company whose share will be reduced. In respect of Funding 1, the prior written consent of the Funding 1 security trustee will also be required. Similarly, in the case of each further funding company, consent on behalf of the relevant funding company's secured creditors will be required.

Pursuant to the terms of the mortgages trust deed, the beneficiaries have agreed that amounts held by the mortgages trustee on a further contribution date in respect of any refinancing contribution paid by a beneficiary to the mortgages trustee on such further contribution date will be allocated and paid by the mortgages trustee to the relevant funding company as a refinancing distribution (a **refinancing distribution**) from the mortgages trust on such date whether or not such a date is a distribution date. The payment of any such refinancing distribution will reduce the recipient funding company share accordingly.

Certain conditions will apply to the right of a funding company to accept refinancing distributions (save for refinancing contributions made with the purpose of repaying a term NR GIC collateral advance). In respect of a refinancing distribution to be accepted these are:

(i) in respect of Funding 1 only, if

  (A) except where the refinancing distribution is being applied to repay (in whole or in part) a term AAA advance which is a scheduled amortisation term advance, the Funding 1 security trustee has received written confirmation from S&P that the then current ratings of the rated notes would not be withdrawn, qualified or downgraded as a result; or

  (B) where the refinancing distribution is being applied to repay (in whole or in part) a term AAA advance which is a scheduled amortisation term advance, preliminary notification of the refinancing distribution has been made by the seller to S&P at least 30 days prior to the proposed date of such refinancing distribution (and there being no reduction, qualification or withdrawal by S&P of the then current ratings of the rated notes as a result),

and provided that, in respect of each of (A) and (B) above, notification of the refinancing distribution has also been made by the seller 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);

(ii) in respect of each further funding company only, if S&P has confirmed that the then current ratings of its indebtedness would not be downgraded, withdrawn or qualified as a result thereof (and advance notice in writing of such refinancing contribution 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); and

(iii) immediately prior to receiving any refinancing distribution, it delivers a solvency certificate, executed by an authorised signatory of the relevant funding company, to the mortgages trustee, the beneficiary making the corresponding refinancing contribution and the Funding 1 security trustee or relevant security assignee (as appropriate) in form and content acceptable to their relevant security assignee.

If a further funding company issues debt instruments that would have the effect of extending the Funding 1 cash accumulation period in respect of any cash accumulation advance that is, as at the date that such debt instruments are issued, in a cash accumulation period or which would, as a result of the issue of that debt, be in a cash accumulation period (each an **affected cash accumulation advance**), then the proceeds of the debt instruments to be issued by such further funding company must be applied to make a refinancing contribution to the mortgages trustee. The mortgages trustee shall apply the proceeds of such refinancing contribution to make a refinancing distribution to Funding 1 on such date and in such amount.

Funding 1 agrees to apply the proceeds of a refinancing distribution received by the mortgages trustee from the seller to repay (in whole or in part) an intercompany loan or term advance.

Termination of the mortgages trust

The mortgages trust will terminate on the date on which there is no remaining trust property or, if earlier, such date as may be requested in writing by the seller to the mortgages trustee being on or after the date on which:

(a) the Funding 1 share and the funding company share of each further funding company has been reduced to zero; or

(b) the beneficiaries collectively agree to terminate the mortgages trust (but the beneficiaries mutually agree that such date shall not be earlier than the date upon which the amount outstanding under the intercompany loan agreement and any new intercompany loan agreement is repaid in full).

The beneficiaries are not entitled to remove or replace the mortgages trustee as the trustee of the mortgages trust. The mortgages trustee is not entitled to retire as the trustee of the mortgages trust or appoint any additional trustee of the mortgages trust.

The mortgages trustee's bank accounts

The mortgages trustee will enter into the mortgages trustee bank account agreement with the mortgages trustee account bank, the cash manager and the Funding 1 security trustee on substantially the same terms (including the ratings criteria) as the Funding 1 bank account agreement in relation to the mortgages trustee GIC account and the mortgages trustee transaction account (see "**The bank account agreements—The Funding 1 bank account agreement**").

Governing law

The mortgages trust deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

SERVICING AGREEMENT

The following section contains a summary of the material terms of the servicing agreement.

General

On the programme closing date, Nationwide was appointed by the mortgages trustee and each of the beneficiaries as servicer of the loans in the trust property pursuant to the terms of the servicing agreement to administer the loans and their related security in the portfolio. The servicing agreement makes provision for the accession and adherence of further funding companies established by Holdings; although there is no guarantee that, among other things, any such event may occur and noteholder consent will not be sought provided that S&P confirms in writing that the then current ratings of the rated notes then outstanding will not be affected (and advance notice in writing of such accession and adherence of further funding companies established by Holdings 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).

The servicer has undertaken that in its role as servicer it will comply with any proper directions and instructions that the mortgages trustee (as directed by the beneficiaries) may from time to time give to it in accordance with the provisions of the servicing agreement. The servicer is required to administer the loans and their related security in the following manner:

- in accordance with the servicing agreement; and

- as if the loans and mortgages had not been sold to the mortgages trustee but remained with the seller and in accordance with the seller's procedures and administration and enforcement policies as they apply to those loans from time to time.

The servicer's actions in servicing the loans in accordance with its procedures are binding on the mortgages trustee, the Funding 1 secured creditors and the issuer secured creditors.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the servicer has the power, *inter alia*:

- to exercise the rights, powers and discretions of the mortgages trustee, the seller and the funding companies in relation to the loans and their related security and to perform their duties in relation to the administration of the loans and their related security; and

- to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the loans and their related security or the exercise of such rights, powers and discretions.

Undertakings by the servicer

The servicer has undertaken the following:

(a) to maintain approvals, authorisations, permissions, consents and licences required in order to service the loans and their related security properly 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, consents and licences required in connection with the provision of services under the servicing agreement, and in particular any necessary registrations under the Data Protection Act 1998, licences under the CCA and permissions under the FSMA;

(b) to determine and set the variable rate and any discretionary rate or margin applicable in relation to any loan in relation to the loans comprising the trust property except in the limited circumstances described in this paragraph (b) when the mortgages trustee will be entitled to do so. It will not at any time, without the prior consent of the mortgages trustee and the funding companies, set or maintain:

(i) the variable rate at a rate which is higher than (although it may be lower than or equal to) the then prevailing seller variable rate in relation to loans of a particular type; and

(ii) any other discretionary rate or margin in respect of any other loan which is higher than (although it may be lower or equal to) the rate or margin which would then be set in accordance with the seller's policy from time to time in relation to that type of loan beneficially owned by the seller outside the portfolio except in certain circumstances.

The servicer will also determine on each Funding 1 calculation date immediately preceding each Funding 1 payment date, having regard to the aggregate of:

(A) the revenue which Funding 1 would expect to receive during the next succeeding Funding 1 interest period;

(B) the standard variable mortgage rates, and any other discretionary rates or margins applicable in respect of the loans which the servicer proposes to set under the servicing agreement; and

(C) the other resources available to Funding 1 (including the Funding 1 swap agreement, the general reserve fund and the Funding 1 liquidity reserve fund),

whether Funding 1 would receive an amount of revenue during the next succeeding Funding 1 interest period which when aggregated with the funds otherwise available to it will be less than the amount which is the aggregate of the amount of interest which will be payable by Funding 1 in respect of all term AAA advances and all amounts ranking higher in priority to such amounts on the Funding 1 payment date immediately after such next succeeding Funding 1 interest period.

If the servicer determines that there will be a shortfall in the foregoing amounts, it will give written notice to the mortgages trustee, the funding companies and the Funding 1 security trustee, within one London business day of such determination, of the amount of the shortfall and the standard variable mortgage rates and/or any other discretionary rates or margins which would, in the servicer's reasonable opinion, need to be set in order for no shortfall to arise, having regard to the date(s) on which the change to the standard variable mortgage rates and any discretionary rates or margins would take effect and at all times acting in accordance with the standards of a reasonable, prudent mortgage lender as regards the competing interests of borrowers with standard variable mortgage rate loans and borrowers with other relevant loans. If the mortgages trustee or Funding 1 notifies the servicer that, having regard to the obligations of Funding 1, the standard variable mortgage rates and/or any discretionary rates or margins should be increased, the servicer will take all steps which are necessary to increase the standard variable mortgage rates and/or any discretionary rates or margins including publishing any notice which is required in accordance with the mortgage terms. In these circumstances, the servicer will have the right to set the standard variable mortgage rates and/or any discretionary rates or margins. The interest rate setting policy specified in the mortgage sale agreement applies only to loans with interest rates which may be varied from time to time in the discretion of the lender and requires that such interest rates should be set: (a) where the borrower has been guaranteed it will be capped by reference to a certain level at, above or below the Bank of England base rate (or any other rate) at the time (such rate being

the **SVR capped rate**), at no more than the SVR capped rate, and (b) in accordance with any applicable requirements, statement of good practice or guidelines of the FCA or any other requirements or recommendations of the OFT, FCA or any other regulatory body with which it is customary to comply.

In addition, the servicer shall set the standard variable mortgage rate, but only with effect from the date on which transfer of legal title to the Portfolio is effected (including publishing any notice which is required in accordance with the mortgage conditions to effect such change in the standard variable mortgage rate), to a rate greater than or equal to:

(i) with respect to the BMR the lesser of (x) LIBOR for three-month Sterling deposits as determined by the agent bank as at that interest payment date plus 2% and (y) the Bank of England Base Rate plus 2% (the **new BMR rate**), and

(ii) with respect to the SMR, LIBOR for three-month Sterling deposits as determined by the agent bank as at that interest payment date plus 2% (the **new SMR rate**),

and thereafter the servicer shall set the standard variable mortgage rate on a quarterly basis as at each interest payment date (including publishing any notice which is required in accordance with the mortgage conditions to effect such change in the standard variable mortgage rate) at a rate greater than or equal to the new BMR rate and the new SMR rate, as applicable. The servicer shall only be under an obligation to set the standard variable mortgage rate as described in this paragraph if it would not result in a breach of the applicable mortgage conditions and loan conditions and would not be contrary to applicable laws (including without limitation, applicable guidelines of the OFT and applicable statements of good practice of the FCA) and may be undertaken in accordance with the standards of a reasonable, prudent mortgage lender.

The mortgages trustee and/or any funding company, with the consent of the applicable funding security trustee, may terminate the authority of the servicer to determine and set the standard variable mortgage rates and any discretionary rates or margins on or after the occurrence of a servicer termination event, as described below in "**—Termination of appointment of the servicer**", in which case the mortgages trustee will set the standard variable mortgage rates and any discretionary rates or margins itself in accordance with this paragraph subject always to the proviso in the paragraph above in relation to the SVR capped rate;

(c) to the extent so required by the relevant mortgage terms and applicable law, to notify borrowers of any change in interest rates, whether due to a change in the standard variable mortgage rates, the margin applicable to any other relevant loan or as a consequence of any provisions of the mortgage conditions or the offer conditions. It will also notify the mortgages trustee, the Funding 1 security trustee and the beneficiaries of any change in the standard variable mortgage rates;

(d) to act as collection agent for the mortgages trustee and the beneficiaries for the purpose of collecting amounts due from borrowers under the loans and their related security. It will deliver to the bankers automated clearing system (**BACS**) or to the mortgages trustee account bank such instructions as may be necessary for the debit of the account of each borrower in respect of which there is a direct debit mandate with the monthly payment due from such borrower and for the amount of such monthly payment to be credited to the mortgages trustee GIC account, respectively. Under certain circumstances, the alternative payment arrangements that ensure timely payment of monthly payments due from the borrower to the mortgages trustee may be agreed between the servicer and the borrower;

(e) to execute all documents on behalf of the mortgages trustee, the seller, and the funding companies which are necessary or desirable for the efficient provision of services under the servicing agreement, including (but not limited to), documents relating to the discharge of mortgages comprised in the portfolio;

(f) to keep records and accounts on behalf of the mortgages trustee in relation to the loans and their related security;

(g) to keep the customer files and title deeds (to the extent they are retained by the seller) in safe custody and maintain records necessary to enforce each mortgage. It will ensure that each title deed is capable of identification and retrieval and that each title deed is distinguishable from information held by the servicer for other persons. If the servicer's short-term, unsecured, unsubordinated and unguaranteed debt is rated less than A-2 by S&P and P-2 by Moody's and the short-term "Issuer Default Ratings" of the seller is rated less than F2 by Fitch, it will use reasonable endeavours to ensure the customer files and title deeds (if any) are identifiable as distinct from customer files and title deeds (if any) which relate to loans held outside the trust property;

(h) to provide the mortgages trustee, the funding companies (and their auditors) and the Funding 1 security trustee and any other person nominated by the beneficiaries with access to the title deeds and other records relating to the administration of the loans and mortgages;

(i) to provide the mortgages trustee, the funding companies and the rating agencies with a monthly investor report and to assist the issuer cash manager in the preparation of its monthly investor reports;

(j) to take all reasonable steps, in accordance with the usual procedures undertaken by a reasonable, prudent mortgage lender, to recover all sums due to the mortgages trustee, in respect of the loans;

(k) to enforce any loan which is in default in accordance with its enforcement procedures or, to the extent that the enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a reasonable, prudent mortgage lender on behalf of the mortgages trustee;

(l) to provide such other information to the Funding 1 security trustee and the mortgages trustee as reasonably requested by the Funding 1 security trustee or the mortgages trustee; and

(m) not knowingly to fail to comply with any legal requirements in the performance of its obligations under the servicing agreement.

The requirement for any action to be taken according to the standards of a reasonable, prudent mortgage lender is as defined in the "**Glossary**". For the avoidance of doubt, any action taken by the servicer to set variable rates and any applicable discretionary rates or margins which are lower than that of the competitors of the seller will be deemed to be in accordance with the standards of a reasonable, prudent mortgage lender.

Compensation of the servicer

The mortgages trustee will pay to the servicer an administration fee equal to 0.05% per annum (inclusive of any amounts in respect of VAT) of the aggregate amount of the trust property as determined on the trust calculation date in respect of the immediately preceding trust calculation period. The fee is payable in arrear on each distribution date and subject to the mortgages trust revenue priorities of payment. Any unpaid balance will be carried forward until the next distribution date and, if not paid earlier, will be payable on the final repayment date of the intercompany loan or the date on which the debt instruments of each further funding company are repaid in full.

Resignation of the servicer

Subject to the fulfilment of a number of conditions (including the appointment of a substitute servicer), the servicer may voluntarily resign by giving not less than 12 months' notice to the mortgages trustee and each of the other beneficiaries. The substitute servicer will be required to be authorised and licensed to act as such under the FSMA and the CCA respectively, and have a management team with experience in administering mortgages in the United Kingdom and to enter into a servicing agreement with (amongst others) the mortgages trustee and the funding companies substantially on the same terms as the relevant provisions of the servicing agreement. It will be a further condition precedent to the resignation of the servicer that the then current ratings of the rated notes will not be downgraded, withdrawn or qualified as a result of the resignation, unless the relevant classes of noteholders otherwise agree by an extraordinary resolution.

Termination of appointment of the servicer

The mortgages trustee and/or the beneficiaries (in respect of Funding 1, with the prior written consent of the Funding 1 security trustee) and/or the Funding 1 security trustee may, upon written notice to the servicer, terminate the servicer's rights and obligations immediately if any of the following events, each a **servicer termination event**, occurs:

- the servicer defaults in the payment of any amount due under the servicing agreement and fails to remedy that default for a period of seven London business days after the earlier of becoming aware of the default and receipt of written notice from any funding company, the mortgages trustee or the Funding 1 security trustee requiring the default to be remedied;

- the servicer fails in the performance or observance of any of its other covenants or obligations under the servicing agreement which in the reasonable opinion of the Funding 1 security trustee (acting in its relevant capacity) is materially prejudicial to a funding company, the issuer, any new issuers and the holders of any notes and does not remedy that failure within 20 London business days after becoming aware of the failure or of receipt of written notice from any funding company, the mortgages trustee or the Funding 1 security trustee requiring the servicer's non-compliance to be remedied; or

- an insolvency event occurs in relation to the servicer; or

- any funding company resolves, after due consideration, that the appointment of the servicer should be terminated.

Under the terms of the servicing agreement, following a servicer termination event, the mortgages trustee and Funding 1 shall use their best endeavours to appoint a substitute servicer as described in more detail under "*—Resignation of the servicer*" above.

The servicer has undertaken that, on the servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by S&P of at least BBB- or by Fitch of at least BBB-, it will use reasonable efforts to appoint a back-up servicer satisfactory to the mortgages trustee, the beneficiaries and the Funding 1 security trustee (and failing the servicer's ability to find a back-up servicer, the Funding 1 security trustee will be entitled to appoint such back-up servicer).

If the appointment of the servicer is terminated or the servicer resigns, the servicer must deliver the title deeds (if any) and customer files relating to the loans to, or at the direction of, the mortgages trustee. The servicing agreement will terminate when no funding company has any interest in the trust property and the intercompany loan and any existing indebtedness of each further funding company have been repaid in full.

Right of delegation by the servicer

The servicer may sub-contract or delegate the performance of all or any of its powers and obligations under the servicing agreement, provided that it meets certain conditions as set out in the servicing agreement (including, in certain circumstances, the prior written consent of the funding companies and the Funding 1 security trustee in relation to any new sub-contract) and provided that the servicer is not released or discharged from any liability therefore and remains liable for the performance or non-performance or breach by any sub-contractor or delegate of the duties so sub-contracted or delegated under the servicing agreement.

The consent of any funding company and any funding security trustee referred to in this document will not be required in respect of any delegation to an entity within the Nationwide group from time to time or to persons such as receivers, lawyers or other relevant professionals. Neither the note trustee, the issuer security trustee, the mortgages trustee, the funding companies nor the Funding 1 security trustee will be obliged to act as servicer in any circumstances.

Liability of the servicer

The servicer will indemnify the mortgages trustee and the beneficiaries against all losses, liabilities, claims, expenses or damages incurred as a result of negligence or wilful default by the servicer or any of its sub-contractors in carrying out its functions under the servicing agreement or any other transaction documents to which the servicer is a party, or as a result of a breach of the terms of the servicing agreement. If the servicer does breach the terms of the servicing agreement in any material respect and thereby causes loss to the beneficiaries, then, for so long as the servicer is also the seller, the seller share of the trust property will be reduced by an amount equal to the loss.

Governing law

The servicing agreement and any non-contractual obligations arising out of or in connection with it are governed by and is construed in accordance with English law provided that any terms particular to Scots or Northern Irish law will be construed in accordance with Scots or Northern Irish law, as applicable.

CASH MANAGEMENT AGREEMENTS

The following section contains a summary of the material terms of the cash management agreement and the issuer cash management agreement.

Cash management agreement

On or about the programme closing date, the cash manager, the mortgages trustee, Funding 1, Nationwide (in its capacity as the cash manager) and the Funding 1 security trustee entered into the cash management agreement. The cash management agreement makes provision for the accession and adherence of further funding companies established by Holdings; although there is no guarantee that any such event may occur and noteholder consent will not be sought provided that S&P confirms in writing that the then current ratings of the rated notes then outstanding will not be affected (and advance notice in writing of such accession and adherence of further funding companies established by Holdings 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).

Cash management services provided in relation to the mortgages trust

The cash manager's duties in relation to the mortgages trust include but are not limited to:

(a) determining the current shares of the funding companies and the seller in the trust property (including the weighted average Funding 1 share percentage, the weighted average share percentage of each further funding company and the weighted average seller share percentage) in accordance with the terms of the mortgages trust deed;

(b) maintaining the following ledgers on behalf of the mortgages trustee:

- the Funding 1 share ledger, the share ledger of each further funding company and the seller share ledger, which record the current shares of each of the funding companies and the seller, respectively, in the trust property;
- the losses ledger, which records losses on the loans;
- the principal ledger, which records principal receipts on the loans received by the mortgages trustee and payments of principal from the mortgages trustee transaction account to the funding companies and the seller;
- the revenue ledger, which records revenue receipts on the loans received by the mortgages trustee and payments of revenue receipts from the mortgages trustee transaction account to the funding companies and the seller;
- ledgers which will record any overpayments or underpayments made by borrowers, any payment holidays taken by borrowers or any further advances in respect of the loans in the portfolio; and
- a ledger which will record any further contribution made by the funding companies to the mortgages trustee, whether or not such further contribution is in whole or part a refinancing contribution, and any special distribution or refinancing distribution made by the mortgages trustee following receipt of such further contribution;

(c) calculating and distributing the mortgages trust available revenue receipts and the mortgages trust available principal receipts to the funding companies and the seller in accordance with the terms of the mortgages trust deed;

(d) to assist the issuer cash manager and the servicer in the preparation of their respective monthly reports which will include information on the loans and payments in arrears; and

(e) investing amounts standing to the credit of the mortgages trustee GIC account, the mortgages trustee transaction account or any other mortgages trustee bank account in authorised investments.

Cash management services provided to Funding 1 and, following enforcement of the Funding 1 security, the Funding 1 security trustee

The cash manager's duties in relation to Funding 1 and, following enforcement of the Funding 1 security, the Funding 1 security trustee include but are not limited to:

(a) four London business days before each Funding 1 payment date (the **Funding 1 calculation date**), determining:

- the amount of Funding 1 available revenue receipts to be applied to pay or provide for interest and fees in relation to the term advances under the intercompany loan agreement on the following Funding 1 payment date and all amounts to be credited to the term advance ledgers (including the non-monthly term advance revenue ledger and the non-monthly term advance principal ledger for each non-monthly term advance) on such Funding 1 payment date;

- the amount of Funding 1 available principal receipts to be applied to repay or provide for the repayment of the term advances under the intercompany loan agreement on the following Funding 1 payment date;

- the amount of any Funding 1 revenue deficit amount; and

- the Funding 1 anticipated cash accumulation period;

(b) if required, making drawings under the Funding 1 liquidity reserve fund on behalf of Funding 1;

(c) maintaining the following ledgers on behalf of Funding 1:

- the Funding 1 principal ledger, which records the amount of Funding 1 principal receipts received by Funding 1 on each distribution date;

- the Funding 1 revenue ledger, which records all other amounts received by Funding 1 on each distribution date;

- the general reserve ledger, which records the amount credited to the general reserve fund from a portion of the proceeds of: (i) the start-up loan on the initial closing date and each subsequent start-up loan (if any) advanced on any subsequent closing date; (ii) other amounts standing to the credit of the general reserve fund (but not exceeding the Funding 1 reserve fund required amount); and (iii) all deposits and other credits in respect of the general reserve fund;

- the principal deficiency ledger (and any sub-ledgers thereof), which records principal deficiencies arising from losses on the loans which have been allocated to the Funding 1 share or the use of Funding 1's principal receipts to cover any Funding 1 revenue deficit amount and principal amounts unable to be withdrawn from the Funding 1 collateralised GIC account;

- the intercompany loan ledger, which records payments of interest and repayments of principal made on each of the term advances under the intercompany loan agreement;
- the cash accumulation ledger, which records the amount reserved by Funding 1 from time to time to pay the amounts due on the bullet term advances and the scheduled amortisation instalments;
- the Funding 1 liquidity reserve ledger, which will record the amounts credited to the Funding 1 liquidity reserve fund from Funding 1 available revenue receipts and from Funding 1 available principal receipts up to the Funding 1 liquidity reserve fund required amount and drawings made under the Funding 1 liquidity reserve fund;
- a non-monthly term advance revenue ledger for each non-monthly term advance, which will record the amount of interest (and, if applicable, step-up amount) allocated in respect of each such non-monthly term advance on each Funding 1 payment date;
- a non-monthly term advance principal ledger for each non-monthly pass-through term advance, which will record the amount of principal (if any) to be allocated in respect of each such non-monthly pass-through term advance on each Funding 1 payment date; and
- if an agent account bank is appointed and accedes to the Funding 1 bank account agreement, an eligible bank ledger which will record amounts deposited by the agent account bank with eligible banks pursuant to instructions from the cash manager.

(d) arranging for the payment of all sums (including costs and expenses) required or permitted to be paid by Funding 1 under any of the transaction documents;

(e) investing sums standing to the credit of the Funding 1 bank accounts in authorised investments as determined by Funding 1, the cash manager and the Funding 1 security trustee;

(f) making withdrawals from the general reserve fund as and when required;

(g) applying Funding 1 available revenue receipts and Funding 1 available principal receipts in accordance with the relevant order of priority of payments for Funding 1 contained in the Funding 1 deed of charge;

(h) if an agent account bank is appointed under the Funding 1 bank account agreement, providing instructions to the agent account bank to deposit all or part of the amounts standing to the credit of the Funding 1 eligible bank account from time to time with eligible banks in accordance with the panel bank guidelines or to transfer all or part of such amounts to the Funding 1 GIC account;

(i) making all returns and filings in relation to Funding 1 and providing or procuring the provision of company secretarial and administration services to Funding 1 pursuant to the relevant corporate services agreement.

(j) on behalf of the Funding 1 and the issuer, perform any portfolio reconciliation risk mitigation techniques as may be required in accordance with the requirements of article 11(1) of EMIR or procure the performance of such portfolio reconciliation risk mitigation techniques;

(k) on behalf of the Funding 1 and the issuer, carry out the reporting requirements set out in article 9 of EMIR in relation to any swap entered into by Funding 1 or the issuer, as applicable, and any ancillary activities to such reporting requirements (provided that the cash manager will be permitted to delegate all or any part of any such reporting requirements to the counterparty to such swap transaction) or procure the carrying out of such reporting requirements and any ancillary activities;

(l) on behalf of Funding 1 and the issuer, perform any dispute resolution risk mitigation techniques as may be required in accordance with the requirements of article 11(1) of EMIR and the terms of the relevant swap transaction or procure the performance of such dispute resolution risk mitigation techniques;

(m) on behalf of the Funding 1 and the issuer (a) monitor whether Funding 1 or the issuer, as applicable, is (i) a non-financial counterparty and (ii) subject to a clearing obligation pursuant to EMIR in respect of any swap transaction (or procure such monitoring) and (b) make any notifications that are required to be made if Funding 1 or the issuer, as applicable, is no longer a non-financial counterparty or becomes subject to a clearing obligation under EMIR (or procure such notifications are made); and

(n) on behalf of the issuer, if the issuer is a "reporting financial institution" as that term is defined in any regulations made under section 222 of the Finance Act 2013 (the **UK FATCA Regulations**), carry out all such activities as are reasonably required in order for the issuer to comply with any requirements applicable to it from time to time under the UK FATCA Regulations, including, without limitation, any identification, due diligence and/or reporting obligations, and any ancillary activities.

The cash manager will perform the same or similar duties with respect to any further funding company.

Term NR GIC collateral advances and other collateral posting

The cash manager will, if it is depositing Funding 1 deposit non-reserved amounts into the Funding 1 collateralised GIC account or if it is depositing amounts into the mortgage trustee GIC account where Nationwide is the mortgages trustee account bank maintaining the mortgages trustee GIC account and Nationwide is not rated the mortgages trustee account bank required ratings, from time to time and at Nationwide's instruction, designate a Funding 1 designated term NR GIC collateral advance amount, Funding 1 designated collateral amount, mortgages trustee designated term NR GIC collateral advance amount or a mortgages trustee designated collateral amount, as applicable.

If the cash manager designates a Funding 1 designated term NR GIC collateral advance amount or a mortgages trustee designated term NR GIC collateral advance amount in an amount greater than zero, then the cash manager will request term NR GIC collateral advances under the intercompany loan agreement and ensure that the aggregate outstanding amount of the term NR GIC collateral advances is at all times at least equal to (x) the sum of the Funding 1 designated term NR GIC collateral advance amount and the mortgages trustee designated term NR GIC collateral advance amount divided by (y) 1 minus 16.69 per cent. (or such other percentage specified in the most recent final terms).

If the cash manager designates a Funding 1 designated collateral amount or a mortgages trustee designated collateral amount greater than zero, the mortgages trustee or Funding 1, as applicable, and Nationwide as the entity at which the mortgages trustee GIC account or the Funding 1 collateralised GIC account, as applicable, is maintained will enter into a collateral agreement pursuant to which eligible collateral will be posted in the GIC collateral custody account.

Any principal or revenue amounts or amounts of interest accrued in respect of amounts standing to the credit of the Funding 1 collateralised GIC account or the mortgages trustee GIC account which cannot be withdrawn from the Funding 1 collateralised GIC account or the mortgages trustee GIC account (as applicable) (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) will be debited to the principal ledger, the revenue ledger, the Funding 1 principal ledger or, as applicable, the Funding 1 revenue ledger provided that any such amounts subsequently recovered, whether through the realisation of eligible collateral or through revenue receipts, will then be credited to the relevant ledger.

Furthermore, any principal amounts standing to the credit of the Funding 1 collateralised GIC account which cannot be withdrawn from such account as described above, will be debited to the Funding 1 principal deficiency ledger in an amount equal to the sum of (x) any shortfall between the relevant Funding 1 designated collateral amount and the amount received upon realisation of the Funding 1 custody collateral, and (y) the relevant Funding 1 designated term NR GIC collateral advance amount (provided, that any such amounts subsequently recovered will be credited to the Funding 1 principal deficiency ledger, provided there are sufficient Funding 1 available revenue receipts available for that purpose).

Compensation of cash manager

The cash manager is paid a fee equal to 0.01% per annum of the sterling equivalent of the aggregate principal amount outstanding of the notes (inclusive of VAT, if any) for its services payable on each distribution date. The fee is capped at £100,000 per year (inclusive of VAT, if any). The rate is inclusive of any amounts in respect of VAT.

In addition, the cash manager is entitled to be reimbursed for any expenses or other amounts properly incurred by it in carrying out its duties. Prior to the service of an intercompany loan acceleration notice, the cash manager is paid by the mortgages trustee, on behalf of the funding companies and the seller, proportionately in accordance with and subject to the terms of the mortgages trust deed and the mortgages trust revenue priority of payments.

Resignation of cash manager

The cash manager may resign only on giving 12 months' written notice to the Funding 1 security trustee, the funding companies and the mortgages trustee and provided:

- a substitute cash manager has been appointed and a new cash management agreement is entered into on terms satisfactory to the Funding 1 security trustee, the mortgages trustee and the funding companies; and
- the then current ratings of any rated notes would not be downgraded, withdrawn or qualified as a result of that replacement (unless the relevant classes of noteholders otherwise agree by an extraordinary resolution).

Termination of appointment of cash manager

The funding companies and/or the seller (in each case in its capacity as beneficiary, but in the case of the seller only with the prior written consent of the Funding 1 security trustee) and the Funding 1 security trustee may, upon written notice to the cash manager, terminate the cash manager's rights and obligations immediately if any of the following events occurs:

- the cash manager defaults in the payment of any amount due and fails to remedy the default for a period of seven London business days after the earlier of becoming aware of the default and receipt of written notice from the funding companies, the mortgages trustee and the Funding 1 security trustee requiring the default to be remedied;
- the cash manager fails to comply with any of its other obligations under the cash management agreement which in the opinion of the Funding 1 security trustee is materially prejudicial to the Funding 1 secured creditors or which in the opinion of the funding security trustee with respect to each further funding company's secured creditors is materially prejudicial to such secured creditors or such further funding company and does not remedy that failure within 20 London business days after the earlier of becoming aware of the failure and receiving a written notice from the Funding 1 security trustee or, as the case may be, the funding security trustee with respect to a further funding company requiring the cash manager's non-compliance to be remedied; or
- the cash manager suffers an insolvency event.

Upon termination of the appointment of the cash manager, the funding companies and/or the seller (in each case in its capacity as a beneficiary, but in the case of the seller only with the prior written consent of the Funding 1 security trustee) will agree to use their reasonable endeavours to appoint a substitute cash manager. Any such substitute cash manager will be required to enter into a cash management agreement on substantially the same terms as the provisions of the cash management agreement and the appointment of such substitute cash manager and all other documentation is conditional upon (a) S&P having previously confirmed in writing to the mortgages trustee, the funding companies and the Funding 1 security trustee that the then current ratings of any rated notes will not be downgraded, withdrawn or qualified, as a result of the appointment and (b) advance notice in writing of such appointment 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 (unless the relevant classes of noteholders otherwise agree by an extraordinary resolution).

If the appointment of the cash manager is terminated or it resigns, the cash manager must deliver its books of account (and any other information reasonably requested by the Funding 1 security trustee) relating to the loans and/or any monies held on behalf of the mortgages trustee, the funding companies or the Funding 1 security trustee to or at the direction of the mortgages trustee, the funding companies or the Funding 1 security trustee, as the case may be. The cash management agreement will terminate automatically when the funding companies have no further interest in the trust property and each term advance and the debt of each funding company has been repaid or otherwise discharged.

Back-up cash manager

If the cash manager ceases to have a long-term unsecured, unguaranteed and unsubordinated debt obligation rating of at least Baa3 by Moody's, it will use reasonable efforts to appoint a back-up cash manager satisfactory to the mortgages trustee, the beneficiaries and the Funding 1 security trustee (and failing the cash manager's ability to find a back-up cash manager, the Funding 1 security trustee will be entitled to appoint such back-up cash manager).

Governing law

The cash management agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Issuer Cash Management Agreement

The issuer cash manager was appointed on or about the programme closing date by the issuer and the issuer security trustee to provide cash management services to the issuer pursuant to the issuer cash management agreement.

Cash management services to be provided to the issuer and, following enforcement of the issuer security, the issuer security trustee

The issuer cash manager's duties include but are not limited to:

(a) on each issuer calculation date, determining:

- the amount of issuer revenue receipts to be applied to pay interest on the notes on the following interest payment date for each series or class (or sub-class) of notes and to pay amounts due to other creditors of the issuer;

- the amount of issuer principal receipts to be applied to repay the notes on the following interest payment date for each series or class (or sub-class) of notes; and

- such other amounts as are expressed to be calculations and determinations made by the issuer cash manager in accordance with the conditions of the notes;

(b) applying issuer revenue receipts and issuer principal receipts in accordance with the order of priority of payments for the issuer set out in the issuer cash management agreement or, as applicable, the issuer deed of charge;

(c) providing the issuer, Funding 1, the issuer security trustee and the rating agencies with monthly reports in relation to the issuer and assisting the servicer in the preparation of its monthly investor reports;

(d) making all returns and filings required to be made by the issuer and providing or procuring the provision of company secretarial and administration services to the issuer pursuant to the issuer corporate services agreement;

(e) arranging payment of all fees to the London Stock Exchange or, as applicable, the FCA;

(f) if necessary, performing all currency and interest rate conversions (whether it be a conversion from sterling to another currency or *vice versa*, or floating rates of interest to fixed rates of interest or vice versa) free of charge, cost or expense at the relevant exchange rate;

(g) investing amounts standing to the credit of the issuer transaction account in authorised investments;

(h) procuring that any increase amount received in respect of the subscription of additional amounts in respect of the class Z GIC collateral notes are advanced as a further advance to Funding 1 in respect of the term NR GIC collateral advance; and

(i) informing the registrar of each increase amount received in respect of the subscription of additional amounts in respect of the class Z GIC collateral notes.

Compensation of issuer cash manager

The issuer cash manager is paid a fee equal to 0.01% per annum of the sterling equivalent of the principal amount outstanding of the notes for its services which is paid on each distribution date. The fee is capped at £100,000 per year. The rate is inclusive of any amounts in respect of VAT.

In addition, the issuer cash manager is entitled to be reimbursed for any expenses or other amounts properly incurred by it in carrying out its duties. The issuer cash manager is paid by the issuer in priority to amounts due on the notes.

Resignation of issuer cash manager

The issuer cash manager may resign only on giving 12 months' written notice to the issuer security trustee and the issuer and provided the following conditions are met:

- a substitute issuer cash manager has been appointed and a new issuer cash management agreement is entered into on terms satisfactory to the issuer security trustee and the issuer; and

- the ratings of the rated notes at that time outstanding would not be downgraded, withdrawn or qualified as a result of that replacement.

Termination of appointment of issuer cash manager

The issuer or the issuer security trustee may, upon written notice to the issuer cash manager, terminate the issuer cash manager's rights and obligations immediately if any of the following events occurs:

- the issuer cash manager defaults in the payment of any amount due and fails to remedy the default for a period of seven London business days after becoming aware of the default;

- the issuer cash manager fails to comply with any of its other obligations under the issuer cash management agreement which in the opinion of the issuer security trustee is materially prejudicial to the issuer secured creditors and does not remedy that failure within 20 London business days after the earlier of becoming aware of the failure and receiving a written notice from the issuer security trustee requiring the issuer cash manager's non-compliance to be remedied; or

- the issuer cash manager suffers an insolvency event.

Upon termination of the appointment of the issuer cash manager, the issuer will agree to use its reasonable endeavours to appoint a substitute issuer cash manager. Any such substitute issuer cash manager will be required to enter into an issuer cash management agreement on substantially the same terms as the provisions of the issuer cash management agreement and the appointment of such substitute issuer cash manager and all other documentation is conditional upon (a) S&P having previously confirmed in writing to the issuer and the issuer security trustee that the then current ratings of the rated notes of the issuer will not be downgraded, withdrawn or qualified and (b) advance notice in writing of such appointment 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.

If the appointment of the issuer cash manager is terminated or it resigns, the issuer cash manager must deliver its books of account relating to the notes to or at the direction of the issuer security trustee. The issuer cash management agreement will terminate automatically when the notes have been fully redeemed.

Governing law

The issuer cash management agreement is governed by English law.

THE BANK ACCOUNT AGREEMENTS

The following section contains a summary of the material terms of the various bank account agreements of the issuer, Funding 1 and the mortgages trustee.

Funding 1 bank account agreement

Pursuant to the terms of the Funding 1 bank account agreement entered into on the programme closing date between Funding 1, the Funding 1 account bank, the cash manager and the Funding 1 security trustee, Funding 1 has agreed to maintain, where necessary, the following accounts in England in its name with the Funding 1 account bank. These are:

(a) *the Funding 1 GIC account*: the general reserve fund is credited to this account and on each distribution date the Funding 1 share of the mortgages trust available revenue receipts, any distribution of Funding 1 principal receipts to Funding 1 under the mortgages trust and any balance remaining in the Funding 1 cash accumulation ledger, the non-monthly term advance revenue ledgers and the non-monthly term advance principal ledgers are initially deposited in this account. On any date upon which payment is due, amounts required to meet Funding 1's obligations to its various creditors (including the issuer) are transferred to the Funding 1 transaction account;

(b) *the Funding 1 collateralised GIC account*: if Nationwide, as the entity which maintains the Funding 1 GIC account is rated below the Funding 1 account bank required ratings, it may deposit Funding 1 deposit non-reserved amounts into the Funding 1 collateralised GIC account provided it provides sufficient collateral by (i) entering into an eligible custody arrangement and posting collateral pursuant to the Funding 1 collateral agreement and the cash management agreement or (ii) increasing subordination by making a drawing on the class Z GIC collateral notes. On any date upon which payment is due, amounts required to meet Funding 1's obligations to its various creditors (including the issuer) are transferred to the Funding 1 transaction account;

(c) *the Funding 1 eligible bank GIC account*: if Funding instructs the Cash Manager at any time to open the Funding 1 eligible bank GIC account with the agent account bank, on each distribution date, the Funding 1 share of the mortgages trust available revenue receipts, any distribution of Funding 1 principal receipts to Funding 1 under the mortgages trust and any balance remaining in the Funding 1 cash accumulation ledger, the non-monthly term advance revenue ledgers and the non-monthly term advance principal ledgers may initially be deposited in this account pursuant to the terms of the Funding 1 bank account agreement and the panel bank guidelines. On any date upon which payment is due, amounts required to meet Funding 1's obligations to its various creditors (including the issuer) are transferred to the Funding 1 transaction account;

(d) *the Funding 1 transaction account*: on each Funding 1 payment date, monies standing to the credit of the Funding 1 GIC account, the Funding 1 collateralised GIC account and the Funding 1 eligible bank GIC account, as the case may be, are, with the consent of the Funding 1 security trustee, transferred to the Funding 1 transaction account and applied by the cash manager in accordance with the relevant order for priority of payments of Funding 1. Amounts representing Funding 1's profits are retained in the Funding 1 transaction account;

(e) *the Funding 1 swap collateral cash account*: which is credited with all cash collateral transferred by the Funding 1 swap provider and all other amounts attributable to assets transferred as collateral by the Funding 1 swap provider to the extent such collateral is required to be transferred in accordance with the Funding 1 swap agreement. Such amounts will be segregated and held for the benefit of the Funding 1 swap provider; and

(f) *the Funding 1 GIC collateral custody account*: which is credited with all eligible collateral transferred by Nationwide, as the entity maintaining the Funding 1 collateralised GIC account and all other amounts attributable to assets transferred as collateral by Nationwide to the extent such collateral is required to be transferred in accordance with the Funding 1 collateral agreement. Such amounts will be segregated and held for the benefit of Funding 1.

If the Funding 1 account bank ceases to have any of the Funding 1 account bank required ratings then either:

- the Funding 1 transaction account and the Funding 1 GIC account will be closed and all amounts standing to the credit thereof shall be transferred within 30 days to accounts held with a financial institution: (i) that has the Funding 1 account bank required ratings; and (ii) which is an authorised person under the FSMA unless Fitch and Standard & Poor's confirm that the then current ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified; or

- the Funding 1 account bank will obtain a guarantee of its obligations under the Funding 1 bank account agreement from a financial institution that has the Funding 1 account bank required ratings unless, in either case, Fitch, Moody's and S&P confirm that the then current ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified; but

where the Funding 1 account bank ceases to have the Funding 1 account bank required ratings relating to S&P and has failed to obtain a guarantee of its obligations (the **Funding 1 account bank S&P rating event**), the transfer (where required) to the replacement financial institution shall occur within the S&P remedy period, where S&P remedy period means the period from (but excluding) the date of the occurrence of the Funding 1 account bank S&P rating event to (and including) the later of: (A) the 60th calendar day following the date of the occurrence of the Funding 1 account bank S&P rating event and (B) if the cash manager or Funding 1 has, on or before the 60th calendar day following the date of the Funding 1 account bank S&P rating event, delivered to S&P a written proposal setting out the remedial action it is to take and S&P has notified the cash manager or Funding 1 that such proposal will result in the rating of the rated notes then outstanding being maintained at the level it was at immediately prior to the date of the Funding 1 account bank S&P rating event, the 90th calendar day following the date on which such Funding 1 account bank S&P rating event occurs.

Notwithstanding the foregoing, in the event that Nationwide in its capacity as the Funding 1 account bank ceases to have the Funding 1 account bank required ratings, it may continue to operate, and receive deposits of Funding 1 deposit non-reserved amounts into, the Funding 1 collateralised GIC account provided that (i) the Funding 1 account bank provides collateral against the amount standing to the credit of the Funding 1 collateralised GIC account in the form of (x) procuring that term NR GIC collateral advances are made by the issuer through increases on the class Z GIC collateral notes, and/or (y) by posting eligible collateral under the Funding 1 collateral agreement and (ii) the "Issuer Default Ratings" of the Funding 1 account bank does not fall below BBB- by Fitch.

The rights, benefit and interest of Funding 1 in respect of the Funding 1 bank account agreement have been assigned by way of security to the Funding 1 security trustee under the Funding 1 deed of charge.

Under the terms of the Funding 1 bank account agreement, the Funding 1 account bank will agree to pay interest on the monies standing to the credit of the Funding 1 GIC account and the Funding 1 collateralised GIC account at a variable rate of interest of 0.25% per annum below three-month LIBOR for sterling deposits.

Funding 1 may instruct the cash manager to open a Funding 1 eligible bank GIC account with an agent account bank provided that such agent account bank accedes to Funding 1 bank account

agreement or enters into a bank account agreement on substantially similar terms to Funding 1 bank account agreement with Funding 1 with such amendments as are satisfactory to the cash manager and will not result in a downgrade, withdrawal or qualification of the then current ratings of the rated notes. Once the Funding 1 eligible bank GIC account is opened with the agent account bank, such agent account bank may enter into third party deposit provider agreements with eligible banks in accordance with the terms of the Funding 1 bank account agreement and the cash management agreement.

Mortgages trustee bank account agreement

Pursuant to the terms of the mortgages trustee bank account agreement entered into on the programme closing date between the mortgages trustee, the mortgages trustee account bank, the cash manager and the Funding 1 security trustee, the mortgages trustee has agreed to maintain, where necessary, the following accounts in England in its name with the mortgages trustee account bank. These are:

(a) *the mortgages trustee GIC account*: the mortgages trust available revenue receipts and mortgages trustee principal receipts are initially deposited in this account. On any date upon which payment is due, amounts required to meet the mortgages trustee's obligations to its various beneficiaries (including Funding 1) are transferred to the mortgages trustee transaction account;

(b) *the mortgages trustee transaction account*: on each distribution date, monies standing to the credit of the mortgages trustee GIC account are transferred to the mortgages trustee transaction account and applied in accordance with the priority of payment set out in the mortgages trust deed; and

(c) *the mortgages trustee GIC collateral custody account*: which is credited with all eligible collateral transferred by Nationwide, as the entity maintaining the mortgages trustee GIC account and all other amounts attributable to assets transferred as collateral by Nationwide to the extent such collateral is required to be transferred in accordance with the mortgages trustee collateral agreement. Such amounts will be segregated and held for the benefit of the mortgages trustee.

If the mortgages trustee account bank ceases to have any of the mortgages trustee account bank required ratings and the mortgages trustee fails to open a standby mortgages trustee GIC account with a standby mortgages trustee account bank (which is either a bank for purposes of section 991 of the Income Tax Act 2007 or a building society for the purposes of section 989 of the Income Tax Act 2007 and which (i) has entered into an agreement in form and substance similar to the mortgages trustee bank account agreement (subject to such amendments as are satisfactory to the cash manager having reasonably determined that such amendments will not result in a downgrade, qualification or withdrawal of the then current ratings of the rated notes); and (ii) has the mortgages trustee account bank required ratings unless, in either case, Fitch, Moody's and S&P confirm that the then current ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified) then either:

- the mortgages trustee transaction account and the mortgages trustee GIC account will be closed and all amounts standing to the credit thereof shall be transferred within 30 days to accounts held with a financial institution: (i) that has the mortgages trustee account bank required ratings; and (ii) which is an authorised person under the FSMA; or

- the mortgages trustee account bank will obtain a guarantee of its obligations under the mortgages trustee bank account agreement from a financial institution with the mortgages trustee account bank required ratings unless, in either case, Fitch, Moody's and S&P confirm that the then current ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified; but

where the mortgages trustee account bank ceases to have the mortgages trustee account bank required ratings relating to S&P and has failed to obtain a guarantee of its obligations (the **mortgages trustee account bank S&P rating event**), the transfer (where required) to the replacement financial institution shall occur within the S&P remedy period, where S&P remedy period means the period from (but excluding) the date of the occurrence of the mortgages trustee account bank S&P rating event to (and including) the later of: (A) the 60th calendar day following the date of the occurrence of the mortgages trustee account bank S&P rating event and (B) if the cash manager or the mortgages trustee has, on or before the 60th calendar day following the date of the mortgages trustee account bank S&P rating event, delivered to S&P a written proposal setting out the remedial action it is to take and S&P has notified the cash manager or the mortgages trustee that such proposal will result in the rating of the rated notes then outstanding being maintained at the level it was at immediately prior to the date of the mortgages trustee account bank S&P rating event, the 90th calendar day following the date on which such mortgages trustee account bank S&P rating event occurs.

Notwithstanding the foregoing, in the event that Nationwide in its capacity as the mortgages trustee account bank ceases to have the mortgages trustee account bank required ratings but so long as it has opened and is maintaining a standby mortgages trustee GIC account, it may continue to operate, and receive deposits into, the mortgages trustee GIC account provided that (i) the mortgages trustee account bank provides collateral against the amount standing to the credit of the mortgages trustee GIC account in the form of (x) procuring that term NR GIC collateral advances are made by the issuer through increases on the class Z GIC collateral notes, and/or (y) by posting eligible collateral under the mortgages trustee collateral agreement and (ii) the "Issuer Default Ratings" of the mortgages trustee account bank does not fall below BBB- by Fitch.

The **mortgages trustee account bank required ratings** means the "Issuer Default Ratings" of the mortgages trustee account bank shall be at least F1 short-term and A long-term by Fitch and the unguaranteed, unsubordinated and unsecured debt obligations of the mortgages trustee account bank shall be at least A3 long-term by Moody's and A-1 short term and A long-term (or, if not rated at least A-1 short-term, at least A+ long-term) by S&P respectively.

Under the terms of the mortgages trustee bank account agreement, the mortgages trustee account bank will agree to pay interest on the monies standing to the credit of the mortgages trustee GIC account at a variable rate of interest of 0.25% per annum below three-month LIBOR for sterling deposits.

Issuer bank account agreement

On the programme closing date, the issuer entered into the issuer bank account agreement with the issuer account bank, the issuer cash manager and the issuer security trustee on substantially the same terms (including the ratings criteria described above, except for its unguaranteed, unsubordinated and unsecured debt obligations which will be at least A3 long-term by Moody's) as those in the Funding 1 bank account agreement relating to the Funding 1 transaction account and the issuer transaction account. The rights, benefits and interests of the issuer pursuant to the issuer bank account agreement have been assigned to the issuer security trustee under the issuer deed of charge. The issuer may, with the prior written consent of the issuer security trustee, open additional or replacement bank accounts.

Governing law

The bank account agreements are governed by English law.

THE START-UP LOAN AGREEMENT

This section contains a summary of the material terms of the start-up loan agreement.

General

On or about the initial closing date, Nationwide made available to Funding 1 the start-up loan under the start-up loan agreement. This is a subordinated loan facility available in several tranches in the amounts set out in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for the series of notes issued on such date, which has been and will be used (in whole or in part) for: (i) crediting the general reserve fund on each closing date by an amount specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); (ii) meeting the costs and expenses incurred by Funding 1 in connection with its payment to the mortgages trustee in respect of the Funding 1 share in the trust property on the initial closing date; (iii) paying the fees under the intercompany loan agreement which related to the costs to the issuer of the issue of the notes (including any fees payable in connection with any notes which have been issued or re-offered at a discount to par); and (iv) funding any upfront payments due under the Funding 1 swap agreement. The initial start-up loan was made available to Funding 1 in three tranches. Nationwide agreed to be bound by any calculations and determinations made by the cash manager, the Funding 1 security trustee or the mortgages trustee, respectively. Additional start-up loan tranche supplements have been and may be entered into in connection with each issuance of notes after the initial closing date. On each future issuance of notes, Nationwide as the start up loan provider will enter into a start-up loan tranche supplement with Funding 1 with the terms set out below and in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Interest on the start-up loan

Each start-up loan will bear interest at the variable rates of interest specified in the applicable final terms for the series of notes to which it relates (or, in the case of exempt notes, the applicable pricing supplement). Any interest which is not paid on its due date will be added to the principal amount owed on that start-up loan and will also bear interest. Interest is payable by Funding 1 on each Funding 1 payment date subject to and in accordance with the relevant Funding 1 priority of payments.

Repayment of the start-up loan

Funding 1 will repay each start-up loan, but only to the extent that it has Funding 1 available revenue receipts after making higher ranking payments in the relevant priorities of payments of Funding 1 (see further "**Security for Funding 1's obligations—Funding 1 pre-enforcement priority of payments and—Security for Funding 1's obligations—Funding 1 post-enforcement priority of payments**"). Amounts due to the start-up loan provider are payable after amounts due on the term advances are repaid to the issuer. After Funding 1 has repaid the relevant start-up loan, it will have no further recourse to the start-up loan provider.

Event of default

It will be an event of default under the start-up loan agreement if Funding 1 has sufficient Funding 1 available revenue receipts to pay amounts due to the start-up loan provider, and it does not pay them.

The occurrence of an event of default under the start-up loan agreement may constitute an intercompany loan event of default as set out in **"The intercompany loan agreement—Funding 1 intercompany loan events of default"**.

Acceleration

If an intercompany loan acceleration notice is served upon Funding 1 under the intercompany loan agreement, then each start-up loan will become immediately due and payable and amounts outstanding on each start-up loan will be paid in accordance with the relevant Funding 1 priority of payments.

Governing law

The start-up loan agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

THE SECOND START-UP LOAN AGREEMENT

General

The second start-up loan agreement was entered into by Funding 1, the Funding 1 security trustee and Nationwide on 13 September 2011. The purpose of the loan (the **second start-up loan**) was solely to pay restructuring fees. The second start-up loan was drawn in a single advance denominated in sterling in an amount that did not exceed £600,000 and repayments of principal and interest shall be in sterling. The second start-up loan shall bear interest from (and including) the date that the second start-up loan is granted (or in relation to capitalised interest, the date on which such interest is capitalised) until such second start-up loan (and all accrued interest thereon) is repaid in full at a rate of LIBOR + 1.00 per cent. Funding 1 will make payments of interest (including accrued but unpaid interest which has not yet been capitalised) on the second start-up loan on each Funding 1 payment date if, and to the extent that, there are Funding 1 available revenue receipts available therefor after making payments and provisions referred to in paragraphs (a) to (v) of the Funding 1 pre-enforcement revenue priority of payments, or, as applicable, paragraphs (a) to (k) of the Funding 1 post-enforcement priority of payments until the second start-up loan and any accrued but unpaid interest thereon has been fully repaid. The cash manager shall determine the amount of interest on the second start-up loan which shall be calculated on the basis of the actual number of days elapsed and a 365 day year. Interest accrued in respect of a Funding 1 interest period but not paid on a Funding 1 payment date shall forthwith be capitalised (that is added to the principal amount outstanding under the second start-up loan).

Funding 1 will make payments of principal (including any capitalised interest) on the second start-up loan and pay any accrued but unpaid interest thereon on each Funding 1 payment date if, and to the extent that, there are Funding 1 available revenue receipts available therefor after making payments and provisions referred to in paragraphs (a) to (v) of the Funding 1 pre-enforcement revenue priority of payments until the second start-up loan including any capitalised interest) has been fully repaid. Funding 1 available revenue receipts shall be applied to pay interest on the second start-up loan before applying the remaining Funding 1 available revenue receipts to repay principal on the second start-up loan.

Event of default

It will be an event of default under the second start-up loan agreement if Funding 1 has sufficient Funding 1 available revenue receipts to pay amounts due to the start-up loan provider, and it does not pay them.

The occurrence of an event of default under the second start-up loan agreement may constitute an intercompany loan event of default as set out in "**The intercompany loan agreement—Funding 1 intercompany loan events of default**".

Acceleration

If an intercompany loan acceleration notice is served upon Funding 1 under the intercompany loan agreement, then the facilities granted by the second start-up loan agreement shall be cancelled and the second start-up loan (including any capitalised interest) and any accrued but unpaid interest shall become immediately due and payable and amounts outstanding on the second start-up loan will be paid in accordance with the relevant Funding 1 priority of payments.

Governing law

The second start-up loan agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

SECURITY FOR FUNDING 1'S OBLIGATIONS

The following section contains a summary of the material terms of the Funding 1 deed of charge.

Security for Funding 1's obligations

Funding 1 has granted security in favour of the Funding 1 security trustee (on behalf of the Funding 1 secured creditors) for its obligations under the intercompany loan agreement and the other transaction documents to which it is a party by entering into the Funding 1 deed of charge with the Funding 1 secured creditors on or around the programme closing date. A summary of the material terms of the Funding 1 deed of charge is set out below.

The Funding 1 deed of charge has seven primary functions:

- it sets out the covenants of Funding 1;
- it creates security interests in favour of the Funding 1 security trustee which the Funding 1 security trustee then holds on trust for each of the Funding 1 secured creditors (including secured creditors that accede to the Funding 1 deed of charge in connection with future term advances or new intercompany loans from new issuers);
- it sets out the order in which the cash manager applies money received by Funding 1 prior to enforcement of the security;
- it sets out the enforcement procedures relating to a default by Funding 1 on its covenants under the transaction documents (including provisions relating to the appointment of a receiver);
- it sets out the order in which the Funding 1 security trustee (or the cash manager acting on the instructions of the Funding 1 security trustee) applies money received by Funding 1 after the service of an intercompany loan acceleration notice on Funding 1;
- it sets out the appointment of the Funding 1 security trustee, its powers and responsibilities and the limitations on those responsibilities; and
- it sets out how new creditors of Funding 1 can accede to the terms of the Funding 1 deed of charge.

Covenants of Funding 1

The Funding 1 deed of charge contains covenants made by Funding 1 in favour of the Funding 1 security trustee for itself and the benefit of which it will hold on trust for the benefit of itself, any receiver of Funding 1 and the Funding 1 secured creditors. The main covenants are that Funding 1 will pay all amounts due to each of the Funding 1 secured creditors as they become due (subject to limited recourse provisions) and that it will comply with its other obligations under the transaction documents.

Funding 1 security

Under the Funding 1 deed of charge, Funding 1 has created the following security interests in favour of the Funding 1 security trustee for itself and to hold on trust for the benefit of the other Funding 1 secured creditors (the **Funding 1 security**) in respect of its obligations under the intercompany loan agreement and the other transaction documents to which it is a party:

- an assignment by way of first fixed security (which may take effect as a floating charge) of the Funding 1 share of the trust property;

- an assignment by way of first fixed security (which may take effect as a floating charge) of all of its right, benefit and interest in the transaction documents to which Funding 1 is a party from time to time;

- a first ranking fixed charge (which may take effect as a floating charge) over all of the right, title, interest and benefit of Funding 1 in the Funding 1 bank accounts, all amounts standing to the credit of those accounts from time to time and all authorised investments purchased from those accounts including all monies and income payable under them; and

- a first floating charge over all of the property, assets and undertaking of Funding 1 not otherwise secured by any fixed security interest detailed above (but extending over all of Funding 1's property, assets and undertaking situated in Northern Ireland or governed by Northern Irish law, or situated in Scotland or the rights to which are governed by Scots law, all of which are charged by way of floating charge).

Nature of security – fixed charge

Whether a fixed security interest expressed to be created by the Funding 1 deed of charge will be upheld under English law and Northern Irish law as being a fixed security interest rather than floating security will depend, among other things, on whether the Funding 1 security trustee has the requisite degree of control over Funding 1's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Funding 1 security trustee in practice. However, it is likely that the Funding 1 security trustee will not exert sufficient control over the accounts of Funding 1 for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised as a floating charge if the proceeds thereof are paid into a bank account over which the Funding 1 security trustee is not deemed to have sufficient control. Such is likely to be the case in this transaction. Under Scots law there is no equivalent concept of fixed charges taking effect as floating charges.

Nature of security – floating charge

Unlike the fixed charges, the floating charge does not attach to specific assets but instead "floats" over a class of assets which may change from time to time, allowing Funding 1 to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of Funding 1's business. Any of Funding 1's assets acquired after the programme closing date (including assets acquired as a result of the disposition of any other asset of Funding 1), which are not subject to the fixed charges mentioned in this section (including all of Funding 1's Scottish assets) will be subject to the floating charge.

The existence of the floating charge will allow the Funding 1 security trustee to appoint an administrative receiver of Funding 1 as long as the capital markets exemption is available. The main advantage of the Funding 1 security trustee being able to appoint an administrative receiver is that a person entitled to appoint an administrative receiver can prevent the appointment of an administrator or receiver of Funding 1 by one of Funding 1's other creditors which allows the Funding 1 security trustee to control proceedings in the event that one of Funding 1's other creditors seek such action. However, see "**Risk Factors—Changes of law may adversely affect your interest**" relating to the appointment of administrative receivers.

The interest of the Funding 1 secured creditors in property and assets over which there is only a floating charge will rank behind the expenses of any liquidation or any administration, and the claims

of certain preferential creditors on enforcement of the Funding 1 security. This means that the expenses of any liquidation or any administration and preferential creditors will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to the issuer under the intercompany loan agreement. Section 250 of the Enterprise Act and Article 6 of the Insolvency (Northern Ireland) Order 2005 abolishes crown preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to the debts due to the holder of a floating charge). For a description of the nature of floating charges created after 15 September 2003, in particular the ranking of creditors see "**—Security for the issuer's obligations—Nature of security—floating charge**".

The floating charge created by the Funding 1 deed of charge may "crystallise" and become a fixed charge over the relevant class of assets owned by Funding 1 at the time of crystallisation. Except in relation to Funding 1's Scottish assets, crystallisation will occur automatically following the occurrence of specific events set out in the Funding 1 deed of charge, including, among other events, the service on Funding 1 of an intercompany loan acceleration notice following an intercompany loan event of default. In relation to Funding 1's Scottish assets, crystallisation will only occur on the appointment of an administrative receiver or on the commencement of the winding-up of Funding 1. A crystallised floating charge will rank ahead of the claims of unsecured creditors, which are in excess of the prescribed part set aside to satisfy claims of unsecured creditors pursuant to section 176A of the Insolvency Act but will continue to rank behind the expenses of any liquidation or any administration and the claims of preferential creditors (as referred to in this section) and the beneficiaries of the 'prescribed part' on enforcement of the Funding 1 security.

Funding 1 pre-enforcement priority of payments

The Funding 1 deed of charge sets out the priority of distribution prior to the service of an intercompany loan acceleration notice on Funding 1, of Funding 1 available principal receipts and Funding 1 available revenue receipts. This priority is described in "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**" and "**Cashflows—Distribution of Funding 1 available principal receipts**".

Enforcement

The Funding 1 deed of charge sets out the general procedures by which the Funding 1 security trustee may enforce the security created by Funding 1 so that the Funding 1 security trustee can protect the interests of each of the Funding 1 secured creditors, including the power to appoint a receiver to realise the Funding 1 security.

The Funding 1 deed of charge provides that, when exercising its powers, trusts, authorities, duties and discretions, the Funding 1 security trustee shall act only at the request or direction of the issuer security trustee. The Funding 1 security trustee will only act if it is indemnified and/or secured to its satisfaction.

The Funding 1 security will become enforceable upon the service of an intercompany loan acceleration notice under the intercompany loan agreement, provided that, if the Funding 1 security has become enforceable otherwise than by reason of a default in payment of any amount due in respect of the term AAA advances, the Funding 1 security trustee will not be entitled to dispose of all or part of the assets comprised in the Funding 1 security unless either:

- a sufficient amount would be realised to allow a full and immediate discharge of all amounts owing in respect of all term AAA advances and all prior ranking amounts due by Funding 1; or

- the Funding 1 security trustee is of the sole opinion that the cashflow expected to be received by Funding 1 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 Funding 1, to discharge in full over time all amounts owing in respect of all term AAA advances and all prior ranking amounts due by Funding 1.

Each of the Funding 1 secured creditors has agreed under the Funding 1 deed of charge that they will not take steps directly against Funding 1 for any amounts owing to them, unless the Funding 1 security trustee has become bound to enforce the Funding 1 security but has failed to do so within a reasonable period of becoming so bound and such failure is continuing.

Funding 1 post-enforcement priority of payments

The Funding 1 deed of charge sets out the priority of distribution by the Funding 1 security trustee, following service of an intercompany loan acceleration notice, of amounts received or recovered by the Funding 1 security trustee or a receiver appointed on its behalf. This priority is described in "**Cashflows—Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**".

New issuers

If any new issuers are established to issue new notes and accordingly to make advances to Funding 1, such new issuers and other applicable creditors of Funding 1 will enter into deeds of accession or supplemental deeds in relation to the Funding 1 deed of charge which may, depending on the type of new notes to be issued, require amendments, amongst other things, to any of the Funding 1 pre-enforcement revenue priority of payments, the Funding 1 pre-enforcement principal priority of payments and the Funding 1 post-enforcement priority of payments. Any such new issuers which accede to the Funding 1 deed of charge will share in the security granted by Funding 1. Consent of existing Funding 1 secured creditors and issuer secured creditors will not be sought in relation to the accession of a new issuer or other relevant new secured creditor of Funding 1.

Appointment, powers, responsibilities and liabilities of the Funding 1 security trustee

The Funding 1 security trustee is appointed to act as trustee on behalf of the Funding 1 secured creditors on the terms and conditions of the Funding 1 deed of charge. It holds the benefit of the security created by the Funding 1 deed of charge on trust for each of the Funding 1 secured creditors in accordance with the terms and conditions of the Funding 1 deed of charge.

Pursuant to the terms of the note trust deed, the issuer deed of charge and the Funding 1 deed of charge, the note trustee may, without the consent or sanction of the noteholders at any time and from time to time, direct the issuer security trustee to direct the Funding 1 security trustee to concur with Funding 1 or any other person in making any modification (except a basic terms modification) to any of the transaction documents which, in the sole opinion of the note trustee, it may be proper to make, provided that:

- the note trustee is of the sole opinion that such modification will not be materially prejudicial to the interests of the holders of any series and class (or sub-class) of notes; or

- the note trustee is of the sole opinion that such modification is of a formal, minor or technical nature or is necessary to correct a manifest error.

The note trustee will be entitled to assume that the exercise of its discretions will not be materially prejudicial to the interests of the noteholders if S&P has confirmed that the then current rating by it of the rated notes would not be adversely affected by such exercise (and advance notice in writing of such exercise 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) other than in respect of a modification, waiver, determination or authorisation that relates to an amendment of a maturity purchase deed or condition 5.8.

In addition, the Funding 1 security trustee will give its consent to any modifications to, *inter alia*, the mortgage sale agreement, the servicing agreement, the cash management agreement, the Funding 1 deed of charge, the Funding 1 swap agreement, the intercompany loan agreement, the bank account agreements and the master definitions and construction schedule, that are requested by Funding 1 or the cash manager, provided that Funding 1 or the cash manager certifies to the Funding 1 security trustee that such modifications are required in order to accommodate:

(a) notes to be issued and/or term advances to be made available by the issuer to Funding 1 under the intercompany loan agreement;

(b) the entry by Funding 1 into new intercompany loan agreements, the issue of new notes by new issuers;

(c) the addition of new Funding 1 secured creditors to the transaction documents;

(d) the assignment of new loan types or their related security to the mortgages trustee;

(e) the inclusion of a new beneficiary as a beneficiary of the mortgages trust;

(f) changes to the Funding 1 general reserve fund threshold, the Funding 1 liquidity reserve fund required amount and/or the manner in which the general reserve fund or the Funding 1 liquidity reserve fund is funded;

(g) different interest payment dates and/or interest periods for any notes to be issued by the issuer (including modification of the interest payment dates and/or interest periods and/or the basis or the calculation of interest in respect of any outstanding notes and/or the Funding 1 payment dates and/or the Funding 1 interest periods and/or the basis for the calculation of interest in respect of any outstanding term advances under the intercompany loan agreement);

(h) changes to be made to the definitions of asset trigger event and non-asset trigger event;

(i) the entry by Funding 1 into a Funding 1 account bank agreement with an agent account bank and the corresponding opening of Funding 1 eligible bank GIC accounts;

(j) the entry by Funding 1 or the mortgages trustee, as applicable, into collateral agreements and eligible custody arrangements and the corresponding opening of GIC collateral custody accounts, and the entry by the mortgages trustee into a mortgages trustee account bank agreement and the corresponding opening of a standby mortgages trustee GIC account; and

(k) the entry into any back-up servicing arrangements or back-up cash manager arrangements pursuant to the servicing agreement or the cash management agreement, as applicable;

and provided further that:

- the conditions precedent to the sale of loans to the mortgages trustee have been satisfied, including that the conditions precedent to (i) the notes being issued by the issuer and/or term advances being made available to Funding 1; (ii) the new notes being issued by new issuers directly and/or new intercompany loan agreements being entered into by Funding 1; (iii) the sale and assignment of new loans and their related security to the mortgages trustee; and (iv) the inclusion of a new beneficiary of the mortgages trust, if applicable, have been satisfied; and

- (1) the Funding 1 security trustee has received written confirmation from S&P that the relevant modifications will not adversely affect the then current ratings of such notes (and advance notice in writing of such modifications 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), and (2) the Funding 1 security trustee is not obliged to give its consent where, in the opinion of the Funding 1 security trustee, to do so would result in the imposition of an increase in its obligations or duties, or decrease in its rights or protections.

Funding 1 security trustee's fees and expenses

Funding 1 shall reimburse the Funding 1 security trustee for all its costs and expenses properly incurred in acting as Funding 1 security trustee. The Funding 1 security trustee shall be entitled to a fee payable quarterly in the amount agreed from time to time by the Funding 1 security trustee and Funding 1. Funding 1 has agreed to indemnify the Funding 1 security trustee and each of its officers, employees and advisers from and against all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses arising out of or in connection with:

- the transaction documents; or

- the Funding 1 security trustee's engagement as Funding 1 security trustee,

which it or any of its officers, employees or advisers may suffer as a result of Funding 1 failing to perform any of its obligations.

Funding 1 will not be responsible under the Funding 1 deed of charge for any liabilities, losses, damages, costs or expenses resulting from wilful misconduct, fraud or wilful default by the Funding 1 security trustee or any of its officers, employees or advisers.

Retirement and removal

Subject to the appointment of a successor Funding 1 security trustee, the Funding 1 security trustee may retire after giving three months' notice in writing to Funding 1. In order to be eligible to act as Funding 1 security trustee, such successor Funding 1 security trustee must agree to be bound by the terms of the Funding 1 deed of charge and must meet the applicable eligibility requirements under the Funding 1 deed of charge. If within 60 days of having given notice of its intention to retire, Funding 1 has failed to appoint a replacement Funding 1 security trustee, the outgoing Funding 1 security trustee will be entitled to appoint its successor (provided that the appointment of such a successor does not have a material adverse effect on the then current rating of the rated notes and agrees to be bound by the terms of the Funding 1 deed of charge, and further provided that S&P confirms that the current ratings of the rated notes shall not be either reduced, qualified or withdrawn as a result of such appointment (and advance notice in writing of such appointment 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)).

Funding 1 may remove the Funding 1 security trustee at any time provided that it has the consent, which must not be unreasonably withheld or delayed, of each of the Funding 1 secured creditors to the removal.

In addition, the Funding 1 security trustee may, subject to conditions specified in the Funding 1 deed of charge, appoint a co-trustee to act jointly with it.

Additional provisions of the Funding 1 deed of charge

The Funding 1 deed of charge contains a range of provisions regulating the scope of the Funding 1 security trustee's duties and liabilities. These include the following:

- the Funding 1 security trustee is not responsible for the adequacy or enforceability of the Funding 1 deed of charge or the security interests created thereby or any other transaction document;

- the Funding 1 security trustee is not required to exercise its powers under the Funding 1 deed of charge without being directed to do so by the issuer security trustee;

- the Funding 1 security trustee may rely (without investigation or further inquiry) on documents provided by, *inter alios*, the mortgages trustee, Funding 1 and the cash manager, the ratings agencies and the advice of experts and advisers and shall not be liable for any loss or damage arising as a result of such reference;

- the Funding 1 security trustee is not required to monitor compliance by Funding 1 with the transaction documents or whether an intercompany loan event of default under the intercompany loan has occurred (and will be taken not to have knowledge of the occurrence thereof unless notified in writing by a Funding 1 secured creditor in accordance with the Funding 1 deed of charge);

- the Funding 1 security trustee will be taken not to have knowledge of the occurrence of an intercompany loan event of default under the intercompany loan unless the Funding 1 security trustee has received written notice from a Funding 1 secured creditor stating that an intercompany loan event of default has occurred and describing that intercompany loan event of default;

- any action taken by the Funding 1 security trustee under the Funding 1 deed of charge or any transaction document binds all of the Funding 1 secured creditors;

- each Funding 1 secured creditor must make its own independent investigations without reliance on the Funding 1 security trustee, as to the affairs of Funding 1;

- the Funding 1 security trustee generally has no liability under or in connection with the Funding 1 deed of charge or any other transaction document, whether to a Funding 1 secured creditor or otherwise, other than to the extent to which (1) the liability is able to be satisfied in accordance with the Funding 1 deed of charge out of the property held by it on trust under the Funding 1 deed of charge and (2) it is actually indemnified for the liability; and

- the Funding 1 security trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of security.

The Funding 1 security trustee has had no involvement in the preparation of any part of this base prospectus, other than any particular reference to the Funding 1 security trustee. The Funding 1 security trustee expressly disclaims and takes no responsibility for any other part of this base prospectus. The Funding 1 security trustee makes no statement or representation in this base prospectus, has not authorised or caused the issue of any part of it and takes no responsibility for any part of it, other than any particular reference to the Funding 1 security trustee. The Funding 1 security trustee does not guarantee the performance of the notes or the payment of principal or interest on the notes.

Governing law

The Funding 1 deed of charge is governed by English law, provided that any terms which are particular to Northern Irish law or Scots law will be construed in accordance with the laws of Northern Ireland and Scotland, respectively.

SECURITY FOR THE ISSUER'S OBLIGATIONS

The following section contains a summary of the material terms of the issuer deed of charge

The issuer deed of charge

The issuer has provided security for its obligations by entering into the issuer deed of charge with certain of the issuer secured creditors.

The issuer deed of charge has five primary functions:

- it sets out covenants of the issuer;
- it creates security interests in favour of the issuer security trustee for the benefit of the issuer security trustee which the issuer security trustee holds on trust for each of the issuer secured creditors;
- it sets out the enforcement procedures relating to a default by the issuer of its covenants under the transaction documents (including the appointment of a receiver);
- it sets out the order in which the issuer security trustee applies monies standing to the credit of the issuer transaction account both prior to and following the service of a note acceleration notice on the issuer; and
- it sets out the appointment of the issuer security trustee, its powers and responsibilities and the limitations on those responsibilities.

Covenants of the issuer

The note trust deed contains covenants made by the issuer in favour of the note trustee on trust for the noteholders, and the issuer deed of charge contains covenants made by the issuer in favour of the issuer security trustee on trust for the benefit of itself, any receiver of the issuer and the issuer secured creditors. Pursuant to the note trust deed, the main covenants are that the issuer will pay all amounts due under the notes as they become due and that it will comply with its other obligations under the transaction documents.

Issuer security

Under the issuer deed of charge, the issuer has created the following security interests in favour of the issuer security trustee for itself and to hold on trust for the benefit of each of the other issuer secured creditors in respect of its obligations under the transaction documents to which the issuer is a party:

- an assignment by way of first fixed security (which may take effect as a floating charge) of all of the issuer's right, benefit and interest under the transaction documents to which it is a party, including the intercompany loan agreement, the Funding 1 deed of charge, the issuer swap agreements, the issuer swap guarantees (if any), the paying agent and agent bank agreement, the programme agreement, the subscription agreements, the issuer corporate services agreement, the issuer bank account agreement and the issuer cash management agreement;
- a first ranking fixed charge (which may take effect as a floating charge) over all of issuer's right, benefit, interest and title present and future in respect of any amounts standing to the credit of the issuer bank accounts including all interest paid and payable in relation to those amounts and all debts represented by those amounts;

- a first ranking fixed charge (which may take effect as a floating charge) over all of the issuer's right, title, interest and benefit in respect of all authorised investments made by or on behalf of the issuer, including all monies and income payable under them; and

- a first floating charge over all of the issuer's property, assets and undertaking not already effectively secured under the security interests described above (including all of the issuer's property, assets and undertaking situated in Scotland or governed by Scots law, or situated in Northern Ireland or governed by Northern Irish law).

Nature of security – fixed charge

Whether a fixed security interest expressed to be created by the issuer deed of charge will be upheld under English law and Northern Irish law as being a fixed security interest rather than floating security will depend, among other things, on whether the issuer security trustee has the requisite degree of control over the issuer's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the issuer security trustee in practice. However, it is likely that the issuer security trustee will not exert sufficient control over the accounts of the issuer for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised a floating charge if the proceeds thereof are paid into a bank account over which the issuer security trustee is not deemed to have sufficient control. Such may be the case in this transaction. Under Scots law there is no equivalent concept of fixed charges taking effect as floating charges.

Nature of security – floating charge

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

The existence of the floating charge will allow the issuer security trustee to appoint an administrative receiver of the issuer as long as the capital markets exemption is available. The main advantage of the issuer security trustee being able to appoint an administrative receiver is that a person entitled to appoint an administrative receiver can prevent the appointment of an administrator or receiver of the issuer by one of the issuer's other creditors which allows the issuer security trustee to control proceedings in the event the issuer's other creditors seek such action. However, see "**Risk Factors—Changes of law may adversely affect your interests**" relating to the appointment of administrative receivers.

The interest of the issuer secured creditors in property and assets over which there is a floating charge will rank behind the expenses of any liquidation or administration and the claims of certain preferential creditors on enforcement of the issuer security. Section 250 of the Enterprise Act and Article 6 of the Insolvency (Northern Ireland) Order 2005 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 a new section 176A of the Insolvency Act (as inserted by section 251 of the Enterprise Act and a new Article 150A of the Insolvency (Northern Ireland) Order 1989 as inserted by Article 7 of the Insolvency (Northern Ireland) Order 2005) 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 liquidation or administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of

amounts due to noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

The floating charge created by the issuer 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. Except in relation to the issuer's Scottish assets, crystallisation will occur automatically following the occurrence of specific events set out in the issuer deed of charge, including, among other events, the service on the issuer of a note acceleration notice following an event of default under the notes. In relation to the issuer's Scottish assets, crystallisation will occur only on the appointment of an administrative receiver or on the commencement of the winding-up of the issuer. 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 liquidation or administration, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the issuer security.

Enforcement

The issuer deed of charge sets out the general procedures by which the issuer security trustee may take steps to enforce the security created by the issuer so that the issuer security trustee can protect the interests of each of the issuer secured creditors (including the power to appoint a receiver to enforce the issuer security and if applicable, to direct the Funding 1 security trustee to enforce the Funding 1 security).

The issuer deed of charge provides that the issuer security trustee will not, and will not be bound to, exercise its rights and/or take any other action under or in connection with any of the transaction documents (including, without limitation, enforcing the issuer security) unless the issuer security trustee is directed to do so by the note trustee or, if there are no notes outstanding, all of the other issuer secured creditors.

As among noteholders, the note trustee shall not be bound to take any proceedings or give any directions to the issuer security trustee (including, without limitation, with respect to enforcement of the issuer security) or take any other action in relation to the transaction documents unless directed to do so by extraordinary resolution of the class A noteholders, the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders or the class Z noteholders, as the case may be, or in writing by the holders of at least one quarter in aggregate principal amount outstanding of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes or the class Z notes, as the case may, provided that:

(a) the note trustee shall not be obliged to act at the direction or request of the class B noteholders as aforesaid unless either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class A noteholders or such action is sanctioned by an extraordinary resolution of the class A noteholders;

(b) the note trustee shall not be obliged to act at the direction or request of the class M noteholders as aforesaid unless (i) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class A noteholders or such action is sanctioned by an extraordinary resolution of the class A noteholders and (ii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class B noteholders or such action is sanctioned by an extraordinary resolution of the class B noteholders;

(c) the note trustee shall not be obliged to act at the direction or request of the class C noteholders as aforesaid unless (i) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class A noteholders or such action is sanctioned by an extraordinary resolution of the class A noteholders; (ii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class B

noteholders or such action is sanctioned by an extraordinary resolution of the class B noteholders; and (iii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class M noteholders or such action is sanctioned by an extraordinary resolution of the class M noteholders; and

(d) the note trustee shall not be obliged to act at the direction or request of the class D noteholders as aforesaid unless (i) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class A noteholders or such action is sanctioned by an extraordinary resolution of the class A noteholders; (ii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class B noteholders or such action is sanctioned by an extraordinary resolution of the class B noteholders; (iii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class M noteholders or such action is sanctioned by an extraordinary resolution of the class M noteholders; and (iv) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class C noteholders or such action is sanctioned by an extraordinary resolution of the class C noteholders.

(e) the note trustee shall not be obliged to act at the direction or request of the class Z noteholders as aforesaid unless (i) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class A noteholders or such action is sanctioned by an extraordinary resolution of the class A noteholders; (ii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class B noteholders or such action is sanctioned by an extraordinary resolution of the class B noteholders; (iii) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class M noteholders or such action is sanctioned by an extraordinary resolution of the class M noteholders; (iv) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class C noteholders or such action is sanctioned by an extraordinary resolution of the class C noteholders and (v) either the note trustee is of the sole opinion that to do so would not be materially prejudicial to the interests of the class D noteholders or such action is sanctioned by an extraordinary resolution of the class D noteholders.

If there is a conflict between the interests of the class A noteholders of one sub-class and the class A noteholders of another sub-class, or a conflict between the interests of class B noteholders of one sub-class and the class B noteholders of another sub-class, or a conflict between the interests of the class M noteholders of one sub-class and the class M noteholders of another sub-class, or a conflict between the interests of the class C noteholders of one sub-class and the class C noteholders of another sub-class, or a conflict between the interests of the class D noteholders of one sub-class and the class D noteholders of another sub-class, then a resolution directing the note trustee to take any action must be passed at separate meetings of the holders of each sub-class of the class A notes or, as applicable, each sub-class of the class B notes, each sub-class of the class M notes, each sub-class of the class C notes or, as applicable, each sub-class of the class D notes.

In all such cases, neither the note trustee nor the issuer security trustee will be obliged to act unless it is indemnified and/or secured to its satisfaction.

The issuer security will become enforceable at any time following the service of a note acceleration notice on the issuer or if there are no notes outstanding, following a default in payment of any other secured obligation of the issuer, provided that, if the issuer security has become enforceable otherwise than by reason of a default in payment of any amount due on the notes, the issuer security trustee will not be entitled to dispose of all or part of the assets comprised in the issuer security unless either:

- a sufficient amount would be realised to allow a full and immediate discharge of all amounts owing in respect of the class A notes or, if the class A notes have been fully repaid, the class

B notes or, if the class B notes have been fully repaid, the class M notes or if the class M notes have been fully repaid, the class C notes or if the class C notes have been fully repaid, the class D notes or if the class D notes have been fully repaid, the class Z notes; or

- the issuer security trustee is of the sole 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 over time all amounts owing in respect of the class A notes or, if the class A notes have been fully repaid, the class B notes or, if the class B notes have been fully repaid, the class M notes or, if the class M notes have been fully repaid, the class C notes or, if the class C notes have been fully repaid, the class D notes or if the class D notes have been fully repaid, the class Z notes.

Each of the issuer secured creditors (other than the noteholders, the note trustee acting on behalf of the noteholders and the issuer security trustee) has agreed under the issuer deed of charge that they will not take steps directly against the issuer (other than in accordance with the transaction documents) for any amounts owing to them, unless the issuer security trustee has become bound to enforce the issuer security but has failed to do so within a reasonable period of becoming so bound.

The security interests expressed to be created by the issuer under the issuer deed of charge are binding on the creditors and a liquidator or an administrator of the issuer. Accordingly, in a liquidation or administration of the issuer, neither the issuer nor any of its creditors nor a liquidator or administrator of the issuer would be able to contest successfully the validity of such security, although that security may be subject to restrictions on enforcement. The issuer's and the issuer security trustee's (as trustee for the issuer secured creditors) respective interests may, however, be or become subject to prior third party rights, claims or interests. Neither a creditor of the issuer nor its liquidator or administrator would be able to challenge successfully the priority of the application of payments on enforcement of the issuer deed of charge.

Issuer post-enforcement priority of payments

The issuer deed of charge sets out the priority of distribution by the issuer security trustee, following service of a note acceleration notice, of amounts received or recovered by the issuer security trustee (or a receiver appointed on its behalf). There are two separate payment orders of priority depending on whether the Funding 1 security has also been enforced. These orders of priority are described in "**Cashflows**".

Appointment, powers, responsibilities and liabilities of the issuer security trustee

The issuer security trustee is appointed to act as trustee on behalf of the issuer secured creditors on the terms and conditions of the issuer deed of charge. It holds the benefit of the security created by the issuer deed of charge on trust for each of the issuer secured creditors in accordance with the terms and conditions of the issuer deed of charge.

Pursuant to the terms of the note trust deed and the issuer deed of charge, the note trustee may, without the consent or sanction of the noteholders at any time and from time to time, direct the issuer security trustee to concur with the issuer or any other person in making any modification (except a basic terms modification) to any of the transaction documents which, in the sole opinion of the note trustee, it may be proper to make, provided that:

- the note trustee is of the sole opinion that such modification will not be materially prejudicial to the interests of the holders of any series and class (or sub-class) of notes; or

- the note trustee is of the sole opinion that such modification is of a formal, minor or technical nature or is necessary to correct a manifest error.

The note trustee will be entitled to assume that the exercise of its rights, powers, duties and discretions will not be materially prejudicial to the interests of the noteholders if S&P has confirmed that the then current rating by it of the rated notes would not be adversely affected by such exercise (and advance notice in writing of such exercise 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) other than in the case of a modification, waiver, determination or authorisation that relates to an amendment of a maturity purchase deed or Condition 5.8.

In addition, the issuer security trustee will give its consent to any modifications to, *inter alia*, the mortgage sale agreement, the servicing agreement, the cash management agreement, the Funding 1 deed of charge, the Funding 1 swap agreement, the intercompany loan agreement, the bank account agreements and the master definitions and construction schedule, that are requested by Funding 1 or the cash manager, provided that Funding 1 or the cash manager certifies to the issuer security trustee in writing that such modifications are required in order to accommodate:

(a) notes to be issued and/or term advances to be made available by the issuer to Funding 1 under the intercompany loan agreement;

(b) the entry by Funding 1 into new intercompany loan agreements, the issue of new notes by new issuers;

(c) the addition of new issuer secured creditors or Funding 1 secured creditors to the transaction documents or the making of new term advances by Funding 1;

(d) the assignment of new loan types or their related security to the mortgages trustee;

(e) the inclusion of a new beneficiary as a beneficiary of the mortgages trust;

(f) changes to the Funding 1 reserve required amount, the Funding 1 liquidity reserve required amount and/or the manner in which the general reserve fund or the Funding 1 liquidity reserve fund is funded;

(g) different interest payment dates and/or interest periods for any notes to be issued by the issuer (including modification of the interest payment dates and/or interest periods and/or the basis or the calculation of interest in respect of any outstanding notes and/or the Funding 1 payment dates and/or the Funding 1 interest periods and/or the basis for the calculation of interest in respect of any outstanding term advances under the intercompany loan agreement);

(h) changes to be made to the definitions of asset trigger event and non-asset trigger event;

(i) the establishment of further funding companies and/or new issuers;

(j) the entry by Funding 1 into a Funding 1 account bank agreement with an agent account bank and the corresponding opening of Funding 1 eligible bank GIC accounts;

(k) the entry by Funding 1 or the mortgages trustee, as applicable, into collateral agreements and eligible custody arrangements and the corresponding opening of GIC collateral custody accounts, and the entry by the mortgages trustee into a mortgages trustee account bank agreement and the corresponding opening of a standby mortgages trustee GIC account; and

(l) the entry into any back-up servicing arrangements or back-up cash manager arrangements pursuant to the servicing agreement or the cash management agreement, as applicable;

and provided further that:

- the conditions precedent to the sale of loans to the mortgages trustee have been satisfied, including that the conditions precedent to (i) the notes being issued by the issuer and/or term advances being made available to Funding 1; (ii) the new notes being issued by new issuers directly and/or new intercompany loan agreements being entered into by Funding 1; (iii) the assignment of new loans and their related security to the mortgages trustee; and (iv) the inclusion of a new beneficiary of the mortgages trust, if applicable, have been satisfied; and

- (1) the issuer security trustee has received written confirmation from S&P that the relevant modifications will not adversely affect the then current ratings of the rated notes (and advance notice in writing of any such modifications 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); and (2) the issuer security trustee is not obliged to give its consent where, in the opinion of the issuer security trustee, to do so would result in the imposition of an increase in its obligations or duties, or decrease in its rights or protections.

Issuer security trustee's fees and expenses

The issuer will reimburse the issuer security trustee for all its costs and expenses properly incurred in acting as issuer security trustee. The issuer security trustee shall be entitled to a fee payable quarterly in the amount agreed from time to time by the issuer security trustee and the issuer. The issuer has agreed to indemnify the issuer security trustee and each of its officers, employees and advisers from and against all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses arising out of or in connection with:

- the transaction documents; or

- the issuer security trustee's engagement as issuer security trustee,

which it or any of its officers, employees or advisers may suffer as a result of the issuer failing to perform any of its obligations.

The issuer will not be responsible under the issuer deed of charge for any liabilities, losses, damages, costs or expenses resulting from the wilful misconduct, fraud or wilful default on the part of the issuer security trustee or any of its officers, employees and advisers.

Retirement and removal

Subject to the appointment of a successor issuer security trustee, the issuer security trustee may retire after giving three months' notice in writing to the issuer. In order to be eligible to act as issuer security trustee, such successor issuer security trustee must agree to be bound by the terms of the issuer deed of charge and must meet the applicable eligibility requirements under the issuer deed of charge. If within 60 days of having given notice of its intention to retire, the issuer has failed to appoint a replacement issuer security trustee, the outgoing issuer security trustee will be entitled to appoint its successor (provided that such successor is acceptable to the rating agencies and agrees to be bound by the terms of the issuer deed of charge, and further provided that S&P confirms that the current ratings of the rated notes shall not be either reduced, qualified or withdrawn as a result of such appointment (and advance notice in writing of such appointment 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)).

The noteholders may, by extraordinary resolution of each class thereof, remove the issuer security trustee at any time.

In addition, the issuer security trustee may, subject to the conditions specified in the issuer deed of charge, appoint a co-trustee to act jointly with it.

Additional provisions of the issuer deed of charge

The issuer deed of charge contains a range of provisions regulating the scope of the issuer security trustee's duties and liability. These include the following:

- the issuer security trustee will, if reasonably practicable, give prior written notification to the seller, the issuer and the other issuer secured creditors upon being directed by the note trustee (or, if there are no notes outstanding, all of the other issuer secured creditors) to enforce the issuer security (although any failure to so notify will not prejudice the ability of the issuer security trustee to enforce the issuer security);

- the issuer security trustee will not be responsible for the adequacy or enforceability of the issuer deed of charge or the security interests created thereby or any other transaction document;

- the issuer security trustee may rely (without investigation or further inquiry) on documents provided by, *inter alios*, the issuer, the issuer cash manager, the issuer swap providers, the agent bank, the paying agents, the registrar, the exchange rate agent, the transfer agent, the issuer account bank, the issuer corporate services provider, the rating agencies and the advice of experts and advisers and shall not be liable for any loss or damage arising as a result of such reliance;

- the issuer security trustee will not be required to monitor whether a note event of default has occurred or compliance by the issuer with the transaction documents;

- the issuer security trustee will be taken not to have knowledge of the occurrence of a note event of default unless the issuer security trustee has received written notice from an issuer secured creditor stating that a note event of default has occurred and describing that note event of default;

- the issuer security trustee may rely (without investigation or further inquiry) on any instructions or directions given to it by the note trustee as being given on behalf of the relevant class of noteholders without inquiry about compliance with the note trust deed and shall not be liable for any loss or damage arising as a result of such reliance;

- the issuer security trustee will have no duties or responsibilities except those expressly set out in the issuer deed of charge or the transaction documents;

- any action taken by the issuer security trustee under the issuer deed of charge or any of the transaction documents will bind all of the issuer secured creditors;

- each issuer secured creditor must make its own independent investigations, without reliance on the issuer security trustee, as to the affairs of the issuer;

- the issuer security trustee in a capacity other than as issuer security trustee will be able to exercise its rights and powers as such as if it were not acting as the issuer security trustee;

- the issuer security trustee and its affiliates may engage in any kind of business with the issuer or any of the issuer secured creditors as if it were not the issuer security trustee and may receive consideration for services in connection with any transaction document or otherwise without having to account to the issuer secured creditors;

- save as expressly otherwise provided in the issuer deed of charge (and, in particular, the provisions regarding its obligation to act on the instructions from the note trustee or, as applicable, other issuer secured creditors), the issuer security trustee shall have absolute and uncontrolled discretion as to the exercise or non-exercise of its trusts, powers, authorities and discretions under the issuer deed of charge and, except as a result of wilful misconduct, fraud or wilful default, shall not be responsible for any liability which may result from such exercise or non-exercise; and

- the issuer security trustee will not be responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of security.

The issuer security trustee has had no involvement in the preparation of any part of this base prospectus, other than any particular reference to the issuer security trustee. The issuer security trustee expressly disclaims and takes no responsibility for any other part of this base prospectus. The issuer security trustee makes no statement or representation in this base prospectus, has not authorised or caused the issue of any part of it and takes no responsibility for any part of it, other than any particular reference to the issuer security trustee. The issuer security trustee does not guarantee the success of the notes or the payment of principal or interest on the notes.

Governing law

The issuer deed of charge is governed by English law, provided that any terms which are particular to Northern Irish and Scots laws shall be construed in accordance with the laws of Northern Ireland and Scotland, respectively.

THE SWAP AGREEMENTS

The following section contains only a summary of the material terms of the Funding 1 swap agreement and the issuer swap agreements and therefore is subject to the provisions of those swap agreements.

General

Funding 1 has entered into the Funding 1 swap agreement with Nationwide and the Funding 1 security trustee and entered into the Funding 1 swaps thereunder. On each closing date (as required), the issuer will enter into issuer swaps with the issuer swap providers and the issuer security trustee. In general, the swaps are designed to do the following:

- Funding 1 swaps: to hedge against the possible variance between the variable rates of interest payable on the BMR loans and the SMR loans and the fixed rates of interest payable on the fixed rate loans on the one hand and a LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) on the other hand;

- Issuer dollar currency swaps: to protect the issuer against changes in the sterling to U.S. dollar exchange rate following any closing date and the possible variance between such LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) and either (i) a LIBOR-based rate for one-month dollar deposits applicable to a series and class (or sub-class) of notes, or (ii) a LIBOR-based rate for three-month dollar deposits applicable to a series and class (or sub-class) of notes, or (iii) a LIBOR-based rate for such other period of dollar deposits applicable to a series and class (or sub-class) of notes, in each case as specified in the applicable final terms for such notes;

- Issuer euro currency swaps: to protect the issuer against changes in the sterling to euro exchange rate following any closing date and the possible variance between such LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) and either (i) a EURIBOR-based rate for one-month euro deposits applicable to a series and class (or sub-class) of notes, or (ii) a EURIBOR-based rate for three-month euro deposits applicable to a series and class (or sub-class) of notes, or (iii) a EURIBOR-based rate for such other period of euro deposits applicable to a series and class (or sub-class) of notes, in each case as specified in the applicable final terms for such notes;

- Issuer basis rate swaps: to protect the issuer against the possible variance between such LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) and either (i) a LIBOR-based rate for one-month sterling deposits applicable to a series and class (or sub-class) of notes or (ii) a LIBOR-based rate for such other period of sterling deposits applicable to a series and class (or sub-class) of notes, in each case as specified in the applicable final terms for such notes; and

- Issuer interest rate swaps: to protect against the risk that the interest received by the issuer from Funding 1 under the intercompany loan may fall below the fixed rate of interest payable on any fixed rate notes, impacting the ability of the issuer to meet its payment obligations under such notes.

Additional issuer currency swaps may be entered into where notes are denominated in currencies other than sterling, euro or U.S. dollars to protect the issuer against changes in the relevant currency

to sterling exchange rate and the possible variance between a LIBOR-based rate for sterling deposits and the applicable rate for deposits relating to such currency, as specified in the applicable final terms.

The Funding 1 swaps

Some of the loans in the portfolio pay a variable rate of interest for a period of time which may be linked to a variable base rate or linked to a variable interest rate other than such a variable base rate, such as a rate set by the Bank of England. Other loans pay a fixed rate of interest for a period of time. However, the interest rate payable by Funding 1 with respect to the term advances under the intercompany loan agreement will be calculated as a margin over a LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement). To provide a hedge against the possible variance between:

(a) the variable rates of interest payable on the BMR loans and the SMR loans and the fixed rates of interest payable on the fixed rate loans; and

(b) such LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits, if applicable),

Funding 1 entered into the Funding 1 swap agreement with Nationwide and the Funding 1 security trustee and entered into the Funding 1 swaps thereunder corresponding to the BMR loans, SMR loans and fixed rate loans respectively. Each of the Funding 1 swaps has a notional amount that is sized to hedge against any potential interest rate mismatches in relation to a proportion of the aggregate swap notional amount determined by reference to the ratio of the aggregate true balance of the loans in the portfolio that are of the type to which such Funding 1 swap relates compared to the aggregate true balance of all BMR, SMR and fixed rate loans in the portfolio.

Under each Funding 1 swap, for each Funding 1 collection period relating to a Funding 1 interest period (each as defined in the Glossary) the following amounts are calculated:

- the amount produced by applying the weighted average of the LIBOR-based rates for three-month sterling deposits (and/or one-month sterling deposits, if applicable) (excluding spreads) applicable to all term advances under the intercompany loan agreement (as determined on the first day of such Funding 1 interest period) plus a spread relating to that Funding 1 interest period to the notional amount of the relevant Funding 1 swap for such Funding 1 interest period (known as the **Funding 1 collection period swap provider amount** and the sum of such amounts for a Funding 1 interest period, a **Funding 1 interest period swap provider amount**); and

- the amount produced by applying a rate equal to the weighted average (by true balance) of:

  (i) in the case of the Funding 1 swap that relates to the BMR loans, the rates of interest payable on the BMR loans;

  (ii) in the case of the Funding 1 swap that relates to the SMR loans, the rates of interest payable on the SMR loans; or

  (iii) in the case of the Funding 1 swap that relates to the fixed rate loans, the rates of interest payable on the fixed rate loans,

  for the relevant Funding 1 collection period to the notional amount of the relevant Funding 1 swap for such Funding 1 interest period (known as the **collection period Funding 1 amount** and the sum of such amounts for a Funding 1 interest period, the **interest period Funding 1 amount**).

On each Funding 1 payment date the following amounts are calculated in respect of each Funding 1 swap:

- the relevant Funding 1 interest period swap provider amount calculated during the preceding Funding 1 interest period; and

- the relevant interest period Funding 1 amount calculated during the preceding Funding 1 interest period.

After these two amounts are calculated in relation to a Funding 1 payment date, the following payments are made on that Funding 1 payment date pursuant to such Funding 1 swap:

- if the first amount is greater than the second amount, then the Funding 1 swap provider will pay the difference to Funding 1;

- if the second amount is greater than the first amount, then Funding 1 will pay the difference to the Funding 1 swap provider; and

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

If a payment is to be made by the Funding 1 swap provider, that payment will be included in the Funding 1 available revenue receipts and will be applied on the relevant Funding 1 payment date according to the relevant Funding 1 priority of payments. If a payment is to be made by Funding 1, it will be made according to the relevant Funding 1 priority of payments.

The aggregate notional amount of all of the Funding 1 swaps in respect of a Funding 1 interest period will be an amount in sterling equal to:

- the aggregate outstanding principal amount of all term advances under the intercompany loan agreement at the close of business on the first day of the relevant Funding 1 interest period, less

- the balance of the principal deficiency ledger attributable to all term advances under the intercompany loan agreement at the close of business on the first day of the relevant Funding 1 interest period, less

- the amount of the principal receipts in the Funding 1 GIC account attributable to all term advances at the close of business on the first day of the relevant Funding 1 interest period.

In the event that a fixed rate Funding 1 swap in respect of fixed rate loans is terminated prior to the service of an intercompany loan acceleration notice or the latest occurring final repayment date of any term advance advanced under the intercompany loan agreement, Funding 1 shall enter into a replacement Funding 1 swap in respect of fixed rate loans on terms which are in accordance with the then current ratings criteria of the relevant rating agencies, with the Funding 1 security trustee and with a swap provider whom S&P has previously confirmed in writing to Funding 1, the issuer and the Funding 1 security trustee will not cause the then current ratings of the rated notes to be downgraded, withdrawn or qualified (and advance notice in writing of such replacement swap provider 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). If Funding 1 is unable to enter into a replacement Funding 1 swap in respect of fixed rate loans on terms which are in accordance with the then current ratings criteria of the relevant rating agencies (or for any other reason), this may affect amounts available to pay interest on the term advances under the intercompany loan agreement.

Funding 1 can only terminate a Funding 1 swap in respect of standard variable mortgage rate loans if a perfection event has occurred. In that scenario, Funding 1 will not be required to enter into a replacement swap and the servicer has the power to set the rate on the variable rate mortgages pursuant to the servicing agreement as described under "**The Servicing Agreement—Undertakings by the servicer**".

On each relevant closing date, Funding 1 may pay a premium to the Funding 1 swap provider, such premium to be funded as an expense through part of the proceeds of a start-up loan advanced to Funding 1 by the start-up loan provider on such closing date. In the event that such premium is paid, the Funding 1 swap provider will make a payment of a fixed amount to Funding 1 on the immediately following Funding 1 payment date and/or any other Funding 1 payment date specified in the applicable final terms for the series of notes issued on the relevant closing date to add to Funding 1 available revenue receipts with respect to such Funding 1 payment date. This arrangement between Funding 1 and the Funding 1 swap provider will be on commercial terms.

The issuer swaps

The term advances under the intercompany loan agreement will be denominated in sterling and interest payable by Funding 1 to the issuer under the term advances is calculated as a margin over a LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) as specified in the applicable intercompany loan confirmation. However, each series and class (or sub-class) of notes will be denominated in either sterling, U.S. dollar, euro or such other currency as set out in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and will accrue interest at one of a number of different floating rates or a fixed rate.

(a) The issuer currency swaps

A series and class (or sub-class) of notes may be denominated in U.S. dollars and, if so, will accrue interest at either a LIBOR-based rate for one-month U.S.-dollar deposits, a LIBOR-based rate for three-month U.S. dollar deposits or such other rate specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). A series and class (or sub-class) of notes may be denominated in euro and will accrue interest at a either a EURIBOR-based rate for one-month euro deposits, a EURIBOR-based rate for three-month euro deposits or such other rate specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). A series and class (or sub-class) of notes may be denominated in a currency other than US dollars, euro or Sterling and will accrue interest at such rate as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). To deal with (a) the potential currency mismatch (if any) between (i) its receipts and liabilities in respect of a term advance and (ii) its receipts and liabilities under the notes that funded such term advance and/or (b) the potential interest rate mismatch between interest received in respect of the term advance and interest payable under the notes that funded such term advance, the issuer will, pursuant to the terms of the issuer currency swap agreement in respect of such notes, swap its receipts and liabilities in respect of the relevant term advances on terms that match the issuer's obligations under the relevant notes.

The currency amount of each issuer currency swap will be the principal amount outstanding under the series and class (or sub-class) of notes to which the relevant issuer currency swap relates. Subject, in the case of the issuer's obligations under certain classes of notes, to certain deferral of interest provisions that will apply when payment of interest under the corresponding notes is deferred in accordance with the terms and conditions of such notes and to the extent that the issuer makes its corresponding payments to the relevant issuer currency swap providers, the relevant issuer currency swap providers will pay to the issuer amounts in U.S. dollars, or euro or in such other currencies in which the relevant series and classes (or

sub-classes) of notes are denominated, as applicable, that are equal to the amounts of interest to be paid on each of the classes or sub-classes of the notes of the relevant series and the issuer will pay to the relevant issuer currency swap providers the sterling interest amounts received on the term advances funded by the classes or sub-classes of notes of the relevant series. In order to allow for the effective currency amount of each issuer currency swap to amortise at the same rate as the relevant series and class (or sub-class) of notes, each issuer currency swap agreement will provide that, as and when the notes amortise, a corresponding portion of the currency amount of the relevant issuer currency swap will amortise. Pursuant to each issuer currency swap agreement, any portion of issuer currency swap so amortised will be swapped from sterling into U.S. dollars at the relevant U.S. dollar currency exchange rate, or into euro at the euro currency exchange rate or into such other currency at the relevant currency exchange rate as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), as applicable specified for the relevant series and class (or sub-class) of notes in the applicable final terms for such notes (or, in the case of exempt notes, the applicable pricing supplement).

On the final maturity date of a series and class (or sub-class) of notes or, if earlier, the date on which such notes are redeemed in full, the relevant issuer currency swap provider will pay to the issuer an amount in U.S. dollars, or euro or such other relevant currency, as applicable, equal to the principal amount outstanding under the relevant notes and the issuer will pay to the relevant issuer currency swap provider an equivalent amount in sterling, converted by reference to the relevant currency exchange rate. If the issuer does not have sufficient principal available pursuant to the issuer cash management agreement or issuer deed of charge to pay such amount in full on such date and accordingly pays only a part of such amount to the relevant issuer currency swap provider, the relevant issuer currency swap provider will be obliged on such date to pay only the equivalent of such partial amount in U.S. dollars, or euro or such other relevant currency, as applicable, in each case converted by reference to the relevant currency exchange rate.

(b) The issuer basis swaps

A series and class (or sub-class) of notes may be denominated in sterling and, if so, will accrue interest at either a LIBOR-based rate for one-month sterling deposits, a LIBOR-based rate for three-month sterling deposits or such other rate specified in the applicable final terms for such notes (or, in the case of exempt notes, the applicable pricing supplement). To deal with the potential interest rate mismatch between interest received in respect of the intercompany loan and interest payable under such sterling denominated notes (which may occur if interest on the notes accrues at a rate other than a LIBOR based rate for three-month sterling deposits), the issuer will, pursuant to the terms of an issuer basis swap agreement in respect of such notes, swap its receipts and liabilities in respect of the relevant term advances on terms that match the issuer's obligations under such notes.

The notional amount of each issuer basis swap will be the principal amount outstanding under the series and class (or sub-class) of notes to which the relevant issuer basis swap relates. Subject, in the case of the issuer's obligations under certain classes of notes, to certain deferral of interest provisions that will apply when payment of interest under the corresponding notes is deferred in accordance with the terms and conditions of such notes, the issuer basis swap providers will pay to the issuer amounts in sterling calculated by reference to the floating amounts of interest to be paid on each of the relevant class (or sub-class) of the notes of the relevant series and the issuer will pay to the issuer basis swap providers an amount calculated by reference to LIBOR for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) received on the term advances funded by the classes or sub-classes of notes of the relevant series. In order to allow for the notional amount of each issuer basis swap to amortise at the same rate as the relevant series and class

(or sub-class) of notes, each issuer basis swap agreement will provide that, as and when the notes amortise, a corresponding portion of the notional amount of the relevant issuer basis swap will amortise.

(c) The issuer interest rate swaps

A series and class (or sub-class) of notes may accrue interest at a fixed rate as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). To deal with the potential interest rate mismatch between interest received in respect of the intercompany loan and interest payable under such fixed rate notes, the issuer will, pursuant to the terms of an issuer interest rate swap agreement in respect of such notes, swap its receipts and liabilities in respect of the relevant term advances on terms that match the issuer's obligations under the relevant notes.

The notional amount of each issuer interest rate swap will be the principal amount outstanding under the series and class (or sub-class) of notes to which the relevant issuer interest rate swap relates. Subject, in the case of the issuer's obligations under certain classes of notes, to certain deferral of interest provisions that will apply when payment of interest under the corresponding notes is deferred in accordance with the terms and conditions of such notes, the issuer interest rate swap providers will pay to the issuer amounts in sterling calculated by reference to the fixed amounts of interest to be paid on each of the relevant class (or sub-class) of the notes of the relevant series and the issuer will pay to the issuer interest rate swap providers an amount calculated by reference to LIBOR for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement) received on the term advances funded by the classes or sub-classes of notes of the relevant series. In order to allow for the notional amount of each issuer interest rate swap to amortise at the same rate as the relevant series and class (or sub-class) of notes, each issuer interest rate swap agreement will provide that, as and when the notes amortise, a corresponding portion of the notional amount of the relevant issuer interest rate swap will amortise.

In the event that any issuer swap agreement is terminated prior to the service of a note acceleration notice or the final redemption of the relevant series of notes, the issuer shall be required to enter into a replacement issuer swap agreement in respect of that class and series of notes. Any replacement issuer swap agreement must be entered into on terms acceptable to the issuer and the issuer security trustee (and which are in accordance with the then current ratings criteria of the relevant rating agencies) and with a replacement issuer swap agreement provider whom S&P has previously confirmed in writing to the issuer and the issuer security trustee will not cause the then current ratings of the rated notes of the relevant series to be downgraded, withdrawn or qualified (and advance notice in writing of such replacement issuer currency swap provider 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). If the issuer is unable to enter into any replacement issuer swap agreements on terms which are in accordance with the then current ratings criteria of the relevant rating agencies (or for any other reason), this may affect amounts available to pay amounts due under the notes.

If an issuer swap agreement is terminated and the issuer is unable to enter into a replacement swap as described above, then any payments received by the issuer from Funding 1 on each Funding 1 payment date shall be deposited in the issuer transaction account (or such other account opened for this purpose) and applied by the issuer to repay the notes on each interest payment date after exchanging at the "spot" rate the relevant proceeds from sterling into U.S. dollars, or euros or such other currency, as required.

Ratings downgrade of swap providers

Under each of the issuer swap agreements, in the event that the relevant rating(s) of the relevant issuer swap provider, or its respective guarantor, as applicable, is or are, as applicable, downgraded by a rating agency below the rating(s) specified in the relevant issuer swap agreement (in accordance with the requirements of the rating agencies) for such issuer swap provider (and, if specified in the relevant issuer swap agreement, as a result of the downgrade, the notes corresponding to the relevant issuer swap would or may, as applicable, be adversely affected) the relevant issuer swap provider will, in accordance with the relevant issuer swap agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the relevant issuer swap agreement, arranging for its obligations under the relevant issuer swap to be transferred to an entity which satisfies the ratings criteria of the relevant rating agency as specified in the relevant issuer swap agreement, procuring another entity which satisfies the ratings criteria of the relevant rating agency as specified in the relevant issuer swap agreement to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant issuer swap, or taking such other action that will result in the rating of the notes corresponding to the relevant issuer swap by the relevant rating agency following the taking of such action being maintained at, or restored to, the level it was at immediately prior to such downgrade.

Under the Funding 1 swap agreement, in the event that the relevant rating(s) of the Funding 1 swap provider, or its respective guarantor, as applicable, is or are, as applicable, downgraded by a rating agency below the rating(s) specified in the Funding 1 swap agreement (in accordance with the requirements of the rating agencies) for the Funding 1 swap provider (and, if specified in the relevant Funding 1 swap agreement, as a result of the downgrade, the then current ratings of any outstanding notes would or may, as applicable, be adversely affected) the Funding 1 swap provider will, in accordance with the Funding 1 swap agreement be required to take certain remedial measures in respect of its obligations in respect of the Funding 1 swap in respect of fixed rate loans which may include providing collateral for such obligations, arranging for such obligations to be transferred to an entity which satisfies the ratings criteria of the relevant rating agency as specified in the Funding 1 swap agreement, procuring another entity which satisfies the ratings criteria of the relevant rating agency as specified in the Funding 1 swap agreement to become co-obligor or guarantor, as applicable, in respect of such obligations, or taking such other action that will result in the rating of the then highest rated notes by the relevant rating agency following the taking of such action being maintained at, or restored to, the level it was at immediately prior to such downgrade and, in the case of a downgrade by S&P, such notes not being placed on credit watch by S&P as a result of such downgrade. Such rating downgrade provisions are, however, not applicable to Funding 1 swaps in respect of standard variable mortgage rate loans.

Termination of the swaps

Any swap under a swap agreement may also be terminated in certain other circumstances, that may include the following, each referred to as a **swap early termination event**;

- at the option of one party to the swap agreement, if there is a failure by the other party to pay any amounts due under that swap agreement and any applicable grace period has expired;
- in respect of the issuer swaps, at the option of the relevant issuer swap provider, if an event of default under the relevant series and class (or sub-class) of notes occurs and the issuer security trustee serves a note acceleration notice;
- in respect of the Funding 1 swaps, at the option of the Funding 1 swap provider, if an event of default under the intercompany loan occurs and the Funding 1 security trustee serves an intercompany loan acceleration notice;
- in respect of the issuer swaps, at the option of either party, if a redemption or purchase of the relevant series and class (or sub-class) of notes occurs pursuant to condition 5.4 (Optional

redemption) or condition 5.5 (Optional redemption for tax and other reasons) under "**Terms and conditions of the notes**";

- at the option of the issuer (in the case of an issuer swap) or Funding 1 (in the case of a Funding 1 swap), if certain tax representations by the relevant swap provider prove to have been incorrect or misleading in any material respect;
- at the option of the relevant swap provider, if certain insolvency events occur with respect to the issuer (in the case of an issuer swap) or Funding 1 (in the case of a Funding 1 swap);
- at the option of the issuer (in the case of an issuer swap) or Funding 1 (in the case of a Funding 1 swap), upon the occurrence of an insolvency of the relevant swap provider, or its guarantor, or the merger of the relevant swap provider without an assumption of its obligations under the relevant swap agreement, or if a material misrepresentation is made by the swap provider under the relevant swap agreement, or if the relevant swap provider defaults under an over-the-counter derivatives transaction under another agreement between the issuer and such swap provider, or if a breach of a provision of the relevant swap agreement by the swap provider is not remedied within the applicable grace period, or, if applicable, if the guarantor of the relevant swap provider fails to comply with its obligations under the guarantee;
- if a change in law results in the obligations of one of the parties becoming illegal;
- at the option of the relevant issuer swap provider if withholding taxes are imposed on payments made by the issuer swap provider under the issuer swap due to a change in law;
- in respect of a Funding 1 swap, at the option of the Funding 1 swap provider, if any of the Funding 1 priority of payments are amended (other than in accordance with the Funding 1 deed of charge), such that Funding 1's obligations to the Funding 1 swap provider under the Funding 1 swap agreement are further contractually subordinated to Funding 1's obligations to any Funding 1 secured creditor; and
- if the relevant swap provider or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the ratings downgrade provision contained in the relevant swap agreement and described above under "**Ratings downgrade of swap providers**";

provided that, in the case of the Funding 1 swaps in respect of BMR loans and SMR loans, Funding 1 may only terminate such swaps if perfection of the relevant mortgage loans have been completed.

Upon the occurrence of a swap early termination event, the issuer or the relevant issuer swap provider may be liable to make a termination payment to the other (in the case of an issuer swap) and/or Funding 1 or the Funding 1 swap provider may be liable to make a termination payment to the other (in the case of a Funding 1 swap). This termination payment will be calculated and made, in the case of an issuer swap, either in sterling or, in respect of some issuer swaps, in the same currency as the series and class (or sub-class) of notes to which such issuer swap relates and, in the case of a Funding 1 swap, in sterling. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial and, in the case of a termination payment from Funding 1 to the Funding 1 swap provider, may affect the funds available to pay amounts due to the issuer under the intercompany loan.

If any issuer swap is terminated early and a termination payment is due by the issuer to an issuer swap provider, then, pursuant to its obligations under the intercompany loan, Funding 1 shall pay to the issuer an amount equal to the termination payment due to the relevant issuer swap provider less any amount received by the issuer under any replacement issuer swap agreement. These payments will be made by Funding 1 only after paying interest amounts due on the term advances and after providing for any debit balance on the principal deficiency ledger. The issuer shall apply amounts received from Funding 1 under the intercompany loan in accordance with the issuer pre-enforcement revenue priority of payments or, as the case may be, the issuer post-enforcement priority of payments. Amounts received by the issuer in respect of excess swap collateral, swap collateral, swap tax credits and amounts received from a replacement swap provider for entering into a replacement issuer swap agreement shall not be applied in accordance with the issuer pre-enforcement revenue priority of payments or, as the case may be, the issuer post-enforcement priority of payments. The application by the issuer of termination payments due to an issuer swap provider may affect the funds available to pay amounts due to the noteholders (see further "**Risk Factors—Termination payments on the issuer swaps may adversely affect the funds available to make payments on your notes**").

If the issuer receives a termination payment from an issuer currency swap provider, then the issuer shall use those funds towards meeting its costs in effecting currency exchanges at the applicable spot rate of exchange until a replacement issuer currency swap is entered into and/or to acquire a replacement issuer currency swap.

Noteholders will not receive extra amounts (over and above interest and principal payable on the notes) as a result of the issuer receiving a termination payment.

In the event that any issuer swap is terminated prior to the earlier to occur of the service of a note enforcement notice and the final redemption of the relevant series of notes, the issuer cash manager (on behalf of the issuer and the issuer security trustee) shall procure the purchase of a replacement issuer swap in respect of that series and class (or sub-class) of notes. Any replacement issuer swap must be entered into on terms acceptable to the rating agencies, the issuer and the issuer security trustee and with a replacement swap provider whom the rating agencies have previously confirmed in writing to the issuer and the issuer security trustee will not cause the then current ratings of the rated notes to be downgraded, withdrawn or qualified. If the issuer is unable to enter into a replacement issuer swap on terms acceptable to the rating agencies, the issuer and the issuer security trustee, this may adversely affect amounts available to pay amounts due under the notes.

Transfer of the swaps

Each swap provider may, subject to certain conditions specified in the relevant swap agreement, including (without limitation) the satisfaction of certain requirements of the rating agencies and giving prior written notice to the issuer (in the case of an issuer swap) or Funding 1 (in the case of a Funding 1 swap), transfer its obligations under any of the swaps to another entity.

Taxation

Neither Funding 1 nor the issuer is obliged under any of the swaps to gross up payments made by them if withholding taxes are imposed on payments made under a Funding 1 swap or the issuer swaps.

Each swap provider will generally be obliged to gross up payments made by it to Funding 1 or the issuer, as appropriate, if withholding taxes are imposed on payments made under a Funding 1 swap or the issuer swaps save where such payments are imposed pursuant to FATCA. However, if an issuer swap provider is required to gross up a payment under an issuer swap due to a change in law the relevant issuer swap provider may be able to terminate the relevant issuer swaps.

Governing law

The Funding 1 swap agreement is and each of the issuer swap agreements and any non-contractual obligations arising out of or in connection with them are and will be, governed by English law.

OTHER AGREEMENTS

This section contains a summary of the terms of the post-enforcement call option agreement, the corporate services agreements and other agreements.

Post-enforcement call option agreement

The post-enforcement call option agreement was entered into between the note trustee, as trustee for and on behalf of the noteholders, the issuer security trustee, the issuer and the post-enforcement call option holder. The terms of the option require, upon exercise of the option by the post-enforcement call option holder following the enforcement of the issuer security pursuant to the issuer deed of charge and application of the proceeds thereof, the transfer to the post-enforcement call option holder of all of the notes. Holders of notes issued prior to 22 October 2010 will be bound by the terms of their notes to transfer their notes to the post-enforcement call option holder in these circumstances. Such noteholders will be paid a nominal amount only for that transfer.

Holders of notes issued on or after 22 October 2010 will not be bound by the terms of such notes to transfer such notes to the post-enforcement call option holder in such circumstances. In relation to notes issued after 22 October 2010 as such notes will be subject to the limited recourse provisions of condition 10.2 whereby all obligations of the issuer to the holders of such notes are limited in recourse to the property, assets and undertakings of the issuer which are the subject of any security created by the issuer deed of charge. As a result, if there are no such assets remaining which are capable of being realised or otherwise converted into cash and following application of such amounts in accordance with the issuer deed of charge there are insufficient amounts available to pay in full amounts outstanding under such notes, then noteholders shall in respect of such notes have no further claim against the issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Corporate services agreements

The issuer, Funding 1, the mortgages trustee, the post-enforcement call option holder and Holdings entered into corporate services agreements with the relevant corporate services provider on the programme closing date. Pursuant to each corporate services agreement, the relevant corporate services provider has agreed to provide corporate services to each of the entities.

The corporate services agreements are governed by either English or Jersey law, as applicable.

The remarketing agreement

If money market notes are designated as remarketable notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the issuer will enter into an agreement (the **remarketing agreement**) pursuant to which it will appoint the remarketing agent specified in a drawdown prospectus to act as its agent and to use its reasonable efforts to identify third party purchasers for such remarketable notes on each mandatory transfer date prior to the occurrence of a mandatory transfer termination event. Any amounts paid to the remarketing agent by any third party or the conditional purchaser for the remarketable notes as part of the mandatory transfer will be held by the remarketing agent as fiduciary for the relevant purchaser.

To facilitate the transfer of interests in the remarketable notes as part of the mandatory transfer, the remarketing agent may appoint a tender agent (the **tender agent**) specified in a drawdown prospectus for the purpose of arranging delivery and payment by and to holders of the remarketable notes on the relevant mandatory transfer date. No further action will be required by such noteholders for the transfer of the remarketable notes to or for the account of the remarketing agent.

Prior to each mandatory transfer date which is prior to the occurrence of a mandatory transfer termination event, subject to the occurrence of a remarketing termination event (as defined below) being then outstanding, the remarketing agent will approach potential investors with a view to procuring purchasers for the remarketable notes on the relevant mandatory transfer date. The remarketing agent will seek bids from investors for the margin to apply to the remarketable notes from the relevant mandatory transfer date. If there is one or more third parties willing to purchase in aggregate all the outstanding remarketable notes of the relevant series and class, the margin on all the remarketable notes of that series and class will be reset to an amount (not greater than the maximum reset margin) (the **reset margin**) being the lowest margin at which all such remarketable notes will be purchased by third parties as determined by the remarketing agent. If all of such remarketable notes cannot be placed with third parties, the margin will be reset to the maximum reset margin. The conditional purchaser will be obliged to purchase any such remarketable notes not otherwise purchased by third parties. If a remarketing termination event occurs, the reset margin will equal the maximum reset margin.

The issuer may terminate the remarketing agreement in certain circumstances, including where the remarketing agent becomes insolvent, no longer has the requisite authority or ability to act in accordance with the terms of the remarketing agreement or a material breach of warranty or covenant remains outstanding under the remarketing agreement.

The remarketing agent will have the right to terminate the remarketing agreement and will have no further obligations thereunder in certain circumstances, including where a note event of default has occurred and is continuing, there has been an event beyond the control of the remarketing agent or the issuer as a result of which the remarketing agent is unable to perform its obligations under the remarketing agreement or which in the reasonable opinion of the remarketing agent represents a material market change affecting the relevant remarketable note, the issuer is in material breach of any representations and warranties given by it in the conditional purchase agreement as at the closing date of the relevant remarketable notes, the requirements of Rule 2a-7 under the Investment Company Act in respect of the eligibility of such remarketable notes have changed since the closing date of such notes or a mandatory transfer termination event occurs. The occurrence of any of these events or a termination by the issuer pursuant to the previous paragraph where an alternative remarketing agent has not yet been appointed upon delivery of a notice from the remarketing agent to the issuer and the principal paying agent giving notice of termination is a **remarketing termination event**. The occurrence of a remarketing termination event does not affect the obligations of the conditional purchaser under the conditional purchase agreement (unless there has been a mandatory transfer termination event or a note event of default that is continuing).

A **mandatory transfer termination event** will occur if the conditional purchaser has purchased all the relevant remarketable notes under the terms of a mandatory transfer and the remarketing agent has confirmed such purchase or the tender agent has confirmed the interest in such remarketable notes has been transferred to the name or account of, or on behalf of, the conditional purchaser (either being a **conditional purchaser confirmation**), the confirmation in either case being given in writing to the issuer and the principal paying agent. If a conditional purchaser confirmation has been given with respect to any remarketable notes, the issuer will not be obliged to procure any subsequent purchasers of such remarketable notes and the remarketing agent will not be obliged to further remarket such notes.

The maturity purchase deed

If a series and class (or sub-class) of notes is designated as maturity purchase notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the issuer will enter into an agreement (the **maturity purchase deed**) with the maturity purchaser specified in a drawdown prospectus. If the issuer fails to redeem any of those maturity purchase notes in full on the expected maturity date for such notes (or within 3 business days thereof) then, under the purchase arrangements referred to in condition 5.8 and the maturity purchase deed, the maturity purchaser will

be required to purchase on the transfer date for such notes, at the maturity purchase price for such notes, all of the outstanding maturity purchase notes in respect of which a valid transfer instruction has been delivered to the relevant clearing system, provided that no note event of default has occurred which is continuing on the transfer date (the **maturity purchase commitment**).

See further "**Overview of the notes—Maturity purchase notes**" and condition 5.8 under "**Terms and conditions of the notes**".

CREDIT STRUCTURE

The notes will be obligations of the issuer only and will not be obligations of, or the responsibility of, or guaranteed by, any other party. However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments to noteholders, as follows:

- a shortfall in Funding 1 available revenue receipts may be met from Funding 1 available principal receipts;

- a general reserve fund has been established to help meet shortfalls in principal due on the original bullet term advances and original scheduled amortisation term advances in the circumstances described below;

- the general reserve fund may also be used to help meet any deficit in Funding 1 available revenue receipts available for payment of interest and fees due under the intercompany loan agreement and to help meet any deficit on the principal deficiency ledger (as described below under "**General Reserve Fund**");

- Funding 1 will be obliged to establish a liquidity reserve fund (a **Funding 1 liquidity reserve fund**) if the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller are rated below A3 by Moody's (unless advance notice in writing of such rating has been provided to Moody's and there being no reduction, qualification or withdrawal by Moody's of the then current ratings of the rated notes as a consequence thereof));

- payments on the class Z notes will be subordinated to payments on the class A notes, the class B notes, the class M notes, the class C notes and the class D notes other than with respect to any amounts which have been credited to a non-monthly term NR advance ledger by Funding 1 to make payments in respect of a non-monthly term NR advance (which amounts shall be applied to make payments in respect of the related class Z notes on the relevant interest payment dates for such notes);

- payments on the class D notes will be subordinated to payments on the class A notes, the class B notes, the class M notes and the class C notes other than with respect to any amounts which have been credited to a non-monthly term BB advance ledger by Funding 1 to make payments in respect of a non-monthly term BB advance (which amounts shall be applied to make payments in respect of the related class D notes on the relevant interest payment dates for such notes);

- payments on the class C notes will be subordinated to payments on the class A notes, the class B notes and the class M notes other than with respect to any amounts which have been credited to a non-monthly term BBB advance ledger by Funding 1 to make payments in respect of a non-monthly term BBB advance (which amounts shall be applied to make payments in respect of the related class C notes on the relevant interest payment dates for such notes);

- payments on the class M notes will be subordinated to payments on the class A notes and the class B notes other than with respect to any amounts which have been credited to a non-monthly term A advance ledger by Funding 1 to make payments in respect of a non-monthly term A advance (which amounts shall be applied to make payments in respect of the related class M notes on the relevant interest payment dates for such notes);

- payments on the class B notes will be subordinated to payments on the class A notes other than with respect to any amounts which have been credited to a non-monthly term AA advance ledger by Funding 1 to make payments in respect of a non-monthly term AA advance

(which amounts shall be applied to make payments in respect of the related class B notes on the relevant interest payment dates for such notes);

- the mortgages trustee GIC account and the Funding 1 GIC account each earn interest at a specified rate; and

- on or after the programme closing date, start-up loans may be provided to Funding 1 from time to time to fund the general reserve fund and to meet the costs in connection with the issuance of notes (including any fees payable in connection with any notes which have been issued or re-offered at a discount to par).

Each of these factors is considered more fully in the remainder of this section.

Level of arrears experienced

If the level of arrears of interest payments made by borrowers results in Funding 1 experiencing an income deficit on any Funding 1 payment date, Funding 1 will be able to use the following amounts to cure that income deficit:

- *first,* deferral of payments of interest due on term NR advances as described in "- Distributions of Funding 1 available revenue receipts before intercompany loan acceleration";

- *second*, amounts standing to the credit of the general reserve fund, as described in "- General reserve fund";

- *third*, drawings under the Funding 1 liquidity reserve fund, if available, as described in " Funding 1 liquidity reserve fund"; and

- *fourth*, principal receipts, if any, as described in "- Use of Funding 1 principal receipts to pay Funding 1 income deficiency".

Any excess of Funding 1 revenue receipts will be applied on each Funding 1 payment date to the extent described in the Funding 1 pre-enforcement revenue priority of payments, including to extinguish amounts standing to the debit of any principal deficiency ledger and to replenish the reserve funds.

Use of Funding 1 principal receipts to pay Funding 1 income deficiency

On each Funding 1 calculation date, the cash manager will calculate whether there will be an excess or a deficit of Funding 1 available revenue receipts available to pay items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre-enforcement revenue priority of payments.

If, after the application of amounts standing to the credit of the reserve ledgers (where permitted) there is a deficit, then Funding 1 shall pay or provide for that deficit by first the application of Funding 1 available principal receipts, second, the application of amounts standing to the credit of the non-monthly term advance principal ledgers and, third, the application of any part of the balance of the cash accumulation ledger which is not comprised in Funding 1 available principal receipts, if any, and the cash manager shall make a corresponding entry in the relevant principal deficiency sub-ledger, as described in "**Principal deficiency ledger**" as well as making a debit in the Funding 1 principal ledger and/or the relevant non-monthly term advance principal ledgers and/or the cash accumulation ledger. Any such entry and debit shall be made and taken into account (including as to which priority of payments shall apply) prior to the application of Funding 1 available principal receipts on the relevant Funding 1 payment date.

Funding 1 may only apply Funding 1 available principal receipts and (as further described below) amounts standing to the credit of the non-monthly term advance principal ledgers towards covering a Funding 1 revenue deficit amount (if any) on:

(a) interest due on the term AA advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the AA principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the AA PDL (revenue shortfall) percentage to the outstanding principal amount of the term AA advances;

(b) interest due on the term A advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the A principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the A PDL (revenue shortfall) percentage to the outstanding principal amount of the term A advances;

(c) interest due on the term BBB advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the BBB principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the BBB PDL (revenue shortfall) percentage to the outstanding principal amount of the term BBB advances; and

(d) interest due on the term BB advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the BB principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the BB PDL (revenue shortfall) percentage to the outstanding principal amount of the term BB advances;

Funding 1 will apply amounts standing to the credit of the Funding 1 non-monthly term advance principal ledgers towards covering a Funding 1 revenue deficit amount (if any) in the following order:

(a) *first*, in an amount up to the aggregate balance on the non-monthly term NR advance principal ledgers applied *pro rata* from each non-monthly term NR advance principal ledger;

(b) *second*, in an amount up to the aggregate balance on the non-monthly term BB advance principal ledgers (applied *pro rata* from each non-monthly term BB advance principal ledger);

(c) *third*, in an amount up to the aggregate balance on the non-monthly term BBB advance principal ledgers (applied *pro rata* from each non-monthly term BBB advance principal ledger);

(d) *fourth*, in an amount up to the aggregate balance on the non-monthly term A advance principal ledgers (applied *pro rata* from each non-monthly term A advance principal ledger);

(e) *fifth*, in an amount up to the aggregate balance on the non-monthly term AA advance principal ledgers (applied *pro rata* from each non-monthly term AA advance principal ledger); and

(f) *sixth*, in an amount up to the aggregate balance on the non-monthly term AAA advance principal ledgers (applied *pro rata* from each non-monthly term AAA advance principal ledger),

and the cash manager shall make a corresponding debit entry in each relevant non-monthly term advance principal ledger.

On the issuance of a series of notes, the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will specify the **AA PDL (revenue shortfall) percentage** in relation to all notes then outstanding, the **A PDL (revenue shortfall**) **percentage** in relation to all notes then outstanding the **BBB PDL (revenue shortfall**) **percentage** in relation to all notes then outstanding and the **BB PDL (revenue shortfall**) **percentage** in relation to all notes then outstanding. Each of the above percentages may be changed on the date of issuance of a further series of notes (without the consent of the noteholders) provided that the issuance tests are satisfied in relation to the issuance of such series of notes (or otherwise waived by the note trustee) and further provided that each such percentage may not be less than 50%.

Funding 1 principal receipts may not be used to pay interest on any term advances if and to the extent that would result in a deficiency being recorded, or an existing deficiency being increased, on a principal deficiency sub-ledger relating to a term advance with a higher rating designation.

General reserve fund

A general reserve fund has been established:

- to help meet any deficit in Funding 1 available revenue receipts available for payment of interest due on term advances (other than term NR advances) and fees due under the intercompany loan agreement (and any other intercompany loan agreement) and to help meet any deficit recorded on the principal deficiency ledger (other than any deficit caused by a debit balance on the NR principal deficiency sub-ledger except on the final Funding 1 payment date), in each case provided that such amounts are due or required to be paid (i) prior to the final Funding 1 payment date, under items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments, (ii) on the final Funding 1 payment date, under items (a) to (p) (inclusive) and items (s) to (x) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments, and (iii) following the service of an intercompany loan acceleration notice on Funding 1, items (a) to (l) (inclusive) of the Funding 1 post-enforcement priority of payments; and

- to help meet any deficit in Funding 1 available principal receipts available for:

  (a) prior to the occurrence of a trigger event;

    (i) repayments of principal which are then due and payable in respect of the original bullet term advances; and

    (ii) repayments of principal in respect of original scheduled amortisation term advances on their respective final maturity dates or on such other dates as may be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); and

  (b) on or after the occurrence of a trigger event, repayments of principal in respect of original bullet term advances and original scheduled amortisation term advances on their respective final maturity dates only,

  (each a **Funding 1 reserve principal payment**)

in each case prior to the service of an intercompany loan acceleration notice on Funding 1.

If after application of the Funding 1 pre-enforcement revenue priority of payments and the Funding 1 pre-enforcement principal priority of payments, there remains a shortfall in items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments and the general reserve fund has

amounts credited to it, then the balance of the general reserve fund shall be reapplied in accordance with the Funding 1 pre-enforcement revenue priority of payments.

The general reserve fund will be funded and replenished from:

- Funding 1 available revenue receipts in accordance with item (q) of the Funding 1 pre-enforcement revenue priority of payments up to an amount equal to the Funding 1 required reserve amount (see "**Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**");

- Funding 1 available principal receipts to the extent applied in making Funding 1 reserve principal payments; and

- start-up term advances provided to Funding 1 from time to time to fund the general reserve fund pursuant to the terms of the start-up loan agreement.

The general reserve fund is utilised and replenished in the following order:

(i) utilised to make up shortfalls in items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments;

(ii) replenished from the Funding 1 available principal receipts;

(iii) replenished from the remaining Funding 1 available revenue receipts;

(iv) utilised again to make up any remaining shortfalls in items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments; and

(v) utilised to make the Funding 1 reserve principal payments.

Following the occurrence of an arrears or step-up trigger event, the general reserve fund will be funded and replenished from any Funding 1 available revenue receipts to be paid in accordance with item (q) of the Funding 1 pre-enforcement revenue priority of payments up to and including an amount equal to the sum of the Funding 1 reserve required amount and: (a) if an arrears or step-up trigger event has occurred under item (i) only of the arrears or step-up trigger event definition, the amount specified in relation to such event in the most recent final terms; (b) if an arrears or step-up trigger event has occurred under item (ii) only of the arrears or step-up trigger event definition, the amount specified in relation to such event in the most recent final terms; (c) if an arrears or step-up trigger event has occurred under both items (i) and (ii) of the arrears or step-up trigger event definition, the amount specified in relation to such event in the most recent final terms.

If an arrears or step-up trigger event has occurred under item (i), item (ii) or items (i) and (ii) of the definition of arrears or step-up trigger event and such event(s) have been cured, the general reserve fund will be reduced by the applicable amount specified in relation to such event(s) in the most recent final terms and the amount of such reduction will constitute Funding 1 available revenue receipts. For these purposes "cured" means that the event giving rise to the arrears or step-up trigger event is no longer in existence;

An **arrears or step-up trigger event** occurs when (i) the aggregate true balance of the loans in the mortgages trust in arrears by more than 3 times the monthly payments then due divided by the aggregate true balance of all the loans in the mortgages trust (expressed as a percentage) exceeds 3%, or (ii) if the issuer fails to exercise its option to redeem any of its notes on the relevant step-up date pursuant to the terms and conditions of such notes.

The **Funding 1 reserve required amount** as at any date and subject to amendment as described below will be the amount specified as such in the most recent final terms.

Funding 1 may adjust, at any time, the Funding 1 reserve required amount without the consent of noteholders so long as the Funding 1 security trustee and Funding 1 obtain confirmation from S&P that such adjustments will not cause a reduction, qualification or withdrawal of the ratings of the then current rated notes (and advance notice in writing of such adjustments 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).

A general reserve ledger is maintained by the cash manager to record the balance from time to time of the general reserve fund.

Principal deficiency ledger

A principal deficiency ledger has been established to record:

- on each trust calculation date, any principal losses on the loans allocated to Funding 1; and/or
- on each Funding 1 payment date, any application of Funding 1 available principal receipts to meet any deficiency in Funding 1 available revenue receipts (as described in "**—Use of Funding 1 principal receipts to pay Funding 1 income deficiency"**); and/or
- the application of Funding 1 available principal receipts which are allocated to fund the Funding 1 liquidity reserve fund required amount; and/or
- if amounts standing to the credit of the Funding 1 collateralised GIC account cannot be withdrawn from such account, the sum of (1) any shortfall between the relevant Funding 1 designated collateral amount and the amount received upon realisation of the Funding 1 custody collateral, and (2) the relevant Funding 1 designated term NR GIC collateral advance amount (provided, that any such amounts subsequently recovered shall be credited to the Funding 1 principal deficiency ledger to the extent there are Funding 1 available revenue receipts available for that purpose).

The principal deficiency ledger is split into six sub-ledgers which correspond to each of the term AAA advances, the term AA advances, the term A advances, the term BBB advances, the term BB advances and the term NR advances, respectively.

Losses on the loans and/or the application of Funding 1 available principal receipts, amounts standing to the credit of the non-monthly term advance principal ledgers to pay interest on the term advances and collateral shortfall amounts will be recorded as follows:

- *first*, on the NR principal deficiency sub-ledger until the balance of the NR principal deficiency sub ledger is equal to the aggregate outstanding principal amount of all term NR advances;
- *second*, on the BB principal deficiency sub-ledger until the balance of the BB principal deficiency sub ledger is equal to the aggregate outstanding principal amount of all term BB advances;
- *third*, on the BBB principal deficiency sub-ledger until the balance of the BBB principal deficiency sub-ledger is equal to the aggregate outstanding principal amount of all term BBB advances;

- *fourth,* on the A principal deficiency sub-ledger until the balance of the A principal deficiency sub ledger is equal to the aggregate outstanding principal amount of all term A advances;

- *fifth*, on the AA principal deficiency sub-ledger until the balance of the AA principal deficiency sub ledger is equal to the aggregate outstanding principal amount of all term AA advances; and

- *sixth*, on the AAA principal deficiency sub-ledger.

Following any debit to the AAA principal deficiency sub-ledger, there will be an asset trigger event.

Losses on the loans and/or the application of Funding 1 available principal receipts and amounts standing to the credit of the non-monthly term advance principal ledgers to pay interest on the term advances will not be recorded on the principal deficiency ledger on any day to the extent that the Funding 1 share of the trust property together with amounts standing in aggregate to the credit of the Funding 1 cash accumulation ledger to the extent not included in Funding 1 available principal receipts and the Funding 1 principal ledger is greater than or equal to the aggregate outstanding principal amount of the term advances on that day, after taking account of such losses or the relevant application of principal receipts.

Prior to the service of an intercompany loan acceleration notice on Funding 1, Funding 1 available revenue receipts will be applied on each Funding 1 payment date in the manner and to the extent described in the Funding 1 pre-enforcement revenue priority of payments as follows:

- *first*, in an amount necessary to reduce to zero the balance on the AAA principal deficiency sub ledger;

- *second*, provided that interest due on the term AA advances has been paid, in an amount necessary to reduce to zero the balance on the AA principal deficiency sub-ledger;

- *third*, provided that interest due on the term A advances has been paid, in an amount to reduce to zero the balance on the A principal deficiency sub-ledger;

- *fourth*, provided that interest due on the term BBB advances has been paid, in an amount necessary to reduce to zero the balance on the BBB principal deficiency sub-ledger;

- *fifth,* provided that interest due on the term BB advances has been paid, in an amount necessary to reduce to zero the balance on the BB principal deficiency sub-ledger; and

- *sixth*, an amount necessary to reduce to zero the balance on the NR principal deficiency sub-ledger.

See also "**Use of Funding 1 principal receipts to pay Funding 1 income deficiency**".

Issuer available funds

On each Funding 1 payment date in respect of the intercompany loan, the issuer will receive from Funding 1 an amount equal to or less than the amount which it needs to pay out on the corresponding issuer payment date in respect of the notes together with the facility fee (which shall include the issuer profit amount) in accordance with the issuer pre-enforcement principal priority of payments and the issuer pre-enforcement revenue priority of payments. It is not intended that any surplus cash will be accumulated in the issuer subject to and except for amounts in respect of issuer profit amount received on any interest payment date, which will be available for distribution.

Please see also the description of the issuer swaps under "**The swap agreements**".

Priority of payments among the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes

Payments of interest on the notes will be prioritised so that interest payments due on the class Z notes on any interest payment date will be subordinated to interest payments on the class D notes, the class C notes, the class M notes, the class B notes and the class A notes due on the same interest payment date, interest payments due on the class D notes on any interest payment date will be subordinated to interest payments on the class C notes, the class M notes, the class B notes and the class A notes due on the same interest payment date, interest payments due on the class C notes on any interest payment date will be subordinated to interest payments on the class M notes, the class B notes and the class A notes due on the same interest payment date, interest payments due on the class M notes on any interest payment date will be subordinated to interest payments on the class B notes and the class A notes due on the same interest payment date and interest payments due on the class B notes on any interest payment date will be subordinated to interest payments on the class A notes on the same interest payment date, in each case in accordance with the applicable issuer priority of payments.

For so long as any series of class A notes is outstanding, any shortfall in payments of interest due on any series of class B notes and/or class M notes and/or class C notes and/or class D notes and/or class Z notes on any interest payment date in respect of such notes will be deferred until the next interest payment date in respect of such notes. On that next interest payment date, the amount of interest due on the relevant class of notes will be increased to take account of any deferred interest. If on that interest payment date, there is still a shortfall, that shortfall will be deferred again. This deferral process will continue until the final maturity date of the notes, at which point all amounts will be payable. If there is insufficient money available to the issuer to pay interest on the final maturity date on the class B notes and/or the class M notes and/or the class C notes and/or the class D notes and/or the class Z notes, then you may not receive all interest amounts payable on those classes of notes.

The issuer is not able to defer payments of interest due on any interest payment date in respect of the most senior class of notes then outstanding. The failure to pay interest on such notes is a note event of default.

The class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes will be constituted by the note trust deed and will share the same security. However, upon enforcement of the issuer security or the occurrence of a trigger event, the class A notes of each series will rank in priority to each series of class B notes, each series of class M notes, each series of class C notes, each series of class D notes and each series of class Z notes; the class B notes of each series will rank in priority to each series of class M notes, each series of class C notes, each series of class D notes and each series of class Z notes; the class M notes of each series will rank in priority to each series of class C notes, each series of class D notes and each series of class Z notes; the class C notes of each series will rank in priority to each series of class D notes and each series of class Z notes; the class D notes of each series will rank in priority to each series of class Z notes.

Mortgages trustee GIC account/Funding 1 GIC account

All amounts held by the mortgages trustee are deposited in the mortgages trustee GIC account with the mortgages trustee account bank. Under the mortgages trustee bank account agreement, the mortgages trustee account bank has agreed to pay a variable rate of interest on funds in the mortgages trustee GIC account of 0.25% per annum below LIBOR for three-month sterling deposits.

Amounts held in the collection account do not have the benefit of a guaranteed investment contract but following receipt are transferred into the mortgages trustee GIC account on a regular basis and in any event in the case of direct debits no later than the next London business day after they are deposited in the collection account.

All amounts held by Funding 1 are deposited in the Funding 1 GIC account or the Funding 1 eligible bank GIC account or the Funding 1 collateralised GIC account in the first instance. The Funding 1 GIC account is, and the Funding 1 collateralised GIC account will be, maintained with the Funding 1 account bank. Under the Funding 1 bank account agreement, the Funding 1 account bank has agreed to pay a variable rate of interest on funds in the Funding 1 GIC account and the Funding 1 collateralised GIC account of 0.25% per annum below LIBOR for three-month sterling deposits.

The mortgages trustee account bank and the Funding 1 account bank are required to satisfy certain criteria in order to continue to receive deposits in the mortgages trustee GIC account and the Funding 1 GIC account respectively. These criteria include a requirement that the mortgages trustee account bank have the mortgages trustee account bank required ratings and that the Funding 1 account bank have the Funding 1 account bank required ratings, or where the mortgages trustee account bank or the Funding 1 account bank, as the case may be, ceases to have the minimum ratings, certain other steps prior to a requirement to transfer may be taken by the relevant bank, such as, with respect to the Funding 1 account bank, obtaining a guarantee of its obligations to make payments under the relevant agreement, with respect to the mortgages trustee account bank, opening a standby account with a suitable standby facility mortgages trustee bank, or obtaining confirmation being obtained from the rating agencies that the then current rating of the rated notes would not be adversely affected as a result of such ratings falling below these minimum ratings or the prescribed steps not being taken.

If either the mortgages trustee account bank or the Funding 1 account bank ceases to satisfy these criteria or to take the steps required, then the relevant GIC account may be transferred to another entity which does satisfy these criteria or the mortgages trustee account bank or the Funding 1 account bank, as the case may be, may continue to hold amounts in the mortgages trustee GIC account or to hold Funding 1 deposit non-reserved amounts in the Funding 1 collateralised GIC account, as applicable, provided that, in each case, the mortgages trustee account bank or the Funding 1 account bank, as applicable, provides collateral against the amount standing to the credit of the relevant account in the form of (i) procuring that term NR GIC collateral advances are made by the issuer through increases on the class Z GIC collateral notes; and/or (ii) by posting eligible collateral under the collateral agreement.

Interest shall be paid on the mortgages trustee GIC account, the Funding 1 GIC account and the Funding 1 collateralised GIC account monthly in arrear at a variable rate per annum set at a margin below three-month LIBOR for sterling deposit. If any amount is standing to the credit of a mortgages trustee bank account (other than the mortgages trustee GIC account) or Funding 1 bank account (other than a Funding 1 GIC account or the Funding 1 collateralised GIC account) overnight, such amount will bear interest at such deposit rate of interest as may be agreed between the mortgages trustee account bank (or, if applicable, the account bank operating the standby mortgages trustee GIC account or the mortgages trustee GIC collateral custody account) and the mortgages trustee or the Funding 1 account bank and Funding 1 (as applicable) from time to time.

Funding 1 liquidity reserve fund

Funding 1 will be required to establish a liquidity reserve fund to the extent of the Funding 1 liquidity reserve fund required amount if, and for as long as, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller are rated below A3 by Moody's (unless advance notice in writing of such rating has been provided to Moody's and there being no reduction, qualification or withdrawal by Moody's of the then current ratings of the rated notes as a consequence thereof)). If, following a subsequent increase in the seller's rating, Funding 1 would no longer be required to maintain the Funding 1 liquidity reserve fund, then Funding 1 at its option may terminate the Funding 1 liquidity reserve fund, and all amounts standing to the credit of the Funding 1 liquidity reserve ledger will then be treated as Funding 1 available revenue receipts for the next Funding 1 payment date (or Funding 1 available principal receipts as applicable). In addition, following a reduction in the Funding 1 liquidity reserve fund required amount, amounts standing to the credit of the Funding 1 liquidity reserve ledger in excess of the Funding 1 liquidity reserve fund required amount will then be

treated as Funding 1 available revenue receipts for the next Funding 1 payment date or Funding 1 available principal receipts to the extent the liquidity reserve fund has been funded from the Funding 1 available principal receipts.

Prior to enforcement of the Funding 1 security, the Funding 1 liquidity reserve fund may be used:

- to help meet any deficit in Funding 1 available revenue receipts available for payment of interest due on term advances (other than term NR advances except on the final Funding 1 payment date) and fees due under the intercompany loan agreement, in each case provided that such amounts are due or required to be paid (i) prior to the final Funding 1 payment date, under items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments and (ii) on the final Funding 1 payment date, under items (a) to (p) (inclusive) and items (s) to (x) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments; and

- to help meet any deficit in Funding 1 available principal receipts available for:

  (a) prior to the occurrence of a trigger event;

    (i) repayments of principal which are then due and payable in respect of the original bullet term advances; and

    (ii) repayments of principal in respect of original scheduled amortisation term advances on their respective final repayment dates only; and

  (b) on or after the occurrence of a trigger event, repayments of principal in respect of original bullet term advances and original scheduled amortisation term advances on their respective final repayment dates only,

  (each a **Funding 1 liquidity reserve principal payment**),

in each case prior to the service of an intercompany loan acceleration notice on Funding 1.

The Funding 1 liquidity reserve fund, if required to be funded, will be funded initially from Funding 1 available principal receipts or (if insufficient funds are available therefrom) from Funding 1 available revenue receipts in accordance with the Funding 1 pre-enforcement principal priority of payments or Funding 1 pre-enforcement revenue priority of payments, as applicable. The Funding 1 liquidity reserve fund will be deposited in Funding 1's name in the Funding 1 GIC account. All interest or income accrued on the amount of the Funding 1 liquidity reserve fund while on deposit in the Funding 1 GIC account will belong to Funding 1. The cash manager will maintain a separate Funding 1 liquidity reserve ledger to record the balance from time to time of the Funding 1 liquidity reserve fund.

The Funding 1 liquidity reserve fund (if any) will be funded and replenished up to and including an amount equal to the Funding 1 liquidity reserve fund required amount on Funding 1 payment dates from Funding 1 available revenue receipts at item (r) of the Funding 1 pre-enforcement revenue priority of payments and from Funding 1 available principal receipts at item (b) of the relevant Funding 1 pre-enforcement principal priority of payments.

The **Funding 1 liquidity reserve fund required amount** is an amount as at any Funding 1 payment date equal to the excess (if any) of 3% of the aggregate principal amount outstanding of the notes on that Funding 1 payment date over the aggregate of amounts standing to the credit of the Funding 1 reserve fund on that Funding 1 payment date after payments under the applicable priorities of payment have been made on such Funding 1 payment date.

The Funding 1 liquidity reserve fund is utilised and replenished in the following order:

(i) utilised to make up shortfalls in items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre-enforcement revenue priority of payments;

(ii) replenished from the Funding 1 available revenue receipts (item (r) of the Funding 1 pre-enforcement revenue priority of payments);

(iii) replenished from the Funding 1 available principal receipts (item (b) of the Funding 1 pre-enforcement principal priority of payments);

(iv) utilised to make the Funding 1 reserve principal payments.

Following enforcement of the Funding 1 security, amounts standing to the credit of the Funding 1 liquidity reserve ledger may be applied in making payments of principal due under the term advances.

Start-up loan agreements

For a summary of the material terms of the start-up loan agreements, see "**The start-up loan agreement**" and "**The second start-up loan agreement**".

CASHFLOWS

Definition of Funding 1 available revenue receipts

Funding 1 available revenue receipts for a Funding 1 payment date will be calculated by the cash manager on the Funding 1 calculation date immediately prior thereto and will be an amount equal to the sum of:

(a) all mortgages trust available revenue receipts distributed or to be distributed to Funding 1 during the then current Funding 1 interest period;

(b) other net income of Funding 1, including all amounts of interest received on the Funding 1 bank accounts (other than the Funding 1 swap collateral cash account and the Funding 1 GIC collateral custody account) and/or authorised investments (other than authorised investments made from amounts standing to the credit of the Funding 1 swap collateral cash account and the Funding 1 GIC collateral custody account) in each case, either received or to be received during the then current Funding 1 interest period;

(c) amounts to be received by Funding 1 on the relevant Funding 1 payment date under the Funding 1 swap agreement (other than any early termination amount received by Funding 1 and applied or to be applied by Funding 1 to purchase one or more replacement basis swaps, principal amounts and any Funding 1 swap collateral excluded amounts);

(d) the amounts then standing to the credit of the general reserve ledger, subject to the limits or conditions on the purposes for which the general reserve fund may be utilised, plus any amounts which will be credited to the general reserve ledger under item (a) of the relevant Funding 1 pre enforcement principal priority of payments on such Funding 1 payment date;

(e) if a Funding 1 liquidity reserve fund rating event has occurred and is continuing, and there are no amounts standing to the credit of the general reserve ledger, the amounts then standing to the credit of the Funding 1 liquidity reserve ledger and available to be drawn, to the extent necessary to pay (or, as appropriate, to be applied to) the items in paragraphs (a) to (f) (inclusive), (h), (j), (l) and (n) in the Funding 1 pre-enforcement revenue priority of payments;

(f) if a Funding 1 liquidity reserve fund rating event has occurred but is no longer continuing due to an increase in the seller's rating since the preceding Funding 1 payment date, and Funding 1 elects to terminate the Funding 1 liquidity reserve fund, all amounts standing to the credit of the Funding 1 liquidity reserve ledger;

(g) any amounts standing to the credit of the Funding 1 liquidity reserve ledger in excess of the Funding 1 liquidity reserve fund required amount as a result of a reduction in the Funding 1 liquidity reserve fund required amount;

(h) (only to the extent required after making the calculation set out below) the aggregate of all Funding 1 principal receipts (if any) which are applied on the relevant Funding 1 payment date to pay or provide for up to the applicable limits items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre enforcement revenue priority of payments;

(i) the amount (if any) standing to the credit of the general reserve fund ledger in excess of the Funding 1 reserve required amount following the curing of an arrears or step-up trigger event (after provision for item (d) above), but, for the avoidance of doubt, excluding any Funding 1 profit amount retained by Funding 1 on any Funding 1 payment date; and

(j) any amounts subsequently recovered in respect of amounts credited to the Funding 1 collateralised GIC account which were previously not capable of being withdrawn and ceased being Funding 1 available principal receipts or Funding 1 available revenue receipts,

provided that revenue amounts and amounts of interest accrued in respect of amounts which cannot be withdrawn from the Funding 1 collateralised GIC account (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute Funding 1 available revenue receipts; provided further, that any amounts subsequently recovered in respect of such revenue amounts and amounts of interest from realisation of the related eligible collateral shall constitute Funding 1 available revenue receipts.

Funding 1 available revenue receipts does not include:

- any refinancing contribution which is applied to reduce the Funding 1 share of the trust property during the then current Funding 1 interest period as described in "**The mortgages trust—Refinancing distributions**".

- any proceeds of a new term advance received by Funding 1 during the then current Funding 1 interest period.

- any amounts then standing to the credit of a non-monthly term advance revenue ledger.

Calculation of sufficiency of Funding 1 available revenue receipts

On each Funding 1 calculation date, the cash manager will calculate whether Funding 1 available revenue receipts (as calculated above) will be sufficient to pay or to provide for payment to items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre-enforcement revenue priority of payments on the immediately succeeding Funding 1 payment date. If the cash manager determines that there is an insufficiency in the amount of Funding 1 available revenue receipts (ignoring amounts in item (h) of the definition of Funding 1 available revenue receipts) available to pay items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre-enforcement revenue priority of payments (the amount of the deficit being the **Funding 1 revenue deficit amount**), then Funding 1 shall pay or provide for that Funding 1 revenue deficit amount by applying amounts which constitute Funding 1 principal receipts (if any) and amounts credited to the non-monthly term advance principal ledgers (if any) up to the applicable limit to cover the deficit and the cash manager shall make a corresponding entry first, against the Funding 1 principal ledger and second, if the amounts standing to the credit of the Funding 1 principal ledger are insufficient to cover the Funding 1 revenue deficit amount, against amounts (if any) credited to the non-monthly term advance principal ledgers and third, if the amount standing to the credit of the Funding 1 principal ledger and the non-monthly term advance principal ledgers are insufficient to cover the Funding 1 revenue deficit amount, against amounts (if any) credited to the cash accumulation ledger, and the cash manager shall make a corresponding entry in the relevant principal deficiency sub ledger and, to the extent debited, the Funding 1 principal ledger, each relevant non-monthly term advance principal ledgers and/or the cash accumulation ledger. See further "**Credit structure—Principal deficiency ledger**" and "**Credit structure—Use of Funding 1 principal receipts to pay Funding 1 income deficiency**".

Funding 1 may only apply Funding 1 principal receipts and (as further described below) amounts standing to the credit of the Funding 1 non-monthly term advance principal ledgers towards covering a Funding 1 revenue deficit amount (if any) on:

- interest due on the term AA advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the AA principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by

applying the AA PDL (revenue shortfall) percentage to the outstanding principal amount of the term AA advances;

- interest due on the term A advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the A principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the A PDL (revenue shortfall) percentage to the outstanding principal amount of the term A advances;

- interest due on the term BBB advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the BBB principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the BBB PDL (revenue shortfall) percentage to the outstanding principal amount of the term BBB advances;

- interest due on the term BB advances, to the extent that, following such application (and, for the avoidance of doubt, following the recording of losses), the debit balance of the BB principal deficiency sub-ledger is in an amount equal to or less than the amount calculated by applying the BB PDL (revenue shortfall) percentage to the outstanding principal amount of the term BB advances;

Funding 1 will apply amounts standing to the credit of the non-monthly term advance principal ledgers towards covering a Funding 1 revenue deficit amount (if any) in the following order:

(a) *first*, in an amount up to the aggregate balance on the non-monthly term NR advance principal ledgers applied *pro rata* from each non-monthly term NR advance principal ledger;

(b) *second*, in an amount up to the aggregate balance on the non-monthly term BB advance principal ledgers (applied *pro rata* from each non-monthly term BB advance principal ledger);

(c) *third*, in an amount up to the aggregate balance on the non-monthly term BBB advance principal ledgers (applied *pro rata* from each non-monthly term BBB advance principal ledger);

(d) *fourth*, in an amount up to the aggregate balance on the non-monthly term A advance principal ledgers (applied *pro rata* from each non-monthly term A advance principal ledger);

(e) *fifth*, in an amount up to the aggregate balance on the non-monthly term AA advance principal ledgers (applied *pro rata* from each non-monthly term AA advance principal ledger); and

(f) *sixth*, in an amount up to the aggregate balance on the non-monthly term AAA advance principal ledgers (applied *pro rata* from each non-monthly term AAA advance principal ledger),

and the cash manager shall make a corresponding debit entry in each relevant non-monthly term advance principal ledger.

Subject as provided above, Funding 1 principal receipts thus applied may not be used to pay or provide for interest on any term advance if and to the extent that would result in a deficiency being recorded or an existing deficiency being increased on a principal deficiency sub-ledger relating to a higher ranking term advance.

If, as at a Funding 1 calculation date, the cash manager determines that there is an excess of Funding 1 available revenue receipts over the amount required to pay or provide for the specified items in the

Funding 1 pre-enforcement revenue priority of payments, then Funding 1 shall apply such excess to extinguish any balance on the principal deficiency ledger after having utilised amounts available in the general reserve fund, as described in "**Credit structure—Principal deficiency ledger**".

Distribution of Funding 1 available revenue receipts before intercompany loan acceleration

This section sets out the priority of payments of Funding 1 available revenue receipts as at the date hereof.

Except for amounts due to the issuer under item (b) below (corresponding to items (d) and (e)(iv) of the issuer pre enforcement revenue priority of payments), amounts due to third parties by Funding 1 under item (c) below and amounts due to the Funding 1 account bank under item (d)(i) below, each of which will be paid when due, on each Funding 1 payment date prior to the service of an intercompany loan acceleration notice on Funding 1, the cash manager will apply (i) the Funding 1 available revenue receipts for such date and (ii) if Funding 1 available revenue receipts for such date are insufficient to pay or to provide for payments to items (a) to (f) (inclusive), (h), (j), (l) and (n), amounts standing to the credit of the Funding 1 principal ledger and the cash accumulation ledger (to the extent set out in and in the manner described above) in the following priority (the **Funding 1 pre-enforcement revenue priority of payments**):

(a) to pay amounts due to the Funding 1 security trustee (including interest and any amount in respect of VAT on those amounts) and to provide for any amounts due or to become due in the immediately following Funding 1 interest period to the Funding 1 security trustee under the Funding 1 deed of charge;

(b) to pay amounts due to the issuer equal to items (a) to (e) inclusive of the issuer pre enforcement revenue priority of payments or, as the case may be, items (a) to (d) (inclusive) of the issuer post-enforcement priority of payments (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may, except for the issuer profit amount, at the direction of the issuer, be paid directly to the relevant third parties);

(c) without priority among them but in proportion to the respective amounts due to pay amounts due to any third party creditors of Funding 1 (other than those referred to elsewhere in this priority of payments or in the Funding 1 pre-enforcement principal priority of payments), which amounts have been incurred without breach by Funding 1 of the transaction documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any of these amounts expected to become due and payable in the immediately following Funding 1 interest period by Funding 1 and to pay or discharge any liability of Funding 1 for corporation tax on any taxable income or chargeable gain of Funding 1;

(d) without priority among them but in proportion to the respective amounts due:

  (i) towards payment of amounts (including interest and any amount in respect of VAT on those amounts), if any, due and payable to the Funding 1 account bank under the terms of the Funding 1 bank account agreement; and

  (ii) towards payment of amounts, if any, due and payable to the Funding 1 corporate services provider under the Funding 1 corporate services agreement and the holdings corporate services provider under the holdings corporate services agreement;

(e) towards payment of all amounts (if any) due and payable to the Funding 1 swap provider under the Funding 1 swap agreement (including termination payments but excluding any Funding 1 swap excluded termination amount);

(f) without priority among them, but in proportion to: (aa) for each monthly term AAA advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term AAA advance; and (bb) for each non-monthly term AAA advance, the amount calculated as required to be credited to the non-monthly term AAA advance revenue ledger in respect of such non-monthly term AAA advance for such Funding 1 payment date in accordance with items (ii) or (iii) below (as applicable):

(i) for each monthly term AAA advance, towards payment of interest (and, if applicable, step up amount) due and payable on such monthly term AAA advance on such Funding 1 payment date; and

(ii) for each non-monthly term AAA advance where no amount of interest is due and payable on such Funding 1 payment date, towards a credit to the non-monthly term AAA advance revenue ledger for such non-monthly term AAA advance in an amount, calculated by the cash manager on the immediately preceding Funding 1 calculation date in respect of such non-monthly term AAA advance, in accordance with the following formula:

$$(I \times 1/IP) + S$$

where:

I = the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term AAA advance on the next following interest payment date for such non-monthly term AAA advance; and

IP = the number of months in the interest period for such non monthly term AAA advance; and

S = the amount calculated in accordance with the above formula in respect of such non-monthly term AAA advance for the immediately preceding Funding 1 payment date that was not credited to the non-monthly term AAA advance revenue ledger on such immediately preceding Funding 1 payment date,

provided always that the aggregate amount credited to the non-monthly term AAA advance revenue ledger for a non-monthly term AAA advance may not exceed, on any date, in respect of any non-monthly term AAA advance, the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term AAA advance on the next following interest payment date for such non-monthly term AAA advance; and

(iii) for each non-monthly term AAA advance where interest (and, if applicable, step-up amount) is due and payable on such Funding 1 payment date,

towards payment of such interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date less any amounts standing to the credit of the non-monthly term AAA advance revenue ledger for such non-monthly term AAA advance and which are to be applied in payment of such interest on such Funding 1 payment date; and

(g) towards a credit to the AAA principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;

(h) without priority among them, but in proportion to: (aa) for each monthly term AA advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term AA advance; and (bb) for each non-monthly term AA advance, the amount calculated as required to be credited to the non-monthly term AA advance revenue ledger in respect of such non-monthly term AA advance for such Funding 1 payment date in accordance with items (ii) or (iii) below (as applicable):

(i) for each monthly term AA advance, towards payment of interest (and, if applicable, step-up amount) due and payable on such monthly term AA advance on such Funding 1 payment date;

(ii) for each non-monthly term AA advance where no amount of interest is due and payable on such Funding 1 payment date, towards a credit to the non-monthly term AA advance revenue ledger for such non-monthly term AA advance in an amount, calculated by the cash manager on the immediately preceding Funding 1 calculation date in respect of such non monthly term AA advance, in accordance with the following formula:

$$(I \times 1/IP) + S$$

where:

I = the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term AA advance on the next following interest payment date for such non-monthly term AA advance;

IP = the number of months in the interest period for such non monthly term AA advance; and

S = the amount calculated in accordance with the above formula in respect of such non-monthly term AA advance for the immediately preceding Funding 1 payment date that was not credited to the non-monthly term AA advance revenue ledger on such immediately preceding Funding 1 payment date,

provided always that the aggregate amount credited to the non-monthly term AA advance revenue ledger for a non-monthly term AA advance may not exceed, on any date, the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term AA advance on the next following interest payment date for such non-monthly term AA advance; and

(iii) for each non-monthly term AA advance where interest (and, if applicable, step-up amount) is due and payable on such Funding 1 payment date, towards payment of such interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date less any amounts standing to the credit of the non-monthly term AA advance revenue ledger for such non-monthly term AA advance and which are to be applied in payment of such interest on such Funding 1 payment date;

(i) towards a credit to the AA principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;

(j) without priority among them, but in proportion to: (aa) for each monthly term A advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term A advance; and (bb) for each non-monthly term

A advance, the amount calculated as required to be credited to the non-monthly term A advance revenue ledger in respect of such non-monthly term A advance for such Funding 1 payment date in accordance with items (ii) or (iii) below (as applicable):

(i) for each monthly term A advance, towards payment of interest (and, if applicable, step-up amount) due and payable on such monthly term A advance on such Funding 1 payment date;

(ii) for each non-monthly term A advance where no amount of interest is due and payable on such Funding 1 payment date, towards a credit to the non-monthly term A advance revenue ledger for such non-monthly term A advance in an amount, calculated by the cash manager on the immediately preceding Funding 1 calculation date in respect of such non-monthly term A advance, in accordance with the following formula:

$$(I \times 1/IP) + S$$

where:

I = the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term A advance on the next following interest payment date for such non-monthly term A advance;

IP = the number of months in the interest period for such non monthly term A advance; and

S = the amount calculated in accordance with the above formula in respect of such non-monthly term A advance for the immediately preceding Funding 1 payment date that was not credited to the non-monthly term A advance revenue ledger on such immediately preceding Funding 1 payment date,

provided always that the aggregate amount credited to the non-monthly term A advance revenue ledger for a non-monthly term A advance may not exceed, on any date, the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term A advance on the next following interest payment date for such non-monthly term A advance; and

(iii) for each non-monthly term A advance where interest (and, if applicable, step-up amount) is due and payable on such Funding 1 payment date, towards payment of such interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date less any amounts standing to the credit of the non-monthly term A advance revenue ledger for such non-monthly term A advance and which are to be applied in payment of such interest on such Funding 1 payment date;

(k) towards a credit to the A principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;

(l) without priority among them, but in proportion to: (aa) for each monthly term BBB advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term BBB advance; and (bb) for each non-monthly term BBB advance, the amount calculated as required to be credited to the non-monthly term BBB advance revenue ledger in respect of such non-monthly term BBB advance for such Funding 1 payment date in accordance with items (ii) or (iii) below (as applicable):

(i) for each monthly term BBB advance, towards payment of interest (and, if applicable, step up amount) due and payable on such monthly term BBB advance on such Funding 1 payment date;

(ii) for each non-monthly term BBB advance where no amount of interest is due and payable on such Funding 1 payment date, towards a credit to the non-monthly term BBB advance revenue ledger for such non-monthly term BBB advance in an amount, calculated by the cash manager on the immediately preceding Funding 1 calculation date in respect of such non-monthly term BBB advance, in accordance with the following formula:

$$(I \times 1/IP) + S$$

where:

I = the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term BBB advance on the next following interest payment date for such non-monthly term BBB advance;

IP = the number of months in the interest period for such non monthly term BBB advance; and

S = the amount calculated in accordance with the above formula in respect of such non-monthly term BBB advance for the immediately preceding Funding 1 payment date that was not credited to the non-monthly term BBB advance revenue ledger on such immediately preceding Funding 1 payment date,

provided always that the aggregate amount credited to the non-monthly term BBB advance revenue ledger for a non-monthly term BBB advance may not exceed, on any date, the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term BBB advance on the next following interest payment date for such non monthly term BBB advance; and

(iii) for each non-monthly term BBB advance where interest (and, if applicable, step-up amount) is due and payable on such Funding 1 payment date, towards payment of such interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date less any amounts standing to the credit of the non-monthly term BBB advance revenue ledger for such non-monthly term BBB advance and which are to be applied in payment of such interest on such Funding 1 payment date,

(m) towards a credit to the BBB principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;

(n) without priority among them, but in proportion to: (aa) for each monthly term BB advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term BB advance; and (bb) for each non-monthly term BB advance, the amount calculated as required to be credited to the non-monthly term BB advance revenue ledger in respect of such non-monthly term BB advance for such Funding 1 payment date in accordance with items (ii) or (iii) below (as applicable):

(i) for each monthly term BB advance, towards payment of interest (and, if applicable, step-up amount) due and payable on such monthly term BB advance on such Funding 1 payment date;

(ii) for each non-monthly term BB advance where no amount of interest is due and payable on such Funding 1 payment date, towards a credit to the non-monthly term BB advance revenue ledger for such non-monthly term BB advance in an amount, calculated by the cash manager on the immediately preceding Funding 1 calculation date in respect of such non-monthly term BB advance, in accordance with the following formula:

$$(I \times 1/IP) + S$$

where:

I = the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term BB advance on the next following interest payment date for such non-monthly term BB advance;

IP = the number of months in the interest period for such non monthly term BB advance; and

S = the amount calculated in accordance with the above formula in respect of such non-monthly term BB advance for the immediately preceding Funding 1 payment date that was not credited to the non-monthly term BB advance revenue ledger on such immediately preceding Funding 1 payment date,

provided always that the aggregate amount credited to the non-monthly term BB advance revenue ledger for a non-monthly term BB advance may not exceed, on any date, the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term BB advance on the next following interest payment date for such non-monthly term BB advance; and

(iii) for each non-monthly term BB advance where interest (and, if applicable, step-up amount) is due and payable on such Funding 1 payment date, towards payment of such interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date less any amounts standing to the credit of the non-monthly term BB advance revenue ledger for such non-monthly term BB advance and which are to be applied in payment of such interest on such Funding 1 payment date,

(o) towards a credit to the BB principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;

(p) towards payment of any amount due to the issuer equal to the issuer's obligations (if any) to make a termination payment to an issuer swap provider (but excluding any issuer swap excluded termination amount) (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may, at the direction of the issuer, be paid directly to the relevant issuer swap provider);

(q) towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 reserve required amount and, if an arrears or step-up trigger event has occurred (and has not been cured), towards a credit to the general reserve ledger with such additional amount as set out in "**Credit structure—General reserve fund**" after taking into account any net replenishment of the general reserve fund on that Funding 1 payment date from Funding 1 available principal receipts (see item (a) of the relevant Funding 1 pre-enforcement principal priority of payments);

(r) if a Funding 1 liquidity reserve fund rating event has occurred and is continuing, towards a credit to the Funding 1 liquidity reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 liquidity reserve fund required amount;

(s) towards a credit to the NR principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;

(t) without priority among them, but in proportion to: (aa) for each monthly term NR advance, the amount of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date in respect of such monthly term NR advance; and (bb) for each non-monthly term NR advance, the amount calculated as required to be credited to the non-monthly term NR advance revenue ledger in respect of such non-monthly term NR advance for such Funding 1 payment date in accordance with items (ii) or (iii) below (as applicable):

(i) for each monthly term NR advance, towards payment of interest (and, if applicable, step up amount) due and payable on such monthly term NR advance on such Funding 1 payment date;

(ii) for each non-monthly term NR advance where no amount of interest is due and payable on such Funding 1 payment date, towards a credit to the non-monthly term NR advance revenue ledger for such non-monthly term NR advance in an amount, calculated by the cash manager on the immediately preceding Funding 1 calculation date in respect of such non-monthly term NR advance, in accordance with the following formula:

$$(I \times 1/IP) + S$$

where:

I = the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term NR advance on the next following interest payment date for such non-monthly term NR advance;

IP = the number of months in the interest period for such non monthly term NR advance; and

S = the amount calculated in accordance with the above formula in respect of such non-monthly term NR advance for the immediately preceding Funding 1 payment date that was not credited to the non-monthly term NR advance revenue ledger on such immediately preceding Funding 1 payment date; and

provided always that the aggregate amount credited to the non-monthly term NR advance revenue ledger for a non-monthly term NR advance may not exceed, on any date, the amount of interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term NR advance on the next following interest payment date for such non-monthly term NR advance;

(iii) for each non-monthly term NR advance where interest (and, if applicable, step-up amount) is due and payable on such Funding 1 payment date, towards payment of such interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date less any amounts standing to the credit of the non-monthly term NR advance revenue ledger for such non-monthly term NR advance and which are to be applied in payment of such interest on such Funding 1 payment date;

(u) without priority among them but in proportion to the respective amounts due, to pay (without double counting):

(i) to the issuer an amount equal to the issuer's obligations (if any) to pay any issuer swap excluded termination amount (which amount is payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may, at the direction of the issuer, be paid directly to the relevant issuer swap provider);

(ii) any other amounts due to the issuer under the intercompany loan agreement and not otherwise provided for in this priority of payments (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may (except for the issuer profit amount), at the direction of the issuer, be paid directly to the relevant third party); and

(iii) the Funding 1 swap excluded termination amount (if any) to the Funding 1 swap provider;

(v) towards payment to Funding 1 of the Funding 1 profit amount less corporation tax in respect of these profits provided or paid for at item (c) above;

(w) without priority among them but in proportion to the respective amounts due, towards payment of amounts due to the start-up loan providers under the start-up loan agreement(s); and

(x) toward payment of any deferred contribution due to the mortgages trustee pursuant to the terms of the mortgages trust deed.

On the Funding 1 payment date upon which any interest (and, if applicable, step-up amount) in respect of a non-monthly term advance falls due and payable, the cash manager shall debit the non-monthly term advance revenue ledger for such non-monthly term advance in an amount equal to the lesser of: (i) the amount of interest (and, if applicable, step-up amount) which is due and payable on such Funding 1 payment date in respect of such non-monthly term advance; and (ii) the aggregate amount credited to such non-monthly term advance revenue ledger and shall apply such amounts to make payment (in whole or in part) of interest (and, if applicable, step-up amount) due and payable on such Funding 1 payment date. Amounts credited to a ledger in respect of a particular non-monthly term advance may not be applied towards payment of any other amount payable by Funding 1.

Funding 1 profit amount shall mean an amount equal to 0.01% of the Funding 1 available revenue receipts as at each Funding 1 payment date or such lesser amount as may be determined from time to time by the directors of Funding 1 acting in good faith (pursuant to their obligation to review such amount) and certified by them to the Funding 1 security trustee, with a copy of such certificates to be delivered to the rating agencies.

Definition of issuer revenue receipts

Issuer revenue receipts will be calculated by the issuer cash manager four London business days prior to each issuer payment date (each, an **issuer calculation date**) and will be an amount equal to the sum of:

- interest amounts paid or to be paid to the issuer by Funding 1 on the Funding 1 payment date immediately following such issuer calculation date in respect of the term advances under the intercompany loan agreement;

- fees to be paid to the issuer by Funding 1 on the Funding 1 payment date immediately following such issuer calculation date under the terms of the intercompany loan agreement;

- interest payable on the issuer's bank accounts and any authorised investments and which will be received on or before the issuer payment date immediately following such issuer calculation date;

- other net income of the issuer including (without double counting) amounts received or to be received under the issuer swap agreements on or before the issuer payment date immediately following such issuer calculation date (excluding (i) any termination payment received by the issuer in respect of any issuer swap agreement unless otherwise agreed by the issuer security trustee, (ii) any amount received by the issuer in consideration for entering into a replacement issuer swap agreement, (iii) the return or transfer of any excess swap collateral as set out under any of the issuer swap agreements and (iv) in respect of each issuer swap provider, prior to the designation of an early termination date under the relevant issuer swap agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral) provided by such issuer swap provider to the issuer pursuant to the relevant issuer swap agreement (and any interest or distributions in respect thereof)); and

- any additional amount the issuer receives in funds and which are utilisable on or before the issuer payment date immediately following such issuer calculation date, from any taxing authority on account of amounts paid to that taxing authority for and on account of tax by an issuer swap provider under an issuer swap agreement (except when the amounts paid to the tax authority represent a deduction or withholding on account of tax in respect of which the issuer swap provider has paid a gross-up amount to the issuer to ensure the net amount actually received by the issuer equals the full amount the issuer would have received had no such deduction or withholding been required),

but, for the avoidance of doubt, excluding any issuer profit amount retained by the issuer on any previous issuer payment date and the proceeds of a new note issuance received by the issuer during the then current issuer calculation period.

Distribution of issuer revenue receipts before note acceleration

The issuer cash management agreement sets out the priority of distribution by the issuer cash manager, prior to the service of a note acceleration notice on the issuer, of the issuer revenue receipts. The order of priority will be as described in this section (as may be supplemented by a drawdown prospectus or a supplementary prospectus related to each series).

Except for amounts due to third parties by the issuer under item (d) below or amounts due to the issuer account bank under item (e)(iv) below, each of which will be paid when due, on each issuer payment date the issuer cash manager will apply issuer revenue receipts in the following priority (the **issuer pre-enforcement revenue priority of payments**):

(a) to pay amounts due to the issuer security trustee, together with interest and any amount in respect of VAT on those amounts, and to provide for any amounts due or to become due during the issuer calculation period commencing on such issuer payment date to the issuer security trustee as provided under the issuer deed of charge;

(b) to pay amounts due to the note trustee, together with interest and any amount in respect of VAT on those amounts, and to provide for any amounts due or to become due during the issuer calculation period commencing on such issuer payment date to the note trustee as provided under the note trust deed;

(c) without priority among them but in proportion to the respective amounts due and as provided in the transaction documents to pay amounts due to the agent bank, the paying agents, the registrar, the exchange rate agent and the transfer agent, together with interest and any amount in respect of VAT on those amounts as provided in the transaction documents, and any amounts then due or to become due during the issuer calculation period commencing on such issuer payment date to the agent bank, the paying agents, the registrar, the exchange rate agent and the transfer agent under the paying agent and agent bank agreement;

(d) to pay amounts due to any third party creditors of the issuer (other than those referred to elsewhere in this priority of payments), which amounts have been 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 to provide for any of those amounts expected to become due and payable during the issuer calculation period commencing on such issuer payment date by the issuer and to pay or discharge any liability of the issuer for corporation tax on any taxable income or chargeable gain of the issuer;

(e) without priority among them but in proportion to the respective amounts due, to pay amounts due to:

(i) the issuer cash manager, to provide for any amounts due, or to become due to the issuer cash manager in the issuer calculation period commencing on such issuer payment date, as provided under the issuer cash management agreement;

(ii) the issuer corporate services provider, to provide for any amounts due, or to become due to the issuer corporate services provider in the issuer calculation period commencing on such issuer payment date, as provided under the issuer corporate services agreement;

(iii) the post-enforcement call option holder corporate services provider, to provide for any amounts due, or to become due to the post-enforcement call option holder corporate services provider in the issuer calculation period commencing on such issuer payment date, as provided under the post enforcement call option holder corporate services agreement; and

(iv) the issuer account bank, to provide for any amounts due, or to become due to the issuer account bank in the issuer calculation period commencing on such issuer payment date, as provided under the issuer bank account agreement;

(f) from amounts (excluding principal) received by the issuer from Funding 1 on the relevant Funding 1 payment date in respect of each term AAA advance due and payable on such issuer payment date (and, in respect of (ii) below, the amounts (if any), excluding principal, received on the relevant issuer payment date from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class (or sub-class) of notes):

(i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class A notes (including any termination payment but excluding any issuer swap excluded termination amount) in accordance with the terms of the relevant issuer swap agreement;

(ii) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class A notes on such issuer payment date;

(g) from amounts (excluding principal) received by the issuer from Funding 1 on the relevant Funding 1 payment date in respect of each term AA advance due and payable on such issuer payment date (and, in respect of (ii) below, the amounts (if any), excluding principal, received

on the relevant issuer payment date from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class (or sub-class) of notes):

(i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class B notes (including any termination payment but excluding any issuer swap excluded termination amount) in accordance with the terms of the relevant issuer swap agreement;

(ii) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class B notes on such issuer payment date;

(h) from amounts (excluding principal) received by the issuer from Funding 1 on the relevant Funding 1 payment date in respect of each term A advance due and payable on such issuer payment date (and, in respect of (ii) below, the amounts (if any), excluding principal, received on the relevant issuer payment date from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class (or sub-class) of notes):

(i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class M notes (including any termination payment but excluding any issuer swap excluded termination amount) in accordance with the terms of the relevant issuer swap agreement;

(ii) to pay interest (and any step-up coupon) due and payable (if any) on the related series and class (or sub-class) of class M notes on such issuer payment date;

(i) from amounts (excluding principal) received by the issuer from Funding 1 on the relevant Funding 1 payment date in respect of each term BBB advance due and payable on such issuer payment date (and, in respect of (ii) below, the amounts (if any), excluding principal, received on the relevant issuer payment date from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class (or sub-class) of notes):

(i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class C notes (including any termination payment but excluding any issuer swap excluded termination amount) in accordance with the terms of the relevant issuer swap agreement;

(ii) to pay interest due (and any step-up coupon) and payable (if any) on the related series and class (or sub-class) of class C notes on such issuer payment date;

(j) from amounts (excluding principal) received by the issuer from Funding 1 on the relevant Funding 1 payment date in respect of each term BB advance due and payable on such issuer payment date (and, in respect of (ii) below, the amounts (if any), excluding principal, received on the relevant issuer payment date from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class (or sub-class) of notes):

(i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class D notes (including any termination payment but excluding any issuer swap excluded termination amount) in accordance with the terms of the relevant issuer swap agreement;

(ii) to pay interest due (and any step-up coupon) and payable (if any) on the related series and class (or sub-class) of class D notes on such issuer payment date;

(k) from amounts (excluding principal) received by the issuer from Funding 1 on the relevant Funding 1 payment date in respect of each term NR advance due and payable on such issuer

payment date (and, in respect of (ii) below, the amounts (if any), excluding principal, received on the relevant issuer payment date from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class (or sub-class) of notes):

(i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class (or sub-class) of class Z notes (including any termination payment but excluding any issuer swap excluded termination amount) in accordance with the terms of the relevant issuer swap agreement;

(ii) to pay interest due (and any step-up coupon) and payable (if any) on the related series and class (or sub-class) of class Z notes on such issuer payment date;

(l) without priority among them but in proportion to the respective amounts due, to pay any issuer swap excluded termination amount due to any issuer swap provider;

(m) to the issuer, an amount equal to the issuer profit amount, to be retained by the issuer as profit less corporation tax; and

(n) the balance to the issuer to be applied on the next issuer payment date as issuer revenue receipts.

In respect of the notes of each series or class (or sub-class) in respect of which interest (and any step-up coupon) is due and payable on an interest payment date which falls on a date which is not an issuer payment date, the issuer cash manager shall, from amounts (excluding principal) received by the issuer from to the relevant issuer swap provider(s) (if any) in respect of such series and class (or sub-class) of notes (excluding any termination payment received by the issuer in respect of any issuer swap agreement unless otherwise agreed by the issuer security trustee) in accordance with the terms of the relevant issuer swap agreement, pay interest (and any step-up coupon) due and payable (if any) on such series and class (or sub-class) of notes on such interest payment date.

Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration

Following the service of a note acceleration notice on the issuer under the terms and conditions of the notes, but prior to the service of an intercompany loan acceleration notice on Funding 1 under the intercompany loan agreement, the issuer security trustee will apply issuer revenue receipts in the same priority as set out in the issuer pre-enforcement revenue priority of payments, except that:

- in addition to the amounts due to the issuer security trustee under item (a) of the issuer pre enforcement revenue priority of payments, issuer revenue receipts will be applied on each issuer payment date to pay amounts due to any receiver appointed by the issuer security trustee together with interest and any amount in respect of VAT on those amounts (as provided in the issuer deed of charge), and to provide for any amounts due or to become due to the receiver during the issuer calculation period commencing on such issuer payment date; and

- the issuer security trustee will not be required to pay amounts due to any entity which is not an issuer secured creditor.

Distribution of Funding 1 available principal receipts

Payment of principal receipts to Funding 1 by the mortgages trustee

On each distribution date, mortgages trust available principal receipts will be paid to Funding 1 in the manner and to the extent provided by the mortgages trustee principal priority of payments (see "**The**

Mortgages trust—mortgages trust calculation of principal receipts" above) and shall be deposited in the Funding 1 GIC account and credited by the cash manager to the **Funding 1 principal ledger** (being a ledger maintained by the cash manager for Funding 1).

Definition of Funding 1 available principal receipts

Funding 1 available principal receipts for a Funding 1 payment date will be calculated by the cash manager on the Funding 1 calculation date immediately prior thereto and will be an amount equal to the sum of:

- all mortgages trust available principal receipts received or to be received by Funding 1 during the Funding 1 interest period ending immediately prior to such Funding 1 payment date less amounts required to meet the Funding 1 revenue deficit amount (if any);

- all other Funding 1 principal receipts standing to the credit of the cash accumulation ledger (other than amounts required to meet the Funding 1 revenue deficit amount (if any)) which are to be applied on such Funding 1 payment date to repay a bullet term advance and/or, subject to Rule (1) below, a scheduled amortisation instalment in respect of a scheduled amortisation term advance, or to make a payment under items (a) and (b) of the Funding 1 pre-enforcement principal priority of payments and, if such Funding 1 payment date occurs on or after a trigger event, the remainder of such receipts standing to the credit of the cash accumulation ledger;

- the amount, if any, to be credited to the principal deficiency ledger pursuant to items (g), (i), (k), (m) (o) and (s) of the Funding 1 pre-enforcement revenue priority of payments on such Funding 1 payment date to be applied towards the repayment of the term advances, the cash accumulation ledger and the Funding 1 principal ledger;

- in so far as available for and needed to make a Funding 1 reserve principal payment (see "**Credit structure—General reserve fund**" below) after taking into account amounts drawn from the Funding 1 liquidity reserve ledger to make a liquidity reserve principal payment, the amount that would then be standing to the credit of the general reserve ledger, less any amounts applied or to be applied on such Funding 1 payment date in payment of interest and other revenue expenses as set out in items (a) to (p) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments, plus any amounts which will be credited to the general reserve ledger under item (a) of the relevant Funding 1 pre enforcement principal priority of payments, and item (q) of the relevant Funding 1 pre-enforcement revenue priority of payments on such Funding 1 payment date; and

- in so far as available for and needed to make a liquidity reserve principal payment (see "**Credit structure—Funding 1 liquidity reserve fund**" below), the amount that would then be standing to the credit of the Funding 1 liquidity reserve ledger, less any amounts applied or to be applied on such Funding 1 payment date in payment of interest and other revenue expenses as set out in items (a) to (f) (inclusive), (h), (j), (l) and (n) (inclusive) of the Funding 1 pre-enforcement revenue priority of payments, plus any amounts which will be credited to the Funding 1 liquidity reserve ledger under item (r) of the relevant Funding 1 pre-enforcement revenue priority of payments, and item (b) of the relevant Funding 1 pre-enforcement principal priority of payments on such Funding 1 payment date,

provided that principal amounts which cannot be withdrawn from the Funding 1 collateralised GIC account (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute Funding 1 available principal receipts; provided further, that any amounts subsequently recovered in respect of such principal amounts from realisation of the related eligible collateral shall constitute Funding 1 available principal receipts and any amounts subsequently

recovered in respect of such principal amounts from the Funding 1 collateralised GIC account will not constitute Funding 1 available principal receipts but will instead constitute Funding 1 available revenue receipts.

Funding 1 available principal receipts will not include any amounts then standing to the credit of a non monthly term advance principal ledger.

Due and payable dates of term advances

The repayment of any term advance prior to the occurrence of a trigger event, service of a note acceleration notice or service of an intercompany loan acceleration notice will be made in accordance with the terms of the intercompany loan agreement. The applicable final terms for a series of notes (or, in the case of exempt notes, the applicable pricing supplement) will specify the due and payable dates of the term advances funded by such series of notes.

The following sections set out various priorities of payments for Funding 1 available principal receipts under the following circumstances, and are collectively referred to as the **Funding 1 pre-enforcement principal priority of payments**:

- repayment of term advances before the occurrence of a trigger event and before the service of an intercompany loan acceleration notice or the service of a note acceleration notice;

- repayment of term advances after the occurrence of a non-asset trigger event but before the occurrence of an asset trigger event, the service of an intercompany loan acceleration notice or the service of a note acceleration notice.

- repayment of term advances after the occurrence of an asset trigger event but before the service of an intercompany loan acceleration notice or the service of a note acceleration notice; and

- repayment of term advances after the service of a note acceleration notice but before the service of an intercompany loan acceleration notice.

Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes

On each Funding 1 payment date prior to the occurrence of a trigger event or the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice, the cash manager shall apply or provide for Funding 1 available principal receipts in the following order of priority (the **Funding 1 pre-trigger event, pre-enforcement principal priority of payments**):

(a) to the extent only that monies have been drawn from the general reserve fund to make Funding 1 reserve principal payments in respect of a previous Funding 1 interest period, towards a credit to the general reserve ledger to the extent that the amount standing to the credit thereof is less than the Funding 1 reserve required amount;

(b) if a Funding 1 liquidity reserve rating event has occurred and is continuing (i) to initially fund the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount and (ii) once it has been initially funded to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount;

(c) in each case in order of their final repayment dates beginning with the earliest such date (and if two or more term AAA advances have the same final repayment date, in proportion to the

respective amounts due (or, in respect of a non-monthly pass-through term AAA advance, the amount due less the amount (if any) then standing to the credit of the non-monthly term AAA advance principal ledger for such non-monthly pass-through term AAA advance):

(i) to repay the principal amounts due (if any) on such Funding 1 payment date on the term AAA advances other than the non-monthly pass-through term AAA advances;

(ii) for each non-monthly pass-through term AAA advance, towards a credit to the non-monthly term AAA advance principal ledger for such non-monthly pass-through term AAA advance in an amount equal to:

(A) the principal amount due on such non-monthly pass-through term AAA advance on such Funding 1 payment date or, if no principal amount on such non-monthly pass-through term AAA advance is due on such date, the principal amount due on the next following interest payment date for such non-monthly pass-through term AAA advance; less

(B) the amount then standing to the credit of the non-monthly term AAA advance principal ledger for such non-monthly pass-through term AAA advance,

provided always that the aggregate amount credited to the non-monthly term AAA advance principal ledger for a non-monthly pass-through term AAA advance may not exceed, on any date, the principal amount (if any) due in respect of such non-monthly pass-through term AAA advance on such Funding 1 payment date (if such Funding 1 payment date is an interest payment date for such non-monthly pass-through term AAA advance) or on the next following interest payment date for such non-monthly pass-through term AAA advance,

in each case subject to Rules (1) and (2) below;

(d) in no order of priority among them, but in proportion to the respective amounts due (or, in respect of a non-monthly pass-through term AA advance, the amount due less the amount standing to the credit of the non-monthly term AA advance principal ledger for such non-monthly pass-through term AA advance):

(i) to repay the principal amounts due (if any) on such Funding 1 payment date on the term AA advances other than the non-monthly pass-through term AA advances;

(ii) for each non-monthly pass-through term AA advance, towards a credit to the non-monthly term AA advance principal ledger for such non-monthly pass-through term AA advance in an amount equal to:

(A) the principal amount due on such non-monthly pass-through term AA advance on such Funding 1 payment date or, if no principal amount on such non-monthly pass-through term AA advance is due on such date, the principal amount due on the next following interest payment date for such non-monthly pass-through term AA advance; less

(B) the amount then standing to the credit of the non-monthly term AA advance principal ledger for such non-monthly pass-through term AA advance,

provided always that the aggregate amount credited to the non-monthly term AA advance principal ledger for a non-monthly pass-through term AA advance may not exceed, on any date, the principal amount (if any) due in respect of such non-monthly pass-through term AA advance on such Funding 1 payment date (if such Funding 1

payment date is an interest payment date for such non-monthly pass-through term AA advance) or on the next following interest payment date for such non-monthly pass-through term AA advance,

in each case subject to Rules (1) and (2) below;

(e) in no order of priority among them, but in proportion to the respective amounts due (or, in respect of a non-monthly pass-through term A advance, the amount due less the amount standing to the credit of the non-monthly term A advance principal ledger for such non-monthly pass-through term A advance):

(i) to repay the principal amounts due (if any) on such Funding 1 payment date on the term A advances other than the non-monthly pass-through term A advances;

(ii) for each non-monthly pass-through term A advance, towards a credit to the non-monthly term A advance principal ledger for such non-monthly pass-through term A advance in an amount equal to:

(A) the principal amount due on such non-monthly pass-through term A advance on such Funding 1 payment date or, if no principal amount on such non-monthly pass-through term A advance is due on such date, the principal amount due on the next following interest payment date for such non-monthly pass-through term A advance; less

(B) the amount then standing to the credit of the non-monthly term A advance principal ledger for such non-monthly pass-through term A advance,

provided always that the aggregate amount credited to the non-monthly term A advance principal ledger for a non-monthly pass-through term A advance may not exceed, on any date, the principal amount (if any) due in respect of such non-monthly pass-through term A advance on such Funding 1 payment date (if such Funding 1 payment date is an interest payment date for such non-monthly pass-through term A advance) or on the next following interest payment date for such non-monthly pass-through term A advance,

in each case subject to Rules (1) and (2) below;

(f) in no order of priority among them, but in proportion to the respective amounts due (or, in respect of a non-monthly pass-through term BBB advance, the amount due less the amount standing to the credit of the non-monthly term BBB advance principal ledger for such non-monthly pass-through term BBB advance):

(i) to repay the principal amounts due (if any) on such Funding 1 payment date on the term BBB advances other than the non-monthly pass-through term BBB advances;

(ii) for each non-monthly pass-through term BBB advance, towards a credit to the non-monthly term BBB advance principal ledger for such non-monthly pass-through term BBB advance in an amount equal to:

(A) the principal amount due on such non-monthly pass-through term BBB advance on such Funding 1 payment date or, if no principal amount on such non-monthly pass-through term BBB advance is due on such date, the principal amount due on the next following interest payment date for such non-monthly pass-through term BBB advance; less

(B) the amount then standing to the credit of the non-monthly term BBB advance principal ledger for such non-monthly pass-through term BBB advance,

provided always that the aggregate amount credited to the non-monthly term BBB advance principal ledger for a non-monthly pass-through term BBB advance may not exceed, on any date, the principal amount (if any) due in respect of such non-monthly pass-through term BBB advance on such Funding 1 payment date (if such Funding 1 payment date is an interest payment date for such non-monthly pass-through term BBB advance) or on the next following interest payment date for such non-monthly pass-through term BBB advance,

in each case subject to Rules (1) and (2) below;

(g) in no order of priority among them, but in proportion to the respective amounts due (or, in respect of a non-monthly pass-through term BB advance, the amount due less the amount standing to the credit of the non-monthly term BB advance principal ledger for such non-monthly pass-through term BB advance):

(i) to repay the principal amounts due (if any) on such Funding 1 payment date on the term BB advances other than the non-monthly pass-through term BB advances;

(ii) for each non-monthly pass-through term BB advance, towards a credit to the non-monthly term BB advance principal ledger for such non-monthly pass-through term BB advance in an amount equal to:

(A) the principal amount due on such non-monthly pass-through term BB advance on such Funding 1 payment date or, if no principal amount on such non-monthly pass-through term BB advance is due on such date, the principal amount due on the next following interest payment date for such non-monthly pass-through term BB advance; less

(B) the amount then standing to the credit of the non-monthly term BB advance principal ledger for such non-monthly pass-through term BB advance,

provided always that the aggregate amount credited to the non-monthly term BB advance principal ledger for a non-monthly pass-through term BB advance may not exceed, on any date, the principal amount (if any) due in respect of such non-monthly pass-through term BB advance on such Funding 1 payment date (if such Funding 1 payment date is an interest payment date for such non-monthly pass-through term BB advance) or on the next following interest payment date for such non-monthly pass-through term BB advance,

in each case subject to Rules (1) and (2) below;

(h) in no order of priority among them, but in proportion to the respective amounts due (or, in respect of a non-monthly pass-through term NR advance, the amount due less the amount standing to the credit of the non-monthly term NR advance principal ledger for such non-monthly pass-through term NR advance):

(i) to repay the principal amounts due (if any) on such Funding 1 payment date on the term NR advances other than the non-monthly pass-through term NR advances;

(ii) for each non-monthly pass-through term NR advance, towards a credit to the non-monthly term NR advance principal ledger for such non-monthly pass-through term NR advance in an amount equal to:

(A) the principal amount due on such non-monthly pass-through term NR advance on such Funding 1 payment date or, if no principal amount on such non-monthly pass-through term NR advance is due on such date, the principal amount due on the next following interest payment date for such non-monthly pass-through term NR advance; less

(B) the amount then standing to the credit of the non-monthly term NR advance principal ledger for such non-monthly pass-through term NR advance,

provided always that the aggregate amount credited to the non-monthly term NR advance principal ledger for a non-monthly pass-through term NR advance may not exceed, on any date, the principal amount (if any) due in respect of such non-monthly pass-through term NR advance on such Funding 1 payment date (if such Funding 1 payment date is an interest payment date for such non-monthly pass-through term NR advance) or on the next following interest payment date for such non-monthly pass-through term NR advance,

in each case subject to Rules (1) and (2) below;

(i) towards a credit to the cash accumulation ledger until the balance is equal to Funding 1's cash accumulation liability (as calculated after any payments are made or provided for at items (a) to (h) (inclusive) of this priority of payments); and

(j) the remainder to be credited to the Funding 1 principal ledger to be applied on the next Funding 1 payment date as Funding 1 principal receipts.

On the Funding 1 payment date upon which any principal amount in respect of a non-monthly pass-through term advance falls due, the cash manager shall debit the non-monthly term advance principal ledger for such non-monthly pass-through term advance in an amount equal to the lesser of: (i) the amount of principal which is due on such Funding 1 payment date in respect of such non-monthly pass-through term advance; and (ii) the aggregate amount credited to such non-monthly term advance principal ledger and shall apply such amounts to make payment (in whole or in part) of principal due on such Funding 1 payment date. Amounts credited to a non-monthly term advance principal ledger in respect of a particular non-monthly term advance may not be applied towards payment of any other amount payable by Funding 1 but may be used towards payment of a Funding 1 revenue deficit amount.

In the applicable circumstances, the following Rules apply in determining the amounts to be paid under items (c), (d), (e) (f), (g), and (h) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments set out above and below:

Rule (1) – Repayment deferrals

(A) If on a Funding 1 payment date:

(a) there is a debit balance on the BB principal deficiency sub-ledger, the BBB principal deficiency sub-ledger, the A principal deficiency sub-ledger or the AA principal deficiency sub-ledger, after application of the Funding 1 available revenue receipts on that Funding 1 payment date; or

(b) the adjusted general reserve fund level is less than the Funding 1 reserve required amount and lower than its level on the previous Funding 1 payment date; or

(c) the aggregate true balance of the loans in the mortgages trust in arrears by more than 3 times the monthly payment then due divided by the aggregate true balance of all the loans in the mortgages trust (expressed as a percentage) is more than 5%,

then until the relevant circumstance as described in sub-paragraphs (a), (b) or (c) above has been cured or otherwise ceases to exist, if:

(d) any term AAA advance (whether or not such term AAA advance (or any part thereof) is then due) remains outstanding after making the payments or provisions under item (c) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments (assuming for the purposes of this calculation that the amounts then standing to the credit of a non monthly term AAA advance principal ledger, where such term advance is an original non-monthly pass-through term AAA advance (after crediting any amounts to such ledger in accordance with item (c) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) shall reduce the outstanding principal amount of such non-monthly pass-through term AAA advance on such Funding 1 payment date by the amount so credited) and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (i) thereof, then the term AA advances will not be entitled to principal repayments or provisions under item (d) thereof;

(e) any term AAA advance or any term AA advance (whether or not such term AAA advance or term AA advance (or any part thereof) is then due) remains outstanding after making the payments or provisions under items (c) and/or (d) of the Funding 1 pre trigger event, pre-enforcement principal priority of payments (assuming for the purposes of this calculation that the amounts then standing to the credit of a non monthly term AAA advance principal ledger, where such term advance is an original non-monthly pass-through term AAA advance (after crediting any amounts to such ledger in accordance with item (c) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) and the amounts then standing to the credit of an original non-monthly term AA advance principal ledger, where such term advance is a non-monthly pass-through term AA advance (after crediting any amounts to such ledger in accordance with item (d) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) shall reduce the outstanding principal amount of, as applicable, such non-monthly pass-through term AAA advance and non-monthly pass-through term AA advance as applicable on such Funding 1 payment date by the amount so credited) and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (i) thereof, then the term A advances will not be entitled to principal repayments or provisions under item (e) thereof;

(f) any term AAA advance, any term AA advance or any term A advance (whether or not such term AAA advance, term AA advance or term A advance (or any part thereof) is then due) remains outstanding after making the payments or provisions under items (c) and/or (d) and/or (e) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments (assuming for the purposes of this calculation that the amounts then standing to the credit of a non monthly term AAA advance principal ledger, where such term advance is an original non-monthly pass-through term AAA advance (after crediting any amounts to such ledger in accordance with item (c) on such Funding 1 payment date and after debiting any amounts from such ledger that are

required to be so debited on such Funding 1 payment date), the amounts then standing to the credit of an original non-monthly term AA advance principal ledger, where such term advance is a non-monthly pass-through term AA advance (after crediting any amounts to such ledger in accordance with item (d) on such Funding 1 payment date and after debiting any amount from such ledger that are required to be so debited on such Funding 1 payment date) and the amounts then standing to the credit of a non monthly term A advance principal ledger, where such term advance is an original non-monthly pass-through term A advance (after crediting any amounts to such ledger in accordance with item (e) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) shall reduce the outstanding principal amount of such non-monthly term AAA advance, non monthly pass-through term AA advance and non-monthly pass-through term A advance, as applicable on such Funding 1 payment date by the amount so credited) and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (i) thereof, then the term BBB advances will not be entitled to principal repayments or provisions under item (f) thereof; and/or

(g) any term AAA advance, any term AA advance, any term A advance or any term BBB advance (whether or not such term AAA advance, term AA advance, term A advance or term BBB advance (or any part thereof) is then due) remains outstanding after making the payments or provisions under items (c) and/or (d) and/or (e) and/or (f) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments (assuming for the purposes of this calculation that the amounts then standing to the credit of an original non monthly term AAA advance principal ledger, where such term advance is a non-monthly pass-through term AAA advance (after crediting any amounts to such ledger in accordance with item (c) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date), the amounts then standing to the credit of an original non-monthly term AA advance principal ledger, where such term advance is a non-monthly pass-through term AA advance (after crediting any amounts to such ledger in accordance with item (d) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date), the amounts then standing to the credit of an original non monthly term A advance principal ledger, where such term advance is a non-monthly pass-through term A advance (after crediting any amounts to such ledger in accordance with item (e) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) and the amounts then standing to the credit of an original non monthly term BBB advance principal ledger, where such term advance is a non-monthly pass-through term BBB advance (after crediting any amounts to such ledger in accordance with item (f) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) shall reduce the outstanding principal amount of such non-monthly pass-through term AAA advance, non monthly pass-through term AA advance, non-monthly pass-through term A advance and non-monthly pass-through term BBB advance, as applicable, on such Funding 1 payment date by the amount so credited) and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (i) thereof, then the term BB advances will not be entitled to principal repayments or provisions under item (g) thereof; and/or

(h) any term AAA advance, any term AA advance, any term A advance, any term BBB advance or any term BB advance (whether or not such term AAA advance, term AA advance, term A advance, term BBB advance or term BB advance (or any part thereof) is then due) remains outstanding after making the payments or provisions

under items (c) and/or (d) and/or (e) and/or (f) and/or (g) of the Funding 1 pre-trigger event, pre enforcement principal priority of payments (assuming for the purposes of this calculation that the amounts then standing to the credit of a non monthly term AAA advance principal ledger, where such term advance is an original non-monthly pass-through term AAA advance (after crediting any amounts to such ledger in accordance with item (c) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date), the amounts then standing to the credit of a non-monthly term AA advance principal ledger, where such term advance is an original non-monthly pass-through term AA advance (after crediting any amounts to such ledger in accordance with item (d) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date), the amounts then standing to the credit of a non monthly term A advance principal ledger, where such term advance is an original non-monthly pass-through term A advance (after crediting any amounts to such ledger in accordance with item (e) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) the amounts then standing to the credit of a non monthly term BBB advance principal ledger, where such term advance is an original non-monthly pass-through term BBB advance (after crediting any amounts to such ledger in accordance with item (f) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) and the amounts then standing to the credit of a non monthly term BB advance principal ledger, where such term advance is an original non-monthly pass-through term BB advance (after crediting any amounts to such ledger in accordance with item (g) on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) shall reduce the outstanding principal amount of such non-monthly term AAA advance, non-monthly pass-through term AA advance, non-monthly pass-through term A advance, non-monthly pass-through term BBB advance and non-monthly pass-through term BB advance as applicable on such Funding 1 payment date by the amount so credited) and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (i) thereof, then the term NR advances will not be entitled to principal repayments or provisions under item (h) thereof.

(B) If on a Funding 1 payment date in respect of which principal in respect of any term advance is scheduled to be paid or provided for:

(a) for any term AA advance, the amount of principal due (or any part thereof) in respect of the term AA advance may only be paid or provided for if, after giving effect to such payment or provision and the payment to be made or provided for on such date in respect of the related series and class (or sub-class) of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount;

(b) for any term A advance, the amount of principal due (or any part thereof) in respect of the term A advance may only be paid or provided for if, after giving effect to such payment or provision and the payment to be made or provided for on such date in respect of the related series and class (or sub-class) of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount and the class B available subordinated amount is at least equal to the class B required subordinated amount;

(c) for any term BBB advance, the amount of principal due (or any part thereof) in respect of the term BBB advance may only be paid or provided for if, after giving effect to such payment or provision and the payment to be made or provided for on

such date in respect of the related series and class (or sub-class) of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount, the class B available subordinated amount is at least equal to the class B required subordinated amount and the class M available subordinated amount is at least equal to the class M required subordinated amount;

(d) for any term BB advance, the amount of principal due (or any part thereof) in respect of the term BB advance may only be paid or provided for if, after giving effect to such payment or provision and the payment to be made or provided for on such date in respect of the related series and class (or sub-class) of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount, the class B available subordinated amount is at least equal to the class B required subordinated amount, the class M available subordinated amount is at least equal to the class M required subordinated amount and the class C available subordinated amount is at least equal to the class C required subordinated amount;

(e) for any term NR advance, the amount of principal due in respect of the term NR advance may only be paid if, after giving effect to such payment and the payment to be made on such date in respect of the related series and class (or sub-class) of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount, the class B available subordinated amount is at least equal to the class B required subordinated amount, the class M available subordinated amount is at least equal to the class M required subordinated amount, the class C available subordinated amount is at least equal to the class C required subordinated amount and the class D available subordinated amount is at least equal to the class D required subordinated amount,

save that in calculating the class A available subordinated amount, the class B available subordinated amount, the class M available subordinated amount, the class C available subordinated amount and the class D subordinated amount for the purposes of the above, stressed excess spread will be deemed to be zero.

Further, in calculating the class A available subordinated amount, the class B available subordinated amount, the class M available subordinated amount, the class C available subordinated amount and the class D subordinated amount for the purposes of the above, each such calculation is made assuming in each case for the purpose of these calculations that any amounts then standing to the credit of a non-monthly term advance principal ledger in respect of an original non-monthly pass-through term advance (after crediting any amounts to such ledger in accordance with the pre-trigger event, pre enforcement principal priority of payments on such Funding 1 payment date and after debiting any amounts from such ledger that are required to be so debited on such Funding 1 payment date) on such Funding 1 payment date shall reduce the outstanding principal amount of such non-monthly pass-through term advance on such Funding 1 payment date.

See "**The issuance of notes**" above for a description of the various required subordinated amounts and available subordinated amounts.

(C) If on a Funding 1 payment date:

1. one or more bullet term advances are within a cash accumulation period at that time; and

2. either:

   (i) the quarterly CPR is less than X%; or

(ii) both:

(A) the quarterly CPR is equal to or greater than X%, but less than 20%, and

(B) the annualised CPR is less than X%,

where X is the percentage number specified in the most recent final terms.

then, the scheduled amortisation term advances will be entitled to principal repayments under items (c), (d), (e), (f), (g) and (h) of the Funding 1 pre-trigger event, pre enforcement principal priority of payments set out above only to the extent permitted under the scheduled amortisation repayment restrictions (as defined below).

(D) If on a Funding 1 payment date:

1. one or more bullet term advances and/or scheduled amortisation instalments are within a cash accumulation period at that time;

2. the quarterly CPR is less than 100% or, in respect of an original pass-through term advance designated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as a rule 1(D) lower percentage pass-through term advance (a **rule 1(D) lower percentage pass-through term advance**), the quarterly CPR is less than the percentage specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) (the **rule 1(D) lower percentage**); and

3. there is a cash accumulation shortfall at that time,

then:

(i) each original pass-through term advance not being a rule 1(D) lower percentage pass-through term advance; and

(ii) each rule 1(D) lower percentage pass-through term advance in respect of which the quarterly CPR is lower than the rule 1(D) lower percentage specified for that rule 1(D) lower percentage pass-through term advance,

will be entitled to principal repayments or provisions under items (c), (d) (e), (f), (g) and (h) of the Funding 1 pre trigger event, pre-enforcement principal priority of payments above only to the extent permitted under the pass-through repayment restrictions (as defined below).

(E) If on a Funding 1 payment date in respect of which principal in respect of any term AA advance, term A advance, term BBB advance, term BB advance and/or term NR advance of a particular series is scheduled to be repaid or provided for and, as at such Funding 1 payment date, one or more term AAA advances of that series remains outstanding and is not scheduled to be repaid or provided for on such Funding 1 payment date, such term AA advance, term A advance, term BBB advance, term BB advance and/or term NR advance shall only be repaid or provided for if confirmation is received from S&P that the rating of the rated notes then outstanding shall not be reduced, withdrawn or qualified as a result of such repayment or provision (and advance notice in writing of such repayment has been provided to Moody's and Fitch).

In this base prospectus:

annualised CPR means the result of:

$$1-\left(\left(1-\mathrm{M}\right)\text{^}12\right)$$

where

M is expressed as a percentage and determined as at the most recent trust calculation date as indicated in the definition of **anticipated cash accumulation period** (see "**The mortgages trust—Cash management of trust property—principal receipts**");

bullet accumulation liability means, on any Funding 1 payment date, prior to any payment or provision under item (i) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments, the aggregate of the relevant accumulation amount at that time of each bullet term advance which is within a cash accumulation period;

bullet accumulation shortfall means, at any time, that the cash accumulation ledger amount is less than the bullet accumulation liability;

cash accumulation liability means, on any Funding 1 payment date, prior to any payment or provision under item (i) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments the sum of:

(a) the bullet accumulation liability at that time; and

(b) the aggregate of the relevant accumulation amount at that time of each scheduled amortisation instalment which is within a cash accumulation period;

cash accumulation shortfall means the cash accumulation ledger amount being less than the cash accumulation liability;

cash accumulation ledger amount means, at any time, the amount standing to the credit of the cash accumulation ledger at that time (immediately prior to any drawing to be applied or provided for on that Funding 1 payment date and prior to any payment under item (i) of the above priority of payments);

pass-through repayment restrictions means, on any Funding 1 payment date, that no amount may be applied or provided for in repayment of any original pass-through term advance unless:

(a) the sum of the cash accumulation ledger amount and the amount of Funding 1 available principal receipts after the application of items (a) and (b) and before item (c) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments,

is greater than or equal to:

(b) the cash accumulation liability as at that time,

in which case the amount of Funding 1 available principal receipts that may be applied or provided for in repayment of any original pass-through term advance shall be restricted to the amount by which (a) exceeds (b).

scheduled amortisation repayment restrictions means, on any Funding 1 payment date:

(a) where there is not a bullet accumulation shortfall at that time, the total amount withdrawn from the cash accumulation ledger on that Funding 1 payment date for repayment of the relevant scheduled amortisation instalments shall not exceed the cash accumulation ledger amount less the bullet accumulation liability at that time; and

(b) where there is a bullet accumulation shortfall at that time:

(i) no amount may be withdrawn from the cash accumulation ledger on that Funding 1 payment date to be applied in repayment of the relevant scheduled amortisation instalments; and

(ii) no amount may be applied in repayment of the relevant scheduled amortisation instalments unless:

(A) the sum of the cash accumulation ledger amount and the amount of Funding 1 available principal receipts after the application of items (a), (b) and before item (c) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments,

is greater than or equal to

(B) the bullet accumulation liability which is due as at that time,

in which case the amount of Funding 1 Available Principal Receipts that may be applied or provided for in repayment of a Scheduled Amortisation Instalment shall be restricted to the amount by which (A) exceeds (B).

Rule (2) – Repayment of payable pass-through term advances after a due and payable date for pass-through term advances

On or following the date on which a pass-through term advance is due and payable and provided that the Funding 1 share of the trust property is greater than zero, the aggregate amount repaid or provided for on a Funding 1 payment date in relation to that term advance under items (c), (d), (e), (f), (g) and (h) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments shall be limited to an amount calculated as follows:

$$\text{Funding 1 principal funds} \times \frac{\text{Outstanding principal amount of the relevant pass-through term advance due on that date (after deducting any amount standing to the credit of the non-monthly term advance principal ledger for such term advance)}}{\text{Aggregate outstanding principal amount of all term advances (after deducting the aggregate amount standing to the credit of the non-monthly term advance principal ledgers for all term advances) minus the aggregate outstanding principal amount of term NR advances that are not due and payable}}$$

where **Funding 1 principal funds** means in respect of any Funding 1 payment date the sum of:

(A) the aggregate of the following amount for the trust calculation period ending immediately prior to such Funding 1 payment date (disregarding for the purposes of this calculation the

recalculation of any amounts with respect to any interim trust calculation period during such trust calculation period), such amount being the product of:

1. the Funding 1 share percentage as calculated with effect from the start of such trust calculation period; and

2. the aggregate amount of principal receipts received by the mortgages trustee in such trust calculation period;

(B) the amount credited to the principal deficiency ledger on such Funding 1 payment date; and

(C) the amount, if any, credited to the Funding 1 principal ledger pursuant to item (j) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments on the Funding 1 payment date immediately preceding such Funding 1 payment date.

Allocations involving rule (2)

Where Rule (2) applies at a level of any priority of payments, the funds available for making payments at that level shall first be allocated without reference to Rule (2). However, if the amount so allocated to one or more term advances exceeds the amount permitted under Rule (2) to be paid or provided for in respect of those term advances (the **capped term advances**), the excess shall then be reallocated among any other relevant term advances at that level using the method of allocation as applies at that level but without reference to the capped term advances in calculating such reallocation. If a further such excess arises as a result of the reallocation process, the reallocation process shall be repeated at that level in relation to each such further excess that arises until no further funds can be allocated at that level following which the remaining excess shall then be applied at the next level of that priority of payments.

Rules 1 and 2 above are referred to in this base prospectus as the **repayment tests**.

Repayment of term advances after a non-asset trigger event but before intercompany loan acceleration or acceleration of all notes

Following the occurrence of a non-asset trigger event (where no asset trigger event has occurred) under the mortgages trust deed but prior to the service on Funding 1 of an intercompany loan acceleration notice under the intercompany loan agreement or the service on the issuer of a note acceleration notice under the terms and conditions of the notes, the bullet term advances and the scheduled amortisation term advances and the non-monthly pass-through term advances will be deemed to be monthly pass-through term advances and on each Funding 1 payment date Funding 1 will be required to apply or provide for Funding 1 available principal receipts in the following priority:

(a) to the extent only that monies have been drawn from the general reserve fund to make Funding 1 reserve principal payments in respect of a previous Funding 1 interest period, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 reserve required amount;

(b) if a Funding 1 liquidity reserve rating event has occurred and is continuing (i) to initially fund the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount;

(c) in each case in order of their final repayment dates beginning with the earliest such date (and if two or more term AAA advances have the same final repayment date, in proportion to the

respective amounts outstanding (or, in respect of an original non-monthly pass-through term AAA advance, the outstanding principal amount of such original non-monthly pass-through term AAA advance less the amount (if any) standing to the credit of the non-monthly term AAA advance principal ledger for such original non-monthly pass-through term AAA advance)), to repay the term AAA advances due and payable on such Funding 1 payment date until such term AAA advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term AAA advance principal ledger for any original non-monthly pass-through term AAA advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(d) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AA advance, the outstanding principal amount of such original non-monthly pass-through term AA advance less the amount (if any) standing to the credit of the non-monthly term AA advance principal ledger for such original non-monthly pass-through term AA advance), to repay the term AA advances due and payable on such Funding 1 payment date until such term AA advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term AA advance principal ledger for any original non-monthly pass-through term AA advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(e) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term A advance, the outstanding principal amount of such original non-monthly pass-through term A advance less the amount (if any) standing to the credit of the non-monthly term A advance principal ledger for such original non-monthly pass-through term A advance), to repay the term A advances due and payable on such Funding 1 payment date until such term A advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term A advance principal ledger for such original non-monthly pass-through term A advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(f) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BBB advance, the outstanding principal amount of such original non-monthly pass-through term BBB advance less the amount (if any) standing to the credit of the non-monthly term BBB advance principal ledger for such original non-monthly pass-through term BBB advance), to repay the term BBB advances due and payable on such Funding 1 payment date until such term BBB advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term BBB advance principal ledger for any original non-monthly pass-through term BBB advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(g) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BB advance, the outstanding principal amount of such original non-monthly pass-through term BB advance less the amount (if any) standing to the credit of the non-monthly term BB advance principal ledger for such original non-monthly pass-through term BB advance), to repay the term BB advances due and payable on such Funding 1 payment date until such term BB advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term BB advance principal ledger for any original non-monthly pass-through term BB advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date; and

(h) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term NR advance, the outstanding principal amount of such original non-monthly pass-through term NR advance less the amount (if any) standing to the credit of the non-monthly term NR advance principal ledger for such original non-monthly pass-through term NR advance), to repay the term NR advances due and payable on such Funding 1 payment date until such term NR advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term NR advance principal ledger for any original non-monthly pass-through term NR advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date.

On the Funding 1 payment date upon which any original non-monthly pass-through term advance is due to be repaid, the cash manager shall in addition to any amount to be applied towards payment of such principal amount due in accordance with, as applicable, items (c), (d), (e), (f), (g) and (h) above debit the non-monthly term advance principal ledger for such original non-monthly term advance in an amount not to exceed the amount which is due to be repaid on such Funding 1 payment date in respect of such original non monthly term advance and apply amounts standing to the credit of the non-monthly term advance principal ledger for such original non-monthly term advance, to make such repayment. Amounts credited to a ledger in respect of a particular original non-monthly term advance may not be applied towards payment in respect of any other term advance.

Amounts credited to a non-monthly term advance principal ledger in respect of an original non-monthly pass-through term advance prior to the occurrence of a non-asset trigger event and/or an asset trigger event and prior to the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice may only be applied (following the occurrence of a non-asset trigger event, but prior to the occurrence of an asset trigger event and prior to the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice) towards the payment of the principal amount due on such non-monthly original pass-through term advance on the next following interest payment date for such term advance.

Repayment of term advances after an asset trigger event but before intercompany loan acceleration notice or acceleration of all notes

Following the occurrence of an asset trigger event (whether or not a non-asset trigger event occurs or has occurred) but prior to the service on Funding 1 of an intercompany loan acceleration notice under the intercompany loan agreement or the service on the issuer of a note acceleration notice under the terms and conditions of the notes, the bullet term advances, the scheduled amortisation term advances and the non monthly pass-through term advances will be deemed to be monthly pass-through term advances and on each Funding 1 payment date Funding 1 will be required to apply or provide for Funding 1 available principal receipts in the following priority:

(a) to the extent only that monies have been drawn from the general reserve fund to make Funding 1 reserve principal payments in respect of a previous Funding 1 interest period, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 reserve required amount;

(b) if a Funding 1 liquidity reserve rating event has occurred and is continuing (i) to initially fund the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount;

(c) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AAA advance, the outstanding principal amount of such original non-monthly pass-through term AAA advance less the amount (if

any) standing to the credit of the non-monthly term AAA advance principal ledger for such original non-monthly pass-through term AAA advance), to repay the term AAA advances due and payable on such Funding 1 payment date until such term AAA advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term AAA advance principal ledger for any original non-monthly pass-through term AAA advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(d) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AA advance, the outstanding principal amount of such original non-monthly pass-through term AA advance less the amount (if any) standing to the credit of the non-monthly term AA advance principal ledger for such original non-monthly pass-through term AA advance), to repay the term AA advances due and payable on such Funding 1 payment date until such term AA advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term AA advance principal ledger for any original non-monthly pass-through term AA advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(e) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term A advance, the outstanding principal amount of such original non-monthly pass-through term A advance less the amount (if any) standing to the credit of the non-monthly term A advance principal ledger for such original non-monthly pass-through term A advance), to repay the term A advances due and payable on such Funding 1 payment date until such term A advances are fully repaid, taking into account any amounts standing to the credit of the non monthly term A advance principal ledger for any original non-monthly pass-through term A advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(f) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BBB advance, the outstanding principal amount of such original non-monthly pass-through term BBB advance less the amount (if any) standing to the credit of the non-monthly term BBB advance principal ledger for such original non-monthly pass-through term BBB advance), to repay the term BBB advances due and payable on such Funding 1 payment date until such term BBB advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term BBB advance principal ledger for any original non-monthly pass-through term BBB advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(g) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BB advance, the outstanding principal amount of such original non-monthly pass-through term BB advance less the amount (if any) standing to the credit of the non-monthly term BB advance principal ledger for such original non-monthly pass-through term BB advance), to repay the term BB advances due and payable on such Funding 1 payment date until such term BB advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term BB advance principal ledger for any original non-monthly pass-through term BB advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date; and

(h) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term NR advance, the outstanding principal amount of such original non-monthly pass-through term NR advance less the amount (if any)

standing to the credit of the non-monthly term NR advance principal ledger for such original non-monthly pass-through term NR advance), to repay the term NR advances due and payable on such Funding 1 payment date until such term NR advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term NR advance principal ledger for any original non-monthly pass-through term NR advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date.

On the Funding 1 payment date upon which any original non-monthly pass-through term advance is due to be repaid, the cash manager shall in addition to any amount to be applied towards payment of such principal amount due in accordance with, as applicable, items (c), (d), (e), (f), (g) and (h) above debit the non-monthly term advance principal ledger for such original non-monthly term advance in an amount not to exceed to the amount which is due to be repaid on such Funding 1 payment date in respect of such original non monthly term advance and apply amounts standing to the credit of the non-monthly term advance principal ledger for such original non-monthly term advance, to make such repayment. Amounts credited to a ledger in respect of a particular original non-monthly term advance may not be applied towards payment in respect of any other term advance.

Amounts credited to a non-monthly term advance principal ledger in respect of an original non-monthly pass-through term advance prior to the occurrence of a non-asset trigger event and/or an asset trigger event and prior to the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice may only be applied (following the occurrence of an asset trigger event but prior to the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice) towards the payment of the principal amount due on such non-monthly original pass-through term advance on the next following interest payment date for such term advance.

Repayment of term advances after acceleration of all notes but before intercompany loan acceleration

If a note acceleration notice is served on the issuer under the terms and conditions of the notes, then that will not result in automatic enforcement of the Funding 1 security under the Funding 1 deed of charge. In those circumstances, however, the bullet term advances and any scheduled amortisation term advances and the non-monthly pass-through term advances will be deemed to be pass-through term advances and on each Funding 1 payment date Funding 1 will be required to apply or provide for Funding 1 available principal receipts in the following priority:

(a) to the extent only that monies have been drawn from the general reserve fund to make Funding 1 reserve principal payments in respect of a previous Funding 1 interest period, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the Funding 1 reserve required amount;

(b) if a Funding 1 liquidity reserve rating event has occurred and is continuing (i) to initially fund the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the Funding 1 liquidity reserve fund up to the Funding 1 liquidity reserve fund required amount;

(c) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AAA advance, the outstanding principal amount of such original non-monthly pass-through term AAA advance less the amount (if any) standing to the credit of the non-monthly term AAA advance principal ledger for such original non-monthly pass-through term AAA advance), to repay the term AAA advances due and payable on such Funding 1 payment date until such term AAA advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term AAA advance principal ledger for any original non-monthly pass-through term AAA advance and which are

to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(d) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AA advance, the outstanding principal amount of such original non-monthly pass-through term AA advance less the amount (if any) standing to the credit of the non-monthly term AA advance principal ledger for such original non-monthly pass-through term AA advance), to repay the term AA advances due and payable on such Funding 1 payment date until such term AA advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term AA advance principal ledger for any original non-monthly pass-through term AA advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(e) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term A advance, the outstanding principal amount of such original non-monthly pass-through term A advance less the amount (if any) standing to the credit of the non-monthly term A advance principal ledger for such original non-monthly pass-through term A advance), to repay the term A advances due and payable on such Funding 1 payment date until such term A advances are fully repaid, taking into account any amounts standing to the credit of the non monthly term A advance principal ledger for any original non-monthly pass-through term A advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(f) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BBB advance, the outstanding principal amount of such original non-monthly pass-through term BBB advance less the amount (if any) standing to the credit of the non-monthly term BBB advance principal ledger for such original non-monthly pass-through term BBB advance), to repay the term BBB advances due and payable on such Funding 1 payment date until such term BBB advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term BBB advance principal ledger for any original non-monthly pass-through term BBB advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date;

(g) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BB advance, the outstanding principal amount of such original non-monthly pass-through term BB advance less the amount (if any) standing to the credit of the non-monthly term BB advance principal ledger for such original non-monthly pass-through term BB advance), to repay the term BB advances due and payable on such Funding 1 payment date until such term BB advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term BB advance principal ledger for any original non-monthly pass-through term BB advance and which are to be applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date; and

(h) without priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term NR advance, the outstanding principal amount of such original non-monthly pass-through term NR advance less the amount (if any) standing to the credit of the non-monthly term NR advance principal ledger for such original non-monthly pass-through term NR advance), to repay the term NR advances due and payable on such Funding 1 payment date until such term NR advances are fully repaid, taking into account any amounts standing to the credit of the non-monthly term NR advance principal ledger for any original non-monthly pass-through term NR advance and which are to be

applied in repayment of the outstanding principal amounts of such original non-monthly pass-through term advances on such Funding 1 payment date.

On the Funding 1 payment date upon which any original non-monthly pass-through term advance is due to be repaid, the cash manager shall in addition to any amount to be applied towards payment of such principal amount due in accordance with, as applicable, items (c), (d), (e), (f), (g) and (h) above debit the non-monthly term advance principal ledger for such original non-monthly term advance in an amount not to exceed to the amount which is due to be repaid on such Funding 1 payment date in respect of such original non monthly term advance and apply amounts standing to the credit of the non-monthly term advance principal ledger for such original non-monthly term advance, to make such repayment. Amounts credited to a ledger in respect of a particular original non-monthly term advance may not be applied towards payment in respect of any other term advance.

Amounts credited to a non-monthly term advance principal ledger in respect of an original non-monthly pass-through term advance prior to the occurrence of a non-asset trigger event and/or an asset trigger event and prior to the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice may only be applied (following the service on the issuer of a note acceleration notice but prior to the service on Funding 1 of an intercompany loan acceleration notice) towards the payment of the principal amount due on such non-monthly original pass-through term advance on the next following interest payment date for such term advance.

Repayment of term advances when Funding 1 receives an amount outstanding under the proceeds of a further term advance or a refinancing distribution

If either:

(a) the proceeds of a further term advance (or part thereof) are to be used to refinance all or part of a term advance under the intercompany loan agreement made to Funding 1 as described in "**The intercompany loan agreement—New intercompany loan agreements**"; or

(b) Funding 1 has received, or will receive during the Funding 1 interest period ending on the relevant Funding 1 payment date, a refinancing distribution funded by itself or by another beneficiary and either:

(i) the issuer has issued, or will issue within the period of 60 days of receipt of that refinancing distribution, a notice to noteholders of redemption in full of the notes in the circumstances set out in (and in accordance with) the terms and conditions of the notes; or

(ii) with the consent of Funding 1 and the Funding 1 security trustee, the contributing beneficiary specifies that the proceeds of the refinancing distribution are to be applied (in whole or in part) by Funding 1 towards repayment of all or part of the term advance under the intercompany loan agreement,

then Funding 1 will not apply or provide for the amounts received under the further term advance and/or the relevant refinancing distribution as described above in "**- Distribution of Funding 1 available principal receipts**" and such amounts will not form part of the Funding 1 available principal receipts. Rather, Funding 1 will apply the amount received under the new intercompany loan or, as applicable, the relevant refinancing distribution to repay the relevant term advance (or relevant instalment in the case of a scheduled amortisation term advance) under the intercompany loan agreement on its due date. If (at any time) only one term advance is outstanding under the intercompany loan, then Funding 1 shall apply the amount received under the new intercompany loan or, as applicable, the relevant refinancing distribution to repay such term advance.

Definition of issuer principal receipts

Prior to the service of a note acceleration notice on the issuer, **issuer principal receipts** will be calculated by the issuer cash manager on each issuer calculation date and will (for an issuer payment date) be an amount equal to all principal amounts paid or to be paid by Funding 1 to the issuer in respect of the term advances under the intercompany loan on the Funding 1 payment date immediately following the relevant issuer calculation date. Following the service of a note acceleration notice on the issuer, but prior to the service of an intercompany loan acceleration notice on Funding 1, **issuer principal receipts** means the sum calculated by the issuer security trustee on each issuer calculation date as the principal amounts paid or to be paid by Funding 1 to the issuer under the intercompany loan on the Funding 1 payment date immediately following the relevant issuer calculation date and any other sum otherwise recovered by the issuer security trustee (or the receiver appointed on its behalf) that may be applied towards repayment of the principal amount outstanding of the notes.

Distribution of issuer principal receipts before note acceleration

Prior to the service of a note acceleration notice on the issuer, the issuer, or the issuer cash manager on its behalf, will apply any issuer principal receipts on each issuer payment date to repay the notes in the following manner (the **issuer pre-enforcement principal priority of payments**):

(a) the class A notes: from principal amounts received by the issuer from Funding 1 in respect of each term AAA advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

    (i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class A notes in accordance with the terms of the relevant issuer swap agreements; and

    (ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class A notes;

(b) the class B notes: from principal amounts received by the issuer from Funding 1 in respect of each term AA advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

    (i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class B notes in accordance with the terms of the relevant issuer swap agreements; and

    (ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class B notes;

(c) the class M notes: from principal amounts received by the issuer from Funding 1 in respect of each term A advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class M notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class M notes;

(d) the class C notes: from principal amounts received by the issuer from Funding 1 in respect of each term BBB advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class C notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class C notes;

(e) the class D notes: from principal amounts received by the issuer from Funding 1 in respect of each term BB advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class D notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class D notes;

(f) the class Z notes: from principal amounts received by the issuer from Funding 1 in respect of each term NR advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class Z notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class Z notes.

In respect of the notes of each series or class (or sub-class) in respect of which principal is due and payable on an interest payment date which falls on a date which is not an issuer payment date, the issuer cash manager shall, from principal amounts received by the issuer from to the relevant issuer swap provider(s) (if any) in respect of such series and class (or sub-class) of notes in accordance with the terms of the relevant issuer swap agreement, pay principal due and payable on such series and class (or sub-class) of notes on such interest payment date.

Distribution of issuer principal receipts after note acceleration but before intercompany loan acceleration

The issuer deed of charge sets out the priority of distribution of issuer principal receipts received or recovered by the issuer security trustee (or a receiver appointed on its behalf) following the service of a note acceleration notice on the issuer but prior to the service of an intercompany loan acceleration notice on Funding 1. In these circumstances, the issuer security trustee will apply issuer principal receipts on each issuer payment date to repay the notes in the following manner (the **issuer post-enforcement principal priority of payments**):

(a) the class A notes: from principal amounts received by the issuer from Funding 1 in respect of each term AAA advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

  (i) to pay amounts due and payable in respect of principal) on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub class) of class A notes in accordance with the terms of the relevant issuer swap agreements; and

  (ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class A notes;

(b) the class B notes: from principal amounts received by the issuer from Funding 1 in respect of each term AA advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

  (i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class B notes in accordance with the terms of the relevant issuer swap agreements; and

  (ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class B notes;

(c) the class M notes: from principal amounts received by the issuer from Funding 1 in respect of each term A advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

  (i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class M notes in accordance with the terms of the relevant issuer swap agreements; and

  (ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class M notes;

(d) the class C notes: from principal amounts received by the issuer from Funding 1 in respect of each term BBB advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class C notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class C notes;

(e) the class D notes: from principal amounts received by the issuer from Funding 1 in respect of each term BB advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class D notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class D notes;

(f) the class Z notes: from principal amounts received by the issuer from Funding 1 in respect of each term NR advance due and payable on such issuer payment date (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class (or sub-class) of notes):

(i) to pay amounts due and payable in respect of principal on such issuer payment date to the relevant issuer swap providers in respect of the related series and class (or sub-class) of class Z notes in accordance with the terms of the relevant issuer swap agreements; and

(ii) to pay amounts due and payable in respect of principal (if any) on such issuer payment date on the related series and class (or sub-class) of class Z notes.

In respect of the notes of each series or class (or sub-class) in respect of which principal is due and payable on an interest payment date which falls on a date which is not an issuer payment date, the issuer security trustee shall, from principal amounts received by the issuer from to the relevant issuer swap provider(s) (if any) in respect of such series and class (or sub-class) of notes in accordance with the terms of the relevant issuer swap agreement, pay principal due and payable on such series and class (or sub-class) of notes on such interest payment date.

Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration

The Funding 1 deed of charge sets out the priority of distribution of amounts received or recovered by the Funding 1 security trustee or a receiver appointed on its behalf following the service of an intercompany loan acceleration notice on Funding 1.

The Funding 1 security trustee will apply amounts (other than amounts representing (i) any excess swap collateral which shall be returned directly to the relevant Funding 1 swap provider; (ii) in respect of each Funding 1 swap provider, prior to the designation of an early termination date under the relevant Funding 1 swap agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral)

provided by such Funding 1 swap provider to Funding 1 pursuant to the relevant Funding 1 swap agreement (and any interest or distributions in respect thereof); and (iii) amounts credited to a non-monthly term advance ledger prior to the service of an intercompany loan acceleration notice on Funding 1, in each case received or recovered following the service of an intercompany loan acceleration notice on Funding 1 on each Funding 1 payment date in accordance with the following order of priority (the **Funding 1 post-enforcement priority of payments**):

(a) without priority among them but in proportion to the respective amounts due:

(i) to pay amounts due to the Funding 1 security trustee and any receiver appointed by the Funding 1 security trustee, together with interest and any amount in respect of VAT on those amounts, and to provide for any amounts due or to become due to the Funding 1 security trustee and the receiver in the following Funding 1 interest period under the Funding 1 deed of charge; and

(ii) to pay to the issuer amounts equal to the issuer's obligations specified in items (a) to (e) of the issue pre-enforcement revenue priority of payments or (a) to (d) (inclusive) of the issuer post-enforcement priority of payments (as applicable) (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may, at the direction of the issuer, be paid directly to the relevant third parties);

(b) without priority among them but in proportion to the respective amounts due:

(i) towards payment of amounts (if any) due to the Funding 1 account bank under the terms of the Funding 1 bank account agreement (including interest and any amount in respect of VAT on those amounts);

(ii) towards payment of amounts (if any) due to the relevant corporate services providers under the Funding 1 corporate services agreement and the Holdings corporate services agreement (including interest and any amount in respect of VAT on those amounts);

(c) towards payment of amounts (if any) due to the Funding 1 swap provider under the Funding 1 swap agreement (including any termination payment but excluding any Funding 1 swap excluded termination amount);

(d) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AAA advance, the outstanding amount of such original non-monthly pass-through term AAA advance less the aggregate of all amounts (if any) standing to the credit of the non-monthly term AAA advance principal ledger and the non-monthly term AAA advance revenue ledger for such original non-monthly pass-through term AAA advance), towards payments of interest, step-up amounts, principal and fees due and payable on such Funding 1 payment date on the monthly term AAA advances, taking into account any amounts standing to the credit of the non-monthly term AAA advance principal ledger and the non-monthly term AAA advance revenue ledger for an original non-monthly pass-through term AAA advance and which are to be applied in repayment of such amounts for such original non-monthly pass-through term AAA advance on such Funding 1 payment date; and

(e) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term AA advance, the outstanding amount of such original non-monthly pass-through term AA advance less the aggregate of all amounts (if any) standing to the credit of the non-monthly term AA advance principal ledger and the non-monthly term AA advance revenue ledger for such original non-monthly pass-

through term AA advance), towards payments of interest, step-up amounts, principal and fees due and payable on such Funding 1 payment date on the monthly term AA advances, taking into account any amounts standing to the credit of the non-monthly term AA advance principal ledger and the non-monthly term AA advance revenue ledger for an original non-monthly pass-through term AA advance and which are to be applied in repayment of such amounts for such original non-monthly pass-through term AA advance on such Funding 1 payment date;

(f) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term A advance, the outstanding amount of such original non-monthly pass-through term A advance less the aggregate of all amounts (if any) standing to the credit of the non-monthly term A advance principal ledger and the non-monthly term A advance revenue ledger for such original non-monthly pass-through term A advance), towards payments of interest, step-up amounts, principal and fees due and payable on such Funding 1 payment date on the monthly term A advances, taking into account any amounts standing to the credit of the non-monthly term A advance principal ledger and the non-monthly term A advance revenue ledger for an original non-monthly pass-through term A advance and which are to be applied in repayment of such amounts for such original non-monthly pass-through term A advance on such Funding 1 payment date;

(g) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BBB advance, the outstanding amount of such original non-monthly pass-through term BBB advance less the aggregate of all amounts (if any) standing to the credit of the non-monthly term BBB advance principal ledger and the non-monthly term BBB advance revenue ledger for such original non-monthly pass-through term BBB advance), towards payments of interest, step-up amounts, principal and fees due and payable on such Funding 1 payment date on the monthly term BBB advances, taking into account any amounts standing to the credit of the non-monthly term BBB advance principal ledger and the non-monthly term BBB advance revenue ledger for an original non-monthly pass-through BBB advance and which are to be applied in repayment of such amounts for such original non-monthly pass-through term BBB advance on such Funding 1 payment date;

(h) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term BB advance, the outstanding amount of such original non-monthly pass-through term BB advance less the aggregate of all amounts (if any) standing to the credit of the non-monthly term BB advance principal ledger and the non-monthly term BB advance revenue ledger for such original non-monthly pass-through term BB advance), towards payments of interest, step-up amounts, principal and fees due and payable on such Funding 1 payment date on the monthly term BB advances, taking into account any amounts standing to the credit of the non-monthly term BB advance principal ledger and the non-monthly term BB advance revenue ledger for an original non-monthly pass-through term BB advance and which are to be applied in repayment of such amounts for such original non-monthly pass-through term BB advance on such Funding 1 payment date;

(i) in no order of priority among them, but in proportion to the respective amounts outstanding (or, in respect of an original non-monthly pass-through term NR advance, the outstanding amount of such original non-monthly pass-through term NR advance less the aggregate of all amounts (if any) standing to the credit of the non-monthly term NR advance principal ledger and the non-monthly term NR advance revenue ledger for such original non-monthly pass-through term NR advance), towards payments of interest, step-up amounts, principal and fees due and payable on such Funding 1 payment date on the monthly term NR advances, taking into account any amounts standing to the credit of the non-monthly term NR advance principal ledger and the non-monthly term NR advance revenue ledger for an original non-

monthly pass-through term NR advance and which are to be applied in repayment of such amounts for such original non-monthly pass-through term NR advance on such Funding 1 payment date;

(j) towards payment of any amounts due to the issuer equal to the issuer's obligations (if any) to make a termination payment to an issuer swap provider (but excluding any issuer swap excluded termination amount) (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may, at the direction of the issuer, be paid directly to the relevant issuer swap provider);

(k) without priority among them but in proportion to the respective amounts due, to pay (without double counting):

(i) amounts due to the issuer equal to the issuer's obligations (if any) to pay any issuer swap excluded termination amount to an issuer swap provider following an issuer swap provider default or an issuer swap provider downgrade termination event (as appropriate) (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may, at the direction of the issuer, be paid directly to the relevant issuer swap provider);

(ii) any other amounts due to the issuer under the intercompany loan agreement and not otherwise provided for earlier in this priority of payments (which amounts are payable by Funding 1 to the issuer as part of the facility fee payable pursuant to the intercompany loan agreement and which may (except for the issuer profit amount), at the direction of the issuer, be paid directly to the relevant third party);

(iii) the Funding 1 swap excluded termination amount (if any) to the Funding 1 swap provider;

(l) without priority among them but in proportion to the amounts then due, towards payment of amounts due to the start-up loan providers under the start-up loan agreement(s); and

(m) the surplus, if any to Funding 1.

On the Funding 1 payment date following the service of an intercompany loan acceleration notice on Funding 1 upon which any amount is due and payable in respect of an original non-monthly term advance, the Funding 1 security trustee shall debit the non-monthly term advance principal ledger and the non-monthly term advance revenue ledger, in each case, for such non-monthly term advance in an aggregate amount equal to the lesser of (i) the amount which is due and payable on such Funding 1 payment date in respect of such original non monthly term advance and (ii) the aggregate amount credited to the non-monthly term advance principal ledger and the non-monthly term advance revenue ledger and apply such amounts to make such payment in whole or in part. Amounts credited to a ledger in respect of a particular original non-monthly term advance may not be applied towards payment in respect of any other amount payable by Funding 1.

Distribution of issuer principal receipts and issuer revenue receipts following note acceleration and intercompany loan acceleration

The issuer deed of charge sets out the priority of distribution by the issuer security trustee, following the service of a note acceleration notice on the issuer and the service of an intercompany loan acceleration notice on Funding 1 (known as the **issuer post-enforcement priority of payments**), of amounts received or recovered by the issuer security trustee (or a receiver appointed on its behalf).

On each issuer payment date, the issuer security trustee will apply amounts (other than amounts representing (i) any excess swap collateral which shall be returned directly to the relevant issuer swap

provider; and (ii) in respect of each issuer swap provider, prior to the designation of an early termination date under the relevant issuer swap agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral) provided by such issuer swap provider to the issuer pursuant to the relevant issuer swap agreement (and any interest or distributions in respect thereof)) in each case received or recovered following enforcement of the issuer security as follows:

(a) the issuer security trustee and any receiver appointed by the issuer security trustee, together with interest and any amount in respect of VAT on those amounts, and any amounts then due or to become due to the issuer security trustee and the receiver as provided under the provisions of the issuer deed of charge;

(b) the note trustee, together with interest and any amount in respect of VAT on those amounts, and any amounts then due or to become due and payable to the note trustee as provided under the provisions of the note trust deed; and

(c) without priority among them but in proportion to the respective amounts due, to pay amounts due to the agent bank, the paying agents, the registrar, the exchange rate agent, and the transfer agent, together with interest and any amount in respect of VAT on those amounts, and any costs, charges, liabilities and expenses then due or to become due and payable to them as provided under the provisions of the paying agent and agent bank agreement;

(d) without priority among them but in proportion to the respective amounts due, to pay amounts due to:

  (i) the issuer cash manager, together with any amount in respect of VAT on those amounts, and to provide for any amounts due, or to become due to, the issuer cash manager in the immediately succeeding issuer calculation period, as provided under the issuer cash management agreement;

  (ii) the issuer corporate services provider, together with any amount in respect of VAT on those amounts, and to provide for any amounts due, or to become due to the issuer corporate services provider in the immediately succeeding issuer calculation period, as provided under the issuer corporate services agreement;

  (iii) the post-enforcement call option holder corporate services provider, together with any amount in respect of VAT on those amounts, and to provide for any amounts due, or to become due to the post-enforcement call option holder corporate services provider in the immediately succeeding issuer calculation period, as provided under the post enforcement call option holder corporate services agreement; and

  (iv) the issuer account bank, together with any amount in respect of VAT on those amounts, and to provide for any amounts due, or to become due to the issuer account bank in the immediately succeeding issuer calculation period, as provided under the issuer bank account agreement;

(e) subject to item (f) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class A notes (excluding any termination payment);

(f) without priority among them but in proportion to the respective amounts due, to pay interest and any step-up coupon due or overdue on, and to repay principal of, the applicable series of class A notes and to pay any swap termination payment due to the issuer swap provider for each series of class A notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (f) (on the assumption

that no amounts are due and payable under item (e) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (f), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class A notes under item (e) above will be reduced by the amount of the shortfall applicable to that series of class A notes;

(g) subject to item (h) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class B notes (excluding any termination payment);

(h) without priority among them but in proportion to the respective amounts due, to pay interest and any step-up coupon due or overdue on, and to repay principal of, the applicable series of class B notes and to pay any swap termination payment due to the issuer swap provider for each series of class B notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (h) (on the assumption that no amounts are due and payable under item (g) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (h), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class B notes under item (g) above will be reduced by the amount of the shortfall applicable to that series of class B notes;

(i) subject to item (j) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class M notes (excluding any termination payment);

(j) without priority among them but in proportion to the respective amounts due, to pay interest (and any step-up coupon) due or overdue on, and to repay principal of, the applicable series of class M notes and to pay any swap termination payment due to the issuer swap provider for each series of class M notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (j) (on the assumption that no amounts are due and payable under item (i) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (j), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class M notes under item (i) above will be reduced by the amount of the shortfall applicable to that series of class M notes;

(k) subject to item (l) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class C notes (excluding any termination payment);

(l) without priority among them but in proportion to the respective amounts due, to pay interest (and any step-up coupon) due or overdue on, and to repay principal of, the applicable series of class C notes and to pay any swap termination payment due to the issuer swap provider for each series of class C notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (l) (on the assumption that no amounts are due and payable under item (k) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (l), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class C notes under item (k) above will be reduced by the amount of the shortfall applicable to that series of class C notes;

(m) subject to item (n) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class D notes (excluding any termination payment);

(n) without priority among them but in proportion to the respective amounts due, to pay interest (and any step-up coupon) due or overdue on, and to repay principal of, the applicable series of class D notes and to pay any swap termination payment due to the issuer swap provider for each series of class D notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (n) (on the assumption that no amounts are due and payable under item (m) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (n), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class D notes under item (m) above will be reduced by the amount of the shortfall applicable to that series of class D notes; and

(o) subject to item (p) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class Z notes (excluding any termination payment);

(p) without priority among them but in proportion to the respective amounts due, to pay interest (and any step-up coupon) due or overdue on, and to repay principal of, the applicable series of class Z notes and to pay any swap termination payment due to the issuer swap provider for each series of class Z notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (p) (on the assumption that no amounts are due and payable under item (o) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (p), the shortfall will be divided amongst all such amounts on a pro rata basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class Z notes under item (o) above will be reduced by the amount of the shortfall applicable to that series of class Z notes;

(q) without priority among them but in proportion to the respective amounts due, to pay any issuer swap excluded termination amount to each relevant issuer swap provider; and

(r) the balance to the issuer to be applied on the next interest payment date as issuer principal receipts.

Notwithstanding the above, amounts standing to the credit of any sub-ledger to the issuer revenue ledger and/or the issuer principal ledger (in respect of a series and class (or sub-class) of notes) may only be applied by the issuer security trustee to pay the interest, principal and other amounts due in respect of such series and class (or sub-class) of notes or any shortfall in the amounts available to pay items (a) to (d) (inclusive) under the issuer post-enforcement priority of payments and may not be applied in payment of interest, principal and other amounts due in respect of any other series and class (or sub-class) of notes.

In respect of the notes of each series or class (or sub-class) in respect of which interest (and any step-up coupon) due or overdue on, or principal is due and payable on, an interest payment date which falls on a date which is not an issuer payment date, the issuer security trustee shall, from amounts received by the issuer from to the relevant issuer swap provider(s) (if any) in respect of such series and class (or sub-class) of notes in accordance with the terms of the relevant issuer swap agreement, pay interest (and any step-up coupon) due or overdue on, or principal due and payable on, such series and class (or sub-class) of notes on such interest payment.

USE OF PROCEEDS

The proceeds of the issuance of notes will be advanced to Funding 1 by way of term advances pursuant to the intercompany loan agreement. The use of proceeds of each series of notes will be described in more detail in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

THE ISSUER

Silverstone Master Issuer PLC

Silverstone Master Issuer PLC, referred to in this base prospectus as the **issuer**, was incorporated in England and Wales on 5 June 2008 (registered number 6612744) and is a public limited company under the Companies Act 1985. The registered office of the issuer is c/o Wilmington Trust Sp Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF. The telephone number of the issuer's registered office is +44 (0) 20 7397 3600.

The authorised share capital of the issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the issuer comprises 50,000 ordinary shares of £1 each, 49,999 of which are partly paid to £0.25 each and held legally and beneficially by Holdings and one of which is fully paid up and held by Wilmington Trust SP Services (London) Limited as nominee on behalf of Holdings (see "**Silverstone Securitisation Holdings Limited**"). Under the issuer corporate services agreement, Holdings will agree to comply with all requests of the issuer security trustee in relation to the appointment and/or removal by Holdings of any of the directors of the issuer.

Nationwide has, pursuant to a loan agreement between itself and Holdings, advanced to Holdings the funds required by Holdings to subscribe for its shares in the issuer.

The issuer is organised as a special purpose company. The issuer has no subsidiaries. The seller does not own directly or indirectly any of the share capital of Holdings or the issuer.

The issuer was established as a special purpose vehicle for the purposes of issuing the notes and making the advances to Funding 1 under the intercompany loan agreement. The activities of the issuer are limited to passively owning or holding the term advances, issuing the notes supported by the intercompany loan agreement and other activities reasonably incidental thereto. The principal objects of the issuer are set out in its memorandum of association, which permit the issuer to:

- lend money and give credit, with or without security;
- borrow or raise money and obtain credit or finance;
- secure payment or repayment of money credit or finance by any security over the issuer's property; and
- acquire or enter into financial instruments including derivative instruments.

Under the Companies Act 2006, the issuer's governing documents, including the principal objects of the issuer, may be altered by a special resolution of the shareholders.

The activities of the issuer will be further restricted by the terms and conditions of the notes and will be limited to the issue of the notes, the making of the term advances under the intercompany loan agreement to Funding 1, the exercise of related rights and powers and other activities referred to in this base prospectus or incidental to those activities.

Since its incorporation, the issuer has not engaged in any material activities other than those incidental to its incorporation as a public company under the Companies Act 1985, the issue of notes, the authorisation of the other transaction documents referred to in this base prospectus to which it is or will be a party, filing a notification under the Data Protection Act 1998 and other matters which are incidental or ancillary to those activities.

There is no intention to accumulate surplus cash in the issuer except for the issuer profit amount (which will be available for distribution) and in the circumstances set out in "**Security for the issuer's obligations**".

The accounting reference date (i.e., the last day of the fiscal year) of the issuer is 4 April. As at the date of this base prospectus, statutory accounts for the years ended 4 April 2009, 4 April 2010, 4 April 2011, 4 April 2012, 4 April 2013 and 4 April 2014 have been prepared and delivered to the Registrar of Companies on behalf of the issuer.

Directors and secretary

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

Name	**Business address**	**Principal activities/ business occupation**
Mark Filer	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Director
Mignon Clarke	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Director
Philip Andrew Townsend	Nationwide House, Pipers Way, Swindon, SN38 1NW	Divisional Director, Treasury
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Corporate Services Provider

The following table sets out the directors of Wilmington Trust SP Services (London) Limited and their respective business addresses and occupations

Name	**Business address**	**Principal activities/ business occupation**
William James Farrell II	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Banker
Martin McDermott	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director
Nicolas Patch	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director
John Merrill Beeson	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Banker
Jean-Christophe Schroeder	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director

The company secretary of the issuer is Wilmington Trust SP Services (London) Limited.

None of the directors (other than Philip Andrew Townsend) nor any of the directors of the company secretary of the issuer have any potential conflicts of interest between any duties owed to the issuer and their private interests or other duties. Philip Andrew Townsend is an employee of Nationwide and therefore has a potential conflict of interest between the issuer's indirect interest in the mortgages trust and the direct interest of the seller therein.

In accordance with the issuer corporate services agreement, the issuer corporate services provider provides to the issuer directors, a registered and administrative office, the service of a company secretary and the arrangement of meetings of directors and shareholders and will procure book-keeping services and preparation of accounts by Nationwide. No other remuneration is paid by the issuer to or in respect of any director or officer of the issuer for acting as such.

Capitalisation statement

The following table shows the capitalisation of the issuer as at the date of this base prospectus:

	£
Authorised share capital	
Ordinary shares of £1 each	50,000.00
Issued share capital	
2 ordinary share of £1 fully paid.....	2.00
49,998 ordinary shares of £1 each one quarter paid	12,499.50
	12,501.50

NATIONWIDE BUILDING SOCIETY

Nationwide Building Society acts as seller, servicer, cash manager, issuer cash manager, start-up loan provider, account bank, Funding 1 swap provider, issuer swap provider and arranger on the programme.

Nationwide Building Society is a building society, incorporated in England and Wales under the Building Societies Act 1986, as amended, and authorised by the PRA and regulated by the FCA in relation to conduct of business matters and by the PRA in relation to prudential requirements. Nationwide's FCA Mutuals Public Register Number 355B. Nationwide's principal office is Nationwide House, Pipers Way, Swindon SN38 1NW (phone number +44 (0) 1793 513 513).

History

Building societies have existed in the United Kingdom for over 200 years. From the outset, they were community-based, cooperative organisations created to help people purchase homes. The main characteristic of building societies is their mutual status, meaning that they are owned by their members, who are primarily retail savings customers and residential mortgage customers. Nationwide's origins go back to the Northampton Freehold Land Society, which was founded in 1846. Over time, this entity merged with similar organisations to create Nationwide Building Society.

Nationwide has been involved in a number of mergers and acquisitions in recent years. Nationwide merged with Portman Building Society in August 2007 and the Derbyshire Building Society and Cheshire Building Society in December 2008 and acquired selected assets and liabilities of Dunfermline Building Society in March 2009. In addition, Nationwide opened its first branch in the Republic of Ireland in March 2009.

Business and activities of Nationwide

Nationwide's core business is providing retail personal financial services, including residential mortgage loans, retail savings, general retail banking services, personal investment products, insurance, personal secured and unsecured lending, secured commercial lending, and offshore deposit-taking. In addition, Nationwide maintains an investment portfolio of debt securities for its own account.

Nationwide's lending activities are primarily concentrated on residential mortgage lending in the United Kingdom. Nationwide also engages in a limited amount of commercial secured lending and secured and unsecured consumer lending.

Nationwide provides a wide range of retail savings products that may be repayable on demand or notice and which may pay a variable or fixed rate of interest. On most retail savings products, Nationwide determines variable interest rates at its discretion according to market conditions.

In conjunction with its core business of providing residential mortgage loans and retail savings, Nationwide develops and markets insurance products branded with its name that are underwritten by third-party insurers. Nationwide sold its subsidiary Nationwide Life Limited to Legal & General on 31 January 2008, and as a result Nationwide no longer underwrites its own life assurance products. As part of Nationwide's agreement, it distributes the insurance products of Legal & General. Nationwide also has a new strategic distribution agreement for the supply of motor and travel insurance with Liverpool Victoria to provide its customers with a broader range of competitively priced products from one of the UK's top financial services companies.

Nationwide is the seller, start-up loan provider, servicer, cash manager and issuer cash manager, mortgages trustee account bank, the Funding 1 account bank and the issuer account bank for the programme. Nationwide also currently acts as Funding 1 swap provider and may, if indicated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), act as issuer swap provider and/or maturity purchaser in relation to a particular class (or sub-class) of notes.

SILVERSTONE FUNDING (NO. 1) LIMITED

Funding 1 was incorporated in England and Wales on 5 June 2008 (registered number 6612702) as a private limited company under the Companies Act 1985. The authorised share capital of Funding 1 comprises 100 ordinary shares of £1 each. The issued share capital of Funding 1 comprises one ordinary share of £1, which is beneficially owned by Holdings (see "**Silverstone Securitisation Holdings Limited**"). The registered office of Funding 1 is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF. The telephone number of Funding 1's registered office is +44 (0) 20 7397 3600.

Funding 1 has no subsidiaries. The seller does not own directly or indirectly any of the share capital of Holdings or Funding 1.

The principal objects of Funding 1 are set out in its memorandum of association and permit Funding 1, among other things, to:

- carry on business as a general commercial company and an investment holding company;
- acquire trust property and enter into loan arrangements;
- invest, buy, sell and otherwise acquire and dispose of mortgage loans, advances and other investments and all forms of security;
- carry on business as a money lender, financier and investor;
- acquire and enter into financial instruments including derivative instruments; and
- undertake and carry on all kinds of loan, financial and other operations.

Since its incorporation, Funding 1 has not engaged in any material activities, other than those relating to the previous issues by the issuer and those incidental to the authorisation of the transaction documents referred to in this base prospectus to which it is or will be a party, filing a notification under the Data Protection Act 1998 and other matters which are incidental or ancillary to those activities. Funding 1 has no employees.

As at the date of this base prospectus, statutory accounts for the years ended 4 April 2009, 4 April 2010, 4 April 2011, 4 April 2012, 4 April 2013 and 4 April 2014 have been prepared and delivered to the Registrar of Companies on behalf of Funding 1.

Directors and secretary

The following table sets out the directors and secretary of Funding 1 and their respective business addresses and occupations:

Name	Business address	Principal activities/ business occupation
Mark Filer	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Director
Mignon Clarke	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Director

Name	Business address	Principal activities/ business occupation
Philip Andrew Townsend	Nationwide House, Pipers Way, Swindon SN38 1NW	Divisional Director, Treasury
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Corporate Services Provider

The following table sets out the directors of Wilmington Trust SP Services (London) Limited and their respective business addresses and occupations:

Name	Business address	Principal activities/ business occupation
William James Farrell II	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Banker
Martin McDermott	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director
Nicolas Patch	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director
John Merrill Beeson	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Banker
Jean-Christophe Schroeder	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Company Director

The company secretary of Funding 1 is Wilmington Trust SP Services (London) Limited.

None of the directors (other than Philip Andrew Townsend) nor any of the directors of the company secretary of Funding 1 have any potential conflicts of interest between any duties to Funding 1 and their private interests or other duties. Philip Andrew Townsend is an employee of Nationwide and therefore has a potential conflict of interest between Funding 1's interest in the mortgages trust and the seller's interest therein.

In accordance with the Funding 1 corporate services agreement, the Funding 1 corporate services provider provides to Funding 1 directors, a registered and administrative office, the service of a company secretary and the arrangement of meetings of directors and shareholders and will procure book-keeping services and preparation of accounts by Nationwide. No other remuneration is paid by Funding 1 to or in respect of any director or officer of Funding 1 for acting as such.

THE MORTGAGES TRUSTEE

SILVERSTONE FINANCE TRUSTEE LIMITED

The mortgages trustee was incorporated in Jersey, Channel Islands on 9 June 2008 (registered number 101049) as a private company with limited liability under the Companies (Jersey) Law 1991, for a period of unlimited duration. The authorised share capital of the mortgages trustee is £2 divided into 2 ordinary shares of £1 each. Two ordinary shares have been issued and fully paid and are held in trust for certain discretionary objects (which do not include the seller or any entity connected with the seller) by Pavilion Trustees Limited acting as share trustee pursuant to an instrument of trust dated 9 June 2008. Any profits received by the mortgages trustee, after payment of the costs and expenses of the mortgages trustee, may be declared by way of dividend and will then be paid for the benefit of such of these discretionary objects as are selected at the discretion of Pavilion Trustees Limited. The payments on the notes will not be affected by this arrangement. The registered office of the mortgages trustee is at 13 Castle Street, St. Helier, Jersey, JE4 5UT, Channel Islands. Its telephone number is +44 (0) 1534 609 000.

The mortgages trustee was organised as a special purpose company to act as trustee of the mortgages trust. The mortgages trustee has no subsidiaries. The seller does not own directly or indirectly any of the share capital of the mortgages trustee.

The principal activities of the mortgages trustee are, among other things, to:

- invest and deal in mortgage loans secured on residential or other properties within England, Wales, Northern Ireland and Scotland;
- invest in, buy, sell and otherwise acquire and dispose of mortgage loans, advances, other similar investments and all forms of security;
- carry on business as a money lender, financier and investor;
- undertake and carry on all kinds of loan, financial and other operations; and
- act as trustee in respect of carrying on any of these activities.

The mortgages trustee has not engaged, since its incorporation, in any material activities other than those incidental to its incorporation, the settlement of the trust property on the mortgages trust, acting as trustee of the mortgages trust and the authorisation of the transaction documents referred to in this base prospectus to which it is a party, applying for a standard licence under the CCA, filing a notification under the Data Protection Act 1998 and the Data Protection (Jersey) Law 2005 and other matters which are incidental or ancillary to the foregoing. The mortgages trustee has no employees.

The accounting reference date of the mortgages trustee is 4 April.

In accordance with the mortgages trustee corporate services agreement, the mortgages trustee corporate services provider will provide to the mortgages trustee directors, a registered and administrative office, the service of a company secretary and the arrangement of meetings of directors and shareholders and will procure book-keeping services and preparation of accounts by Nationwide. No other remuneration is paid by the mortgages trustee to or in respect of any director or officer of the mortgages trustee for acting as such.

SILVERSTONE SECURITISATION HOLDINGS LIMITED

Holdings was incorporated in England and Wales on 5 June 2008 (registered number 6612779) as a private limited company under the Companies Act 1985. The registered office of Holdings is Third Floor, 1 King's Arms Yard, London, EC2R 7AF. The telephone number of Holdings is +44 (0) 20 7397 3600.

Holdings has an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which one share has been issued, which is beneficially owned by Wilmington Trust SP Services (London) Limited and held on discretionary trust for the benefit of certain discretionary objects (which do not include the seller or any entity connected with the seller). Any profits received by Holdings from its shareholdings, after payment of the corporate administration costs and expenses of Holdings, will be distributed to the trustee of such discretionary trust by way of dividend and will be paid for the benefit of these discretionary objects at the discretion of the said trustee. The payments on the notes will not be affected by this arrangement.

Holdings is organised as a special purpose company. The seller does not own directly or indirectly any of the share capital of Holdings.

The principal objects of Holdings are set out in its memorandum of association and permit Holdings, among other things, to:

- acquire and hold, by way of investments or otherwise; and
- deal in or exploit in such manner as may from time to time be considered expedient,

all or any part of any securities or other interests of or in any company.

Holdings has acquired all of the issued share capital of Funding 1 and the post-enforcement call option holder. Holdings has not engaged in any other activities since its incorporation other than those incidental to the authorising of the transaction documents to which it is a party and other matters which are incidental to those activities. Holdings has no employees.

The accounting reference date of Holdings is 4 April.

SILVERSTONE PECOH LIMITED

The post-enforcement call option holder was incorporated in England and Wales on 5 June 2008 (registered number 6612728) as a private limited company under the Companies Act 1985. The registered office of the post-enforcement call option holder is Third Floor, 1 King's Arms Yard, London, EC2R 7AF. The telephone number of the post-enforcement call option holder is +44 (0) 20 7397 3600.

The authorised share capital of the post-enforcement call option holder comprises 100 ordinary shares of £1 each. The issued share capital of the post-enforcement call option holder comprises one ordinary share of £1, which is beneficially owned by Holdings (see "**Silverstone Securitisation Holdings Limited**").

The post-enforcement call option holder is organised as a special purpose company. The post-enforcement call option holder has no subsidiaries. The seller does not own directly or indirectly any of the share capital of Holdings or the post-enforcement call option holder.

The principal objects of the post-enforcement call option holder are as set out in its memorandum of association and permit the post-enforcement call option holder, among other things, to hold bonds, notes, obligations and securities issued or guaranteed by any company and any options or rights in respect of them. The post-enforcement call option holder has not engaged since its incorporation in any material activities other than those activities relating to the issue of notes by the issuer and those incidental to the authorising of the transaction documents referred to in this base prospectus to which it is a party and other matters which are incidental to those activities. The post-enforcement call option holder has no employees.

The accounting reference date of the post-enforcement call option holder is 4 April.

Pursuant to the terms of an option granted to Silverstone PECOH Limited under the post-enforcement call option agreement, following the enforcement of the security granted by the issuer pursuant to the issuer deed of charge and the application of the proceeds thereof, Silverstone PECOH Limited can require the transfer to it of all notes that are outstanding for a nominal amount (see also "**Other Agreements—The post-enforcement call option agreement**" in relation to the application of the post-enforcement call option agreement to notes issued on or after 22 October 2010).

As the post-enforcement call option granted pursuant to the post-enforcement call option agreement can be exercised only after the issuer security trustee has enforced the security granted by the issuer under the issuer deed of charge and has determined that there are no further assets available to pay amounts due and owing to the noteholders, the exercise of the post-enforcement call option and delivery by the noteholders of the notes to the post-enforcement call option holder will not extinguish any rights or claims that such noteholders may have against the issuer, but their right to payment of interest and repayment of principal under such notes will be transferred to the post-enforcement call option holder.

Holders of notes issued on or after 22 October 2010 will not be bound by the terms of such notes to transfer such notes to the post-enforcement call option holder in such circumstances. In relation to notes issued after 22 October 2010, such notes will be subject to the limited recourse provisions of condition 10.2 whereby all obligations of the issuer to the holders of such notes are limited in recourse to the property, assets and undertakings of the issuer which are the subject of any security created by the issuer deed of charge. As a result, if there are no such assets remaining which are capable of being realised or otherwise converted into cash and following application of such amounts in accordance with the issuer deed of charge there are insufficient amounts available to pay in full amounts outstanding under such notes, then noteholders in respect of such notes shall have no further claim against the issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

THE NOTE TRUSTEE, ISSUER SECURITY TRUSTEE AND FUNDING 1 SECURITY TRUSTEE

The note trustee, the issuer security trustee and the Funding 1 security trustee is Citicorp Trustee Company Limited.

Citicorp Trustee Company Limited (for purposes of this section, the **company**) incorporated on 24 December 1928 under the laws of England and Wales having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company registration number of 235914. The company is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

The company is authorised under the FSMA and regulated by the FCA to act as depositary or trustee for authorised collective investment schemes (investment funds) in the United Kingdom. In addition, the company undertakes the trusteeship of selected corporate debt and project finance (corporate trust) issues made by corporations in the United Kingdom or overseas.

Pursuant to the note trust deed, the note trustee is required to take certain actions as described in "**Terms and conditions of the notes**". Pursuant to the issuer deed of charge, the issuer security trustee is required to take certain actions as described in "**Security for the issuer's obligations**" and "**Terms and conditions of the notes**". Pursuant to the Funding 1 deed of charge, the Funding 1 security trustee is required to take certain actions as described in "**Security for Funding 1's obligations**".

The limitations on liability of the note trustee are described in "**Terms and conditions of the notes**". The limitations on the liability of the issuer security trustee are described in "**Security for the issuer's obligations—Appointment, powers, responsibilities and liabilities of the issuer security trustee**" and "**Security for the issuer's obligations—Additional provisions of the issuer deed of charge**". The limitations on liability of the Funding 1 security trustee are described in "**Security for Funding 1's obligations—Appointment, powers, responsibilities and liabilities of the Funding 1 security trustee**" and "**Security for Funding 1's obligations—Additional provisions of the Funding 1 deed of charge**".

The indemnifications available to the note trustee and the issuer security trustee are described in Condition 12 under "**Terms and conditions of the notes**". The indemnifications available to the Funding 1 security trustee are described in "**Security for Funding 1's obligations—Funding 1 security trustee's fees and expenses**".

Provisions for the removal of the Funding 1 security trustee are described in "**Security for Funding 1's obligations**". Provisions for the removal of the issuer security trustee are described in "**Security for the issuer's obligations**".

MATURITY AND PREPAYMENT CONSIDERATIONS

As at the time of issue of a series and class (or sub-class) of notes, it will not be possible to state the average lives of such notes, as the actual rate of repayment of the loans and redemption of the mortgages and a number of other relevant factors will be unknown. However, calculations of the possible average lives of each series and class (or sub-class) of notes can be made based on certain assumptions which are set out in the "**Form of Final Terms**".

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 these assumptions and estimates will prove in any way to be realistic and they must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of these estimated average lives, see "**Risk Factors—The yield to maturity of the notes may be adversely affected by prepayments or redemptions on the loans**" in this base prospectus.

THE LOANS

The portfolio

Each final terms (or, in the case of exempt notes, each pricing supplement) issued in connection with the issuance of a series and class (or sub-class) of notes will contain tables summarising information in relation to the relevant expected portfolio. The tables will contain information in relation to various criteria as at the applicable reference date. Tables will indicate, amongst other things, composition by seasoning, period to maturity, geographical distribution, LTV ratios, outstanding principal balance and repayment terms, as well as other information that may be described from time to time. The expected portfolio as at the reference date, for which statistics are presented in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), and the expected portfolio as at the relevant closing date may differ due to, among other things, amortisation of loans in the expected portfolio.

Each final terms (or, in the case of exempt notes, each pricing supplement) relating to the issuance of a series and class (or sub-class) of notes also will contain tables summarising certain characteristics of the United Kingdom mortgage market. Tables will provide historical information on, amongst other things, repossession rates, arrears, house price to earnings ratios, as well as other information that may be described from time to time. These tables should be read in conjunction with the additional historical information on certain aspects of the United Kingdom residential mortgage market appearing in "**Characteristics of the United Kingdom residential mortgage market**".

Introduction

The following is a description of some of the characteristics of the loans currently or previously originated or acquired by the seller including details of loan types, the underwriting process, lending criteria and selected statistical information. This includes loans originated by other members of the Nationwide group, including Portman Building Society, which merged with Nationwide Building Society in August 2007.

The seller selects the loans for transfer into the portfolio, and any loans to be substituted into the portfolio, using a system containing defined data on each of the qualifying loans in the seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria among others corresponding to relevant representations and warranties that the seller makes in the mortgage sale agreement in relation to the loans (see "**The mortgage sale agreement—Representations and warranties**"). 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 relevant criteria on the date of transfer.

Unless otherwise indicated, the description that follows relates to types of loans that have been or could be sold to the mortgages trustee, either as part of the portfolio as at a closing date or as a new loan sold to the mortgages trustee at a later date.

The seller may sell loans and their related security to the mortgages trustee from time to time. The seller reserves the right to amend its lending criteria and to sell to the mortgages trustee loans which are based upon mortgage terms (as defined in the Glossary) different from those upon which loans forming the portfolio as at any date are based. Those loans may include loans which are currently being offered to borrowers which may or may not have some of the characteristics described here, but may also include loans with other characteristics that are not currently being offered to borrowers or that have not yet been developed. All loans will be required to comply with the representations and warranties set out in the mortgage sale agreement from time to time and all the material representations and warranties in the mortgage sale agreement as at the date of this base prospectus are described in this base prospectus. See "**Mortgage Sale Agreement**".

The representations and warranties may be amended if new loan types are to be sold to the mortgages trustee. The consent of noteholders will not be obtained in relation thereto if (among other things) S&P has confirmed to the Funding 1 security trustee that the ratings of the rated notes then outstanding will not be downgraded, withdrawn or qualified if those new loan types are sold to the mortgages trustee (and advance notice in writing of such new loan types sold to the mortgages trustee 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).

Each of the English loans is governed by the laws of England and Wales, each of the Scottish loans is governed by the laws of Scotland and each of the Northern Irish loans is governed by the laws of Northern Ireland.

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. Additional features such as the ability to make overpayments or underpayments and, prior to 4 March 2010, payment holidays (temporary suspension of monthly payments) were also available to most borrowers and under certain circumstances. See "**—Overpayments and underpayments**" and "**—Payment holidays**" below.

Loans are typically repayable on one or a combination of both of the following bases:

- "**repayment**": the borrower makes monthly payments of both interest and principal so that, when the loan matures, the full amount of the principal of the loan will have been repaid;

- "**interest-only**": 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 typically but not necessarily in one lump sum; and

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, 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,

- standing order from a bank or building society account,

- payments made at seller's branches; and

- an internal transfer if the borrower has a current account with the seller.

Interest payments and interest rate setting

The seller has responded to the competitive mortgage market by developing a range of products with special features that are used to attract new borrowers and retain existing customers. Interest on the loans is charged on one of the following bases:

- "**Standard variable mortgage rate loans**" are loans subject to the seller's standard variable mortgage rate (the **SVMR**). The seller has two SVMR: (i) the Base Mortgage Rate (the **BMR**) which is capped at 2% above Bank of England base rate; and (ii) the Standard Mortgage Rate (the **SMR**) which was introduced for loans offered with effect from April 2009 and does not have an interest rate cap.

- "**Fixed rate loans**" means those loans to the extent that and for such time that the interest rate payable by the borrower on all or part of the outstanding principal balance does not vary and is fixed for a certain period of time by the seller.

- "**Tracker rate loans**" means those loans to the extent that and for such time that the interest rate payable by the borrower is linked to a variable rate other than the SMR or the BMR (and shall, for the avoidance of doubt, exclude loans during the period that they are fixed rate loans or standard variable mortgage rate loans). The interest rate on tracker rate loans is currently set at a margin by reference to rates set by the Bank of England.

The SVMR and the interest rate on some tracker rate loans may apply for the life of the loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 10 years, at the commencement of the loan (the **product period**). At the end of the product period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to, or remain at, the BMR or the SMR. All loans the offers for which were made since April 2009 and loans the offers for which were made before that date which have since switched product will revert to the SMR. Loans the offers for which were made before April 2009 and have not switched product will revert to the BMR. In certain instances, early repayment charges are payable by the borrower if the loan is redeemed within a specified period. See " **The Loans—Early repayment charges**" below.

Since 1 May 2001 all loans originated by the seller have had their interest calculated on a daily basis rather than on an annual basis. Any payment of principal by the borrower will immediately reduce the principal balance on which interest will be calculated the following day. Prior to this date, all loans had carried interest calculated on an annual basis.

Except in limited circumstances as set out in "**The servicing agreement—Undertakings by the servicer**", the servicer is responsible for setting the SVMR on the loans in the portfolio as well as on any loans that are sold to the mortgages trustee. The following is a summary of the provisions relating to interest rate variations contained in the various mortgage conditions:

- **Nationwide** – under the Nationwide mortgage conditions prior to 1999 the seller may change the interest rate at any time and for any reason. Under the 1999, 2001 and 2008 Nationwide mortgage conditions (the latter of which have superseded all other mortgage conditions in relation to the seller's mortgage origination business), the seller can only change the interest rate for a number of specified reasons. These reasons include, by way of example, to reflect (a) a change in the cost of funds used in the seller's mortgage lending business, (b) a change in the law or regulatory requirements or a decision by a court, (c) a change in the way the property is used or occupied, or (d) a change in the credit risk relating to the loan. The 2008 Nationwide mortgage conditions incorporate additional reasons including to reflect changes in general interest rates, to respond to changes in the rates applying to the seller's savings business and to maintain the seller's financial strength for the benefit of its members.

If the seller wishes to increase the interest rate it must first give notice to the borrower of the increase, either by advertisement or personal notice. Under all of the Nationwide mortgage conditions (but not the 1986 Anglia mortgage conditions) the borrower may then repay the loan without paying interest at the increased rate if the borrower gives notice of its intention to repay within one month of the notice of increase and repays the loan (or the part of it which is affected by the increase) together with any early repayment charge and any unpaid interest and expenses within three months of the notice of increase. It should be noted that the mortgage conditions referred to in this section do not apply in Scotland but that similar conditions apply separately in Scotland.

- **Portman** – under the 1994 Portman mortgage conditions the seller may vary the interest rate at any time and for any reason. Any increase in the interest rate is required to be publicised in accordance with the requirements of the Portman Building Society Rules. However, following a transfer of the mortgage, the Rules cease to apply and an increase in the interest rate will not come into effect until notice of the increase is served on the borrower in writing or given to the borrower by such alternative method as may have been notified to the borrower prior to the transfer.

  Under the post-1995 Portman mortgage conditions the seller can vary the interest rate for a number of specified reasons. These reasons include, for example, to reflect changes in law or in regulatory requirements or where there has been or it is reasonably expected that there will be a change in the cost of the funds the seller uses in its secured lending business (or alternatively in the case of the 1995 to 1997 Portman mortgage conditions if there has been or it is reasonably expected that there will be a general change in the rates of interest applicable to secured loans or if the seller intends at the same time or shortly afterwards to increase the rate of interest paid to its investors or depositors to attract or retain funds). The post-1995 Portman mortgage conditions also contain a separate right for the seller to vary the interest rate for any other valid reason if (a) under the terms and conditions then applicable to the mortgage the borrower can repay the mortgage debt without paying a repayment fee, or (b) the seller allows the borrower to repay the debt within two months of the variation without charging the borrower any repayment fee or other costs of repayment which would ordinarily be payable. Under the post-1997 Portman mortgage conditions the borrower is required to be given notice of any change in the interest rate.

The current policy of the seller is to rely upon the reasons specified in the 2008 Nationwide mortgage conditions in order to change the interest rate applicable to all mortgage loans of the seller, regardless of the date of origination.

If applicable, the servicer will also be responsible for setting any variable margins in respect of new tracker rate loans that are sold to the mortgages trustee in the future. However, in maintaining, determining or setting these variable margins, except in the limited circumstances as set out in "**The servicing agreement—Undertakings by the servicer**", the servicer has undertaken to maintain, determine or set the variable margins at a level which is not higher than the variable margins set in accordance with the seller's policy from time to time. The seller has a variable base rate cap whereby it has limited its BMR to no more than 2% above the Bank of England base rate at any time. The seller currently cannot increase the cap.

Early repayment charges

The borrower may be required to pay 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 a percentage of 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.

The borrower is currently permitted to make an overpayment of up to £500 each month (or in some cases, up to 10% of the loan within a 12 month period) without being required to pay any early repayment charge. This figure may be reviewed from time to time to reflect market conditions. In certain circumstances such as the death of a borrower where a life policy is used to redeem the mortgage and where a critical illness claim redeems or reduces the balance on the mortgage, early repayment charges are usually waived.

If the borrower repays its mortgage during an early redemption charge period to move house, the borrower may not have to pay the charge if the borrower takes out a new loan for the new home and transfers both the balance and the terms of the existing loan to the new home.

Some mortgage products do not include any provisions for the payment of an early repayment charge by the borrower. Early repayment charges will not be included in revenue receipts.

Overpayments and underpayments (or Flexible Payments or Payment Holidays)

Most loans (including flexible advances but excluding CCA regulated loans) are subject to a range of options, selected by the borrower, that give the borrower greater flexibility in the timing and amount of payments under each loan. Most loans (including flexible advances but excluding CCA regulated loans) offer one or more of the features described below, subject to certain conditions and financial limits:

Overpayments – borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time subject to payment of early repayment charges where appropriate.

Underpayments – where borrowers have previously overpaid, they may reduce their monthly payments below the amount of the applicable monthly payment or make an irregular underpayment. Borrowers are not permitted to make underpayments that exceed the total of previous overpayments less the total of previous underpayments.

Payment holidays – borrowers whose loans were reserved prior to 4 March 2010 may apply for a break from making monthly payments, normally up to 12 months subject to, amongst other things, maximum LTV criteria taking into account the revised outstanding principal balance of the loan after such break in instalments, payments under the mortgage being fully up-to-date and the borrower having made at least the last 12 monthly payments prior to the date of application for the payment holiday. An approval of such application and the determination of such period are at the discretion of the seller. Payment holidays are not permitted in respect of flexible advances.

Cash re-draws or borrow backs – where borrowers have previously overpaid on loans reserved prior to 4 March 2010, they may re-draw or borrow back an amount up to the value of those overpayments.

Flexible Loans and Flexible Advances

Flexible loans are a type of loan product that typically incorporates features that give the borrower options (which may be subject to certain conditions) to, among other things, make further drawings on the loan account and/or to overpay or underpay interest and principal in a given month and/or take a payment holiday.

Flexible advances are loans for unrestricted purposes (which may be CCA regulated) offered to borrowers with existing loans (other than a flexible advance) from the seller which is secured on the same property that secures the borrower's existing loan. Some flexible advances permit the borrower to make further draws up to the fixed credit limit extended under the mortgage conditions at the inception of the flexible advance. Flexible advances ceased to be made available after 1 December 2008.

Further advances

If a borrower wishes to take out a further loan secured by the same mortgage, and provided not less than 6 months has passed since the date of completion of the initial loan, 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 which include, amongst other things, payments under the mortgage being fully up-to-date and the borrower not having missed any of the last 6 monthly payments prior to the date of application for the further advance. Approval of such application is at the discretion of the seller. All further advances require the postponement of any second charge or standard security.

Some loans in the portfolio may have further advances made on them prior to their being sold to the mortgages trustee and loans added to the portfolio in the future may have had further advances made on them prior to that time.

If a loan is subject to a further advance after being sold to the mortgages trustee, the seller will be entitled or, in some cases, required to repurchase the loan and its related security from the mortgages trustee or, subject to the satisfaction of certain conditions, may add the further advance to the seller share. See further "**The mortgage sale agreement—Product switches and further advances**".

Product switches

From time to time, borrowers may request or the servicer may send an offer of a variation in the financial terms and conditions applicable to the borrower's loan. In limited circumstances, if a loan is subject to a product switch as a result of a variation, then the seller will be required to repurchase the loan or loans and their related security from the mortgages trustee. Those limited circumstances, are that as at the relevant date, any of the conditions precedent as described in "**The mortgage sale agreement—Conditions for product switches and further advances**" has not been satisfied. From the date when those conditions precedent have been satisfied, then a loan that has been subject to a product switch will not be so repurchased by the seller. See further "**Risk Factors—In limited circumstances loans subject to product switches will be repurchased by the seller from the mortgages trustee, which will affect the prepayment rate of the loans, and this may affect the yield to maturity of the notes**" and "**Sale of the loans and their related security**" and "**The mortgage sale agreement—Product switches and further advances**".

Origination channels

The seller currently derives its mortgage-lending business from its branch network throughout the United Kingdom, through intermediaries and from internet and telephone sales.

The policies and procedures relevant to the origination of the mortgage loan advances are substantially similar to those set out below. It should, however, be noted that the policies and procedures have changed over time and not all of the included mortgage loan advances will have been originated under these policies and procedures.

All loans are prime mortgage loans secured over owner occupied residential property which were originated by Nationwide or another member of the Nationwide group. A small proportion of historic prime lending (which may be for the purchase of part-residential/part commercial property to be occupied by the borrower) is ineligible for sale to the mortgages trustee. Specialist mortgages

including buy-to-let and self-certification mortgage loans secured against residential properties were originated by two wholly owned subsidiaries of the seller, UCB Home Loans Corporation Limited (**UCBHL**) and the Mortgage Works (UK) plc (**TMW**) but are now only originated by TMW. The mortgages originated by UCBHL and TMW are ineligible for sale to the mortgages trustee.

The seller is subject to the FSMA, MCOB (and other relevant regulatory rules) and the Financial Ombudsman Service, (which is a statutory scheme under the FSMA) and certain other regulatory regimes as described "**Certain Regulatory Considerations**" above.

Right-to-buy loans

The portfolio may include right to buy loans (**right to buy loans**), each being a loan entered into by the relevant borrower as a means to purchase, refinance or improve a residential property from a local authority or other social landlord (each a **landlord**) under the "right to buy schemes" governed by the **right to buy legislation** (being the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time) (in the case of English Mortgages) and the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001 (in the case of Scottish mortgages) or governed by the Housing (Northern Ireland) Order 1983 (as amended) (in the case of Northern Irish mortgages).

Properties sold under the right to buy legislation are sold by the relevant landlord at a discount to market value calculated in accordance with the right to buy legislation. A purchaser must repay a proportion of the discount received or the resale price (the **resale share**) if he or she sells the property within three years (or in the cases where the right to buy was exercised in relation to properties in England and Wales after 18 January 2005, 5 years) (the **RTB disposal period**). Under the right to buy legislation the landlord as seller obtains a statutory charge (or, in the case of a property in Scotland, a standard security) over the property in respect of the contingent liability of the purchaser under the scheme to repay the resale share.

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

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

The seller is an approved lending institution under the Housing Act 1985 and the Housing Act 1996. The seller as a matter of policy does not lend during the RTB disposal period above the amount required to purchase such properties (plus legal costs up to £500) unless wholly for an approved purpose under the applicable right to buy legislation. The seller insists that the relevant landlord's approval for loans for "approved purposes" is in place before making the loan since, until that approval is given, the relevant advance ranks behind the statutory charge. In the case of remortgages, borrowers may in the future be offered the option of paying for insurance cover to benefit the seller in relation to the risk that a remortgage loan does not have full priority to the statutory charge rather than paying the administrative costs of obtaining the relevant landlord's approval for the postponement of the statutory charge to the remortgage.

Amendments to the Housing Act 1985 introduced by the Housing Act 2004 give the relevant landlord a right of first refusal should the relevant property be disposed of within the first ten years following the exercise of the right to buy (when the right to buy is exercised after 18 January 2005). The consideration payable by the relevant landlord is the value of the property determined, in the absence of agreement between the landlord and the owner, by the district valuer. This right of first refusal may add to the time it takes to dispose of a property where the seller enforces its security, and the district valuer may determine that the value of the property is lower than that the seller believes is available in the market.

In Northern Ireland, a similar scheme operates through the Northern Ireland Housing Executive (the **NIHE**), although certain differences apply regarding repayment of discount. The discount covenant charge which is created under the standard terms of the NIHE scheme takes priority immediately after any mortgage securing any amount left outstanding by the purchaser and advanced to him by a lending institution for the purpose of buying his house (and for some other purposes).

In relation to any subsequent charge granted to any lending institution other than the institution which provided the initial loan to buy a house, the NIHE has discretion to postpone its charge to this subsequent charge. Such a subsequent charge would include a charge in favour of a new or subsequent lender if the purchaser were to transfer his initial mortgage to a new or subsequent lender within a period of three years after the purchase of the house or in those cases where the right to buy was exercised after 18 May 2004, 5 years (being the period during which the NIHE may recoup discount pursuant to the discount covenant charge). The discretion is rarely exercised by the NIHE. Considerations in respect of application of the money for approved purposes do not apply in Northern Ireland.

Underwriting

The seller's underwriting approach is continually developed and enhanced. What follows is a general description of the seller's approach to underwriting to date regarding the loans in the portfolio. You should be aware that the policies referred to below will not apply to all loans in the portfolio at all times and may be changed by the seller (or other member of the Nationwide group) acting as a reasonable prudent mortgage lender.

The seller currently adopts a system based approach to lending assessment. This assessment is made with reference to three independent components:

(a) Credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data;

(b) Affordability: calculation of an individualised lending amount that reflects the applicant's income net of tax, credit commitments and assumed living expenses, which vary according to income, number of applicants and dependants; and

(c) Policy rules: a range of automated and manually applied rules to decline applications outside lending criteria or to set limits on loans which fall within lending criteria.

The underwriting approach returns a decision categorised into "accept", "refer" and "decline". For each decision type, the system also specifies the level of status required.

Mortgage applications are either approved by an approvals officer, or under a task-based approval process. Mandates for approval officers are split between those that operate from regional service centres where the approver can mandate all loans that meet "accept" credit score criteria and certain "refer" credit score criteria, and the central risk management underwriting unit. For these applications, the approvals officer satisfies themselves as to the plausibility for any material information for which no independent proof was required under policy rules. The task-based approval process combines comprehensive case level management information and exception reporting to enable optional tracking and control and can generate an automated mortgage offer for certain low-risk applications. However, under the task-based approvals process, where a mortgage application does not qualify for an automated mortgage offer, some aspects will require independent proof of certain information to be provided. Approved employees are allocated roles appropriate to their competence to complete the relevant tasks. Once all tasks have been satisfactorily completed a mortgage offer may be generated by the task-based system. In all cases, the central risk management underwriting unit reviews and where appropriate approves credit score overrides classified as a Head Office "refer" and can also override declines if they are appealed. A senior risk management committee assesses the credit score levels for "accept", "refer" and "decline" and may adjust the "accept" and "refer" decisions to a "decline" to reflect changing market conditions.

Mortgage underwriting decisions and lending mandates are subject to internal monitoring by the seller to ensure the seller's procedures and policies regarding underwriting are being followed by staff.

Lending criteria

Each loan was originated in accordance with the seller's (or other member of the Nationwide group's, as applicable) lending criteria which were applicable at the time the loan was offered. The lending criteria in the case of each loan originated by the seller (or other member of the Nationwide group) and included in the portfolio as at the date of this base prospectus (or, in the case of loans originated by a member of the Nationwide group other than Nationwide itself, anticipated to be included in the portfolio in the future) are the same as, or substantially similar to the criteria described in this section. New loans may only be included in the portfolio if they are originated in accordance with the lending criteria and are compliant with the other conditions for sale as outlined in the mortgage sale agreement and summarised above under "**The mortgage sale agreement**". However, the seller retains the right to revise its lending criteria from time to time, therefore, the criteria applicable to new loans may not be exactly the same as those currently included.

To obtain a loan, each prospective borrower completes an application form (or submits an application on-line) which includes information about the applicant's income, current employment details, current mortgage information, if any, and certain other personal information. The seller completes a credit reference agency search in all cases against each applicant at their current address and, if necessary, former addresses, which gives details of public information including any county court judgements (or the Scottish or Northern Irish equivalent) and bankruptcy details. Some of the factors currently used in making a lending decision are as follows:

(1) Employment Details

The seller generally operates the following policy in respect of the verification of a prospective borrower's income details. Under this policy, the seller categorises prospective borrowers as either "employed" or "self-employed". Proof of income for employed prospective borrowers applying for loans who rely on their standard income may typically be established by the borrower's most recent monthly payslip and for employed prospective borrowers applying for loans who rely on a form of variable pay (e.g. a bonus, overtime pay or commission) a longer series of payslips may be required to establish such variable pay over a period of time.

Proof of income for self-employed prospective borrowers may typically be established by:

- A signed accountant's certificate where the applicant has at least 2 full years' accounts. For loans over £500,000, final accounts are required in addition to the accountant's certificate. The latest financial period must not be more than 18 months ago, at the time the case is approved.

- Two years final accounts are acceptable in the case of sole traders instead of an accountant's certificate.

- HMRC tax calculations for the last two years, the most recent of which must cover a tax year ended no more than 18 months ago, at the time the case is approved.

The seller operates a process for certain high quality applicants identified by the lending assessment described under "**Underwriting**" above once positive identification of the borrower is provided and the borrower has passed the seller's credit scoring and other eligibility criteria.

(2) Valuation

The seller requires that a valuation of the property be obtained either from a valuer employed by the seller, an independent firm of professional valuers or an automatic valuation model ("**AVM**"**)** supplied by an approved AVM provider. The valuer will provide a mortgage valuation report based on a full inspection or an external inspection report which does not involve entering the property. Any valuation of the property is checked against a series of policy rules which will indicate whether the valuation is acceptable, or whether a referral is required. If a referral is required, the valuation report is checked by a dedicated operational team to determine what action is necessary to resolve the issue identified by the valuer, which may include reducing the value of the property, or holding a retention against the mortgage.

An AVM is used subject to business rules related to the property type, the LTV ratio, maximum and minimum property values and the AVM achieving an acceptable confidence level. Where a prospective borrower's loan application fails to meet the business rules for AVMs, the property will be valued by either an internal staff value or an external panel valuer, as the case may be.

In addition to the valuation of new house purchase and properties for re-mortgage loan applications by a valuer employed by the seller, independent valuer or AVMs, further advances are valued using an indexed valuation of the original valuation based upon the Nationwide House Price Index, or in some cases, the Halifax House Price Index (each, an **HPI**), subject to maximum advance and property type business rules and a maximum LTV limit.

Loans valued using borrowers' estimate of value (which were only available prior to June 2008) and HPI are referred to as "**loans without independent valuation**".

All aspects of valuation policy and the business rules applied are reviewed periodically.

(3) Property types

The seller applies business rules related to property type, location, purpose/use of property and tenure to determine the eligibility of properties to serve as security for loans. The eligibility criteria for loans to be included in the portfolio is restricted to properties used as residential property for owner occupiers located throughout the United Kingdom, except the Isle of Man, the Isles of Scilly and more remote Scottish Islands.

The following tenures are eligible: freehold (in Scotland, heritable) and leasehold houses, leasehold flats, commonhold and Scottish ownership. In the case of a loan secured by a leasehold property, the seller requires that the unexpired term of the lease be at least 30 years (in England) or 50 years (in Scotland and Northern Ireland) from the end of the agreed loan term. Since December 2007 these requirements have included an absolute minimum unexpired lease term of 55 years at the inception of the loan.

(4) Loan amount

The seller's product maximum loan amount is £2,000,000 and a scale of mortgage mandate approval levels is applied. However loans exceeding £1,000,000 are subject to the approval of the risk manager of the central underwriting unit. The seller has represented and warranted in the mortgage sale agreement that all eligible loans have a true balance of less than £1,000,000. Where the total indebtedness of a loan in the portfolio exceeds £1,000,000 the loan will be repurchased by the seller.

(5) Term

The maximum initial mortgage term is 40 years.

(6) Age of applicant

All borrowers in respect of all loans must be aged 18 or over. Since July 2008, all new loans have been restricted to terms that do not extend beyond the eldest applicant's 75th birthday, with some exceptions for existing borrowers already outside this limit.

(7) Status of applicant(s)

The maximum loan amount of the loan(s) under the mortgage account is determined by a number of factors, including the applicant's income. In determining income, the seller includes basic salary along with performance or profit-related pay allowances, mortgage subsidies, pensions, annuities, overtime, bonus, commission, rental income and selected investment income.

The criterion for limited income verification is weighted towards lower loan-to-value loans and loan to income multiples. A senior risk management committee reviews performance of such loans and determines adjustments to the criterion from time to time to reflect market conditions. The performance of full and limited income verification is monitored by category of origination with limited income verification loans to date performing better than full income verification.

The affordability calculation, used in all cases, takes the applicants' gross incomes, including prescribed elements of additional and secondary incomes, credit commitments with more than six months remaining, other non-standard outgoings and an allowance for household costs to derive an affordable loan amount. Where there are two applicants, the seller adds joint incomes together for the purpose of calculating the applicants' total income.

The seller, through its central risk management underwriting unit, may exercise discretion within its lending criteria in applying those factors that are used to determine the maximum amount an applicant can borrow. Accordingly, these parameters may vary for some mortgage loans. The seller may take the following into account when applying discretion: credit score result, existing customer relationship, LTV, known changes in circumstances and total income needed to support the loan.

(8) Credit history

(a) Credit Search

A credit search is carried out on the first two applicants. Applications may be declined where an adverse credit history (for example, county court judgment (or the Scottish or Northern Irish equivalent), default or bankruptcy notice) is revealed.

(b) Payment History

Subject to the credit score result in some cases the seller may seek to see the borrowers bank statements and a reference from any existing and/or previous lender. Any reference must satisfy the seller that the account has been properly conducted and that no history of material arrears exists. The seller may substitute the reference with the bureau record obtained as a result of the credit search.

(9) Scorecard

The seller uses some of the criteria described here and various other criteria to produce an overall score for the application that reflects a quantitative measure of the risk of advancing the loan. The scorecard has been developed using the seller's own data and experience of its own mortgage accounts. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Credit scoring applies statistical analysis to publicly available data, closed user group data obtained from credit reference agencies, seller's own cross holding data and customer-provided data to assess the likelihood of a mortgage account going into arrears.

The seller reserves the right to decline an application that has achieved a passing score. It is the seller's policy to allow only authorised individuals to exercise discretion in granting variances from the scorecard. The seller does have an appeals process if an applicant believes that his/her application has been unfairly declined.

On a case-by-case basis, and within approved limits as detailed in the seller's lending criteria, the seller acting as a prudent mortgage lender may have determined that, based upon compensating factors, a prospective borrower that did not strictly qualify under its lending criteria at that time warranted an underwriting exception. The seller may take into account compensating factors including, but not limited to, a low LTV ratio, stable employment and time in residence at the applicant's current residence. New loans and further advances (made prior to their assignment to the mortgages trustee or if the seller decides at a later date to retain such loans subject to further advances within the mortgages trust, after their assignment to the mortgages trustee) that the seller has originated under lending criteria that are different from the lending criteria set out here may be assigned to the mortgages trustee.

Changes to the underwriting policies and the lending criteria

The seller's underwriting policies and lending criteria are subject to change within the seller's sole discretion. Loans and further advances that are originated under lending criteria that are different from the criteria set out here may be sold to the mortgages trustee.

Insurance policies

Insurance of the property

Each mortgaged property is required to be insured with buildings insurance. The insurance may be purchased through the borrower or landlord (in the case of a leasehold property). If the seller becomes

aware that no adequate insurance is in place, it has the power to arrange insurance of the property and charge the premiums for this to the borrower's mortgage account.

Subject as set out above, the seller only insures a property once it has repossessed the property from a defaulting borrower. See "**- Properties in possession cover**" below.

Borrower-arranged buildings insurance

The seller currently sells home insurance policies of a third party provider (Churchill Insurance Company Limited). A borrower may elect not to take up such an insurance policy, or a borrower who originally had such a policy may elect to insure the property with an independent insurer. The seller requires that any borrower-arranged insurance policy for freehold (or heritable in the case of the properties located in Scotland) properties must either be drawn in the joint names of the seller and all of the applicants and be maintained in their joint names or that a note of the interest of the seller be made and maintained on the policy and for leasehold properties has a specific note of the interest of the seller noted on the policy for the duration of the mortgage. The seller also requires that the sum insured be for an amount not less than the full reinstatement value of the property, that the borrower inform the seller of any damage to the property that occurs and that the borrower make a claim under the insurance for any damages covered by it unless the borrower makes good the damage.

Mortgage protection plans

Until 9 August 2011, the seller offered borrowers the option to purchase Mortgage Payment Protection Insurance (**MPPI**) provided on behalf of the seller by Aviva Insurance Limited. MPPI provides flexible cover for the borrower's monthly mortgage payments and other regular monthly outgoings in the event of an accident, sickness and unemployment (including carer cover). Subject to eligibility criteria the borrower can choose a cover option and claim benefit period suitable to their individual needs. The borrower's MPPI premiums are paid monthly with their monthly mortgage payment.

Properties in possession cover

When a mortgaged property is taken into possession by the seller, the seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy so that appropriate insurance cover is provided on the property. The seller may claim under this policy for any damage occurring to the property while in the seller's possession.

The seller has, from the programme closing date, procured the agreement of Churchill to the inclusion of Funding 1 and the mortgages trustee as insured under the properties in possession cover. To the extent that any proceeds are received by the servicer, it will agree to pay these into the mortgages trustee GIC account. The servicer will make claims in accordance with the seller's policy and pay proceeds relating to the loans into the mortgages trustee GIC account.

In the mortgage sale agreement, the seller agrees to make and enforce claims under the relevant policies and to hold the proceeds of claims on trust for the mortgages trustee or as the mortgages trustee may direct.

Title insurance

The seller currently only accepts title insurance in respect of certain limited title defects (e.g. restrictive covenants) and not *in lieu* of an investigation of title. This policy may change from time to time; such changes will be disclosed by way of a supplement to this base prospectus. There will be no loans in the portfolio in respect of which no investigation of title has been undertaken, whether or not title insurance has been obtained. Inclusion of loans in the portfolio having the benefit of a title insurance policy will be subject to the approval of the Funding 1 security trustee and confirmation from S&P that inclusion of these loans will not cause the downgrade or withdrawal of the rating of any rated note (and advance notice in writing of such inclusion of these loans 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). Relevant representations and

warranties will be given in relation to any title insurance policy each time that Funding 1 provides consideration for the sale of loans to the mortgages trust.

Arrears policy

Arrears cases are managed by Collection & Recoveries, a dedicated arrears management department within the seller's Group Retail division. A loan is deemed to be in arrears when at any time more than one monthly payment (inclusive of insurance premiums) is outstanding. A loan is in default when more than three monthly payments are outstanding. As the seller is a credit institution it is a PRA authorised and FCA regulated mortgage lender, the seller's lending and arrears policies are required to comply with MCOB and CONC.

The high level management process for mortgage accounts in arrears is split into four sections:

1. Collections

Collections focus on front end cases, typically less than three months in arrears. The objective of collections is to contact the borrower and remedy the underpayment as soon as possible via mutual agreement. Borrowers are contacted by telephone and letter according to a strategy. Borrowers may also receive a home visit.

Cases are segmented in order of priority by taking various factors into consideration including date since origination, previous arrears history and risk as determined by credit score. Collections performance is monitored by input and output key performance indicators that are reviewed by the mortgage executive and credit committees.

2. Litigation

Defined litigation criteria (which includes months in arrears and any record of broken arrangements) exist and where these are triggered, cases are referred to the recoveries business area. A pre-litigation team again attempts to rehabilitate cases but if this is unsuccessful, litigation is instigated. For England and Wales litigation is managed by a combination of an in-house litigation team and a panel of external solicitors. For other jurisdictions litigation is managed by external solicitors. The objective of litigation is to achieve an order for possession at hearing. Litigation will follow the break down of the borrower's commitment to pay and where negotiation with the borrower either via telephone, letter or in person has failed to obtain payment. Where litigation is necessary the aim is to obtain a court order, however, possession is the last resort.

3. Possession Sales

Following the enforcement of a court order for possession, the voluntary surrender of the property or a property being abandoned by the borrower the administration of the property sale is handed to the possession sales area. The focus post possession is to maximise the sale price versus the valuation obtained at possession and the speed of sale to ensure the property is marketed appropriately. The role of securing and marketing the property is outsourced to panels of property maintenance companies and estate agents with building insurance being arranged by the possession sales area.

4. Shortfall Recoveries

If a shortfall is crystallised on the sale of the property, the recovery of the shortfall is managed by the Internal Recoveries area or outsourced to a firm of solicitors. The key focus being to maximise net shortfall recoveries.

Governing law

Each of the English loans is governed by English law, each of the Scottish loans is governed by Scots law and each of the Northern Irish loans is governed by Northern Irish law.

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. The final terms for each issuance of notes will contain information updating such tables together with other information regarding the characteristics of the United Kingdom mortgage market.

Industry CPR rates

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

Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)	Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)
March 1999	12.32%	14.41%	March 2007	23.80%	24.25%
June 1999	15.96%	14.85%	June 2007	24.84%	24.61%
September 1999	17.55%	15.21%	September 2007	25.48%	24.74%
December 1999	16.47%	15.57%	December 2007	23.55%	24.42%
March 2000	13.62%	15.90%	March 2008	19.56%	23.36%
June 2000	15.31%	15.73%	June 2008	20.88%	22.37%
September 2000	15.97%	15.34%	September 2008	20.15%	21.03%
December 2000	15.67%	15.14%	December 2008	15.33%	18.98%
March 2001	15.38%	15.58%	March 2009	12.91%	17.32%
June 2001	18.23%	16.31%	June 2009	11.39%	14.95%
September 2001	20.25%	17.39%	September 2009	12.77%	13.10%
December 2001	20.06%	18.48%	December 2009	11.99%	12.27%
March 2002	18.75%	19.32%	March 2010	9.60%	11.44%
June 2002	21.10%	20.04%	June 2010	10.60%	11.24%
September 2002	23.63%	20.89%	September 2010	11.30%	10.87%
December 2002	22.89%	21.59%	December 2010	10.98%	10.62%
March 2003	21.24%	22.22%	March 2011	10.03%	10.73%
June 2003	22.43%	22.55%	June 2011	10.59%	10.73%
September 2003	24.03%	22.65%	September 2011	11.91%	10.88%
December 2003	24.87%	23.14%	December 2011	11.41%	10.98%
March 2004	21.22%	23.14%	March 2012	10.55%	11.11%
June 2004	22.93%	23.26%	June 2012	10.85%	11.18%
September 2004	24.27%	23.32%	September 2012	11.11%	10.98%
December 2004	20.85%	22.32%	December 2012	11.39%	10.97%
March 2005	17.96%	21.50%	March 2013	10.96%	11.07%
June 2005	21.32%	21.10%	June 2013	12.52%	11.49%
September 2005	24.29%	21.10%	September 2013	14.14%	12.25%
December 2005	24.61%	22.04%	December 2013	14.41%	13.01%

Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)	Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)
March 2006	22.27%	23.12%	March 2014	13.04%	13.53%
June 2006	23.37%	23.64%	June 2014	13.71%	13.82%
September 2006	24.95%	23.80%	September 2014	14.62%	13.94%
December 2006	24.87%	23.87%			

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders.

The issuer confirms that the CPR table above has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Council of Mortgage Lenders, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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	1995.....	0.47	2005.....	0.12
1986	0.30	1996.....	0.40	2006.....	0.18
1987	0.32	1997.....	0.31	2007.....	0.22
1988	0.22	1998.....	0.31	2008.....	0.34
1989	0.17	1999.....	0.27	2009.....	0.43
1990	0.47	2000.....	0.20	2010.....	0.34
1991	0.77	2001.....	0.16	2011.....	0.33
1992	0.69	2002.....	0.11	2012.....	0.30
1993	0.58	2003.....	0.07	2013.....	0.26
1994	0.47	2004.....	0.07		

Source: CML Research

The above repossession rates has been reproduced from information published by the Council of Mortgage Lenders. The issuer confirms that the above repossession rates has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Council of Mortgage Lenders, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 CML's earnings survey 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	2004	8.15
1995	4.47	2005	8.31
1996	4.51	2006	8.24
1997	4.77	2007	8.83
1998	5.11	2008	8.54
1999	5.37	2009	7.79
2000	6.14	2010	8.26
2001	6.27	2011	8.35
2002	7.11	2012	8.83
2003	7.66	2013	9.12

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 Building Society is a UK building society and Halifax is a brand name of Bank of Scotland plc, a UK bank.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007 to 2013.

	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
Quarter	Index	% annual change	Index	% annual change	Index	% annual change
March 1987	100.60	3.92	81.55	13.70	140.60	13.78
June 1987	101.90	4.11	85.75	14.96	147.30	13.58
September 1987	102.40	4.08	88.64	14.98	152.60	13.67
December 1987	103.30	3.63	88.48	11.36	158.20	14.46
March 1988	104.10	3.42	89.95	9.80	164.90	15.94
June 1988	106.60	4.51	97.61	12.95	180.20	20.16
September 1988	108.40	5.69	108.43	20.15	198.90	26.50
December 1988	110.30	6.56	114.20	25.51	212.00	29.27
March 1989	112.30	7.58	118.76	27.79	217.80	27.82
June 1989	115.40	7.93	124.17	24.06	226.80	23.00
September 1989	116.60	7.29	125.24	14.42	227.30	13.35
December 1989	118.80	7.42	122.68	7.16	222.80	4.97
March 1990	121.40	7.79	118.87	0.09	220.70	1.32
June 1990	126.70	9.34	117.66	-5.38	224.30	-1.11
September 1990	129.30	10.34	114.20	-9.23	224.20	-1.37
December 1990	129.90	8.93	109.56	-11.31	222.90	0.04
March 1991	131.40	7.92	108.82	-8.84	220.20	-0.23
June 1991	134.10	5.68	110.55	-6.23	223.20	-0.49
September 1991	134.60	4.02	109.53	-4.18	220.80	-1.53
December 1991	135.70	4.37	107.00	-2.37	217.50	-2.45
March 1992	136.70	3.95	104.11	-4.42	210.60	-4.46
June 1992	139.30	3.80	105.06	-5.10	210.40	-5.91
September 1992	139.40	3.50	104.22	-4.97	208.40	-5.78
December 1992	139.20	2.55	100.08	-6.68	199.30	-8.74

	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
Quarter	Index	% annual change	Index	% annual change	Index	% annual change
March 1993	139.30	1.88	100.00	-4.02	196.90	-6.73
June 1993	141.00	1.21	103.57	-1.42	203.20	-3.48
September 1993	141.90	1.78	103.23	-0.96	204.20	-2.04
December 1993	141.90	1.92	101.84	1.74	202.50	1.59
March 1994	142.50	2.27	102.39	2.36	202.30	2.71
June 1994	144.70	2.59	102.46	-1.08	204.30	0.54
September 1994	145.00	2.16	103.20	-0.03	204.30	0.05
December 1994	146.00	2.85	103.96	2.06	200.90	-0.79
March 1995	147.50	3.45	101.91	-0.47	200.30	-0.99
June 1995	149.80	3.46	103.00	0.53	201.00	-1.63
September 1995	150.60	3.79	102.41	-0.77	199.00	-2.63
December 1995	150.70	3.17	101.60	-2.30	197.80	-1.56
March 1996	151.50	2.68	102.47	0.55	200.90	0.30
June 1996	153.00	2.11	105.79	2.67	208.60	3.71
September 1996	153.80	2.10	107.74	5.08	209.80	5.28
December 1996	154.40	2.43	110.06	8.00	212.60	7.22
March 1997	155.40	2.54	111.33	8.30	215.30	6.92
June 1997	157.50	2.90	116.51	9.65	222.60	6.50
September 1997	159.30	3.51	121.20	11.77	223.60	6.37
December 1997	160.00	3.56	123.34	11.40	224.00	5.22
March 1998	160.80	3.42	125.48	11.96	226.40	5.03
June 1998	163.40	3.68	130.11	11.04	234.90	5.38
September 1998	164.40	3.15	132.39	8.84	236.10	5.44
December 1998	164.40	2.71	132.29	7.00	236.30	5.35
March 1999	164.10	2.03	134.61	7.02	236.30	4.28
June 1999	165.60	1.34	139.66	7.09	247.70	5.31
September 1999	166.20	1.09	144.35	8.65	256.70	8.37
December 1999	167.30	1.75	148.89	11.83	263.40	10.86
March 2000	168.40	2.59	155.00	14.10	270.50	13.52
June 2000	171.10	3.27	161.99	14.83	275.60	10.67
September 2000	171.70	3.26	161.46	11.20	277.60	7.83
December 2000	172.20	2.89	162.84	8.95	278.30	5.50
March 2001	172.20	2.23	167.52	7.77	279.00	3.09
June 2001	174.40	1.91	174.83	7.63	297.00	7.48
September 2001	174.60	1.67	181.63	11.77	305.00	9.41
December 2001	173.40	0.69	184.59	12.54	310.90	11.08
March 2002	174.50	1.33	190.22	12.71	324.30	15.05
June 2002	176.20	1.03	206.47	16.64	346.60	15.44
September 2002	177.60	1.70	221.09	19.66	369.10	19.08
December 2002	178.50	2.90	231.29	22.55	393.00	23.43
March 2003	179.90	3.05	239.26	22.94	400.10	21.00
June 2003	181.30	2.85	250.12	19.18	422.50	19.80
September 2003	182.50	2.72	258.86	15.77	437.60	17.02
December 2003	183.50	2.76	267.12	14.40	453.50	14.32
March 2004	184.60	2.58	277.34	14.77	474.00	16.95
June 2004	186.80	2.99	296.16	16.90	513.20	19.45
September 2004	188.10	3.02	306.18	16.79	527.20	18.63
December 2004	189.90	3.43	304.15	12.98	522.00	14.07
March 2005	190.50	3.15	304.80	9.44	520.20	9.30
June 2005	192.20	2.85	314.18	5.91	532.10	3.62

	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
Quarter	**Index**	**% annual change**	**Index**	**% annual change**	**Index**	**% annual change**
September 2005	193.10	2.62	314.45	2.67	543.10	2.97
December 2005	194.10	2.19	313.97	3.18	548.40	4.93
March 2006	195.00	2.33	319.82	4.81	552.60	6.04
June 2006	198.50	3.23	329.22	4.68	582.10	8.98
September 2006	200.10	3.56	336.06	6.65	586.70	7.72
December 2006	202.70	4.34	343.25	8.92	602.80	9.46
March 2007	204.40	4.71	350.21	9.08	613.90	10.52
June 2007	207.30	4.34	362.69	9.68	644.10	10.12
September 2007	208.00	3.87	367.32	8.89	649.30	10.14
December 2007	210.90	3.97	366.98	6.68	634.40	5.11
March 2008	212.10	3.70	357.81	2.15	620.90	1.13
June 2008	216.80	4.48	348.14	-4.10	605.10	-6.25
September 2008	218.40	4.88	329.53	-10.86	568.90	-13.22
December 2008	212.90	0.94	312.85	-15.96	531.50	-17.70
March 2009	211.30	-0.38	298.65	-18.07	512.50	-19.19
June 2009	213.40	-1.58	307.34	-12.46	514.30	-16.26
September 2009	215.30	-1.43	319.50	-3.09	526.50	-7.75
December 2009	218.00	2.37	323.40	3.32	537.30	1.09
March 2010	220.70	4.35	324.94	8.44	539.00	5.04
June 2010	224.10	4.89	336.57	9.09	546.60	6.09
September 2010	225.30	4.54	333.85	4.39	540.40	2.61
December 2010	228.40	4.66	325.11	0.53	528.80	-1.59
March 2011	232.50	5.21	323.93	-0.31	523.20	-2.98
June 2011	235.20	4.83	332.67	-1.17	527.20	-3.61
September 2011	237.90	5.44	332.34	-0.45	528.00	-2.32
December 2011	239.40	4.70	328.73	1.11	522.00	-1.29
March 2012	240.80	3.51	324.61	0.21	520.10	-0.59
June 2012	241.80	2.77	329.06	-1.09	524.70	-0.48
September 2012	244.20	2.61	326.98	-1.63	521.80	-1.18
December 2012	246.80	3.04	325.01	-1.14	520.50	-0.29
March 2013	248.70	3.23	325.28	0.20	525.70	1.06
June 2013	249.70	3.21	333.73	1.41	544.40	3.68
September 2013	251.90	3.10	340.96	4.19	554.20	6.02
December 2013	253.40	2.64	348.00	6.83	559.50	7.23
March 2014	254.80	2.42	355.34	8.84	571.20	8.31
June 2014	256.30	2.61	372.13	10.89	592.20	8.42
September 2014	257.60	2.24	376.65	9.96	607.60	9.20

Source: Office for National Statistics, Nationwide and Halifax, respectively.

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

LN(x/y) where **x** is equal to the current quarter's index value and **y** is equal to the index value of the previous year's corresponding quarter.

All information contained in this base prospectus in respect of the Halifax House Price Index has been reproduced from information published by Bank of Scotland plc. All information contained in this base prospectus in respect of the Nationwide House Price Index has been reproduced from

information published by Nationwide. All information contained in this base prospectus in respect of the UK Retail Price Index has been reproduced from information published by the Office for National Statistics. The issuer confirms that all information in this base prospectus in respect of the Halifax House Price Index, the Nationwide House Price Index and the UK Retail Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Bank of Scotland plc, Nationwide and the Office for National Statistics respectively, 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 nor Bank of Scotland plc nor the Office for National Statistics 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.

FORM OF THE NOTES

Global notes

Each class of notes (other than the class Z notes) of a series offered and sold outside the United States to non-U.S. persons in reliance on Regulation S will be represented on issue by one or more global notes of such class in fully registered form without interest coupons or principal receipts attached (each a **Reg S global note**) which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with a common safekeeper for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Reg S global note may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See "**Book-entry clearance procedures**".

The notes of each class of a series offered and sold in the United States to QIBs that are also QPs in reliance on Rule 144A (the **Rule 144A notes**) will be represented on issue by one or more global notes of such class, in fully registered form without interest coupons or principal receipts attached (each a **Rule 144A global note**), which will either (i) be deposited with Citibank, N.A., as custodian for, and registered in the name of a nominee for DTC (or such other name as may be requested by an authorised representative of DTC) or (ii) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with a common safekeeper for Euroclear and Clearstream, Luxembourg, as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Beneficial interests in a Rule 144A global note may only be held through DTC, Euroclear or Clearstream, Luxembourg or their participants at any time (see "**Book-entry clearance procedures**"). Beneficial interests in a Rule 144A global note may only be held by persons who are QIBs that are also QPs holding their interests for their own account or for the account of another QIB that is also a QP. By acquisition of a beneficial interest in a Rule 144A global note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A global note (see "**Transfer restrictions and investor representations**").

The Reg S global notes and the Rule 144A global notes are referred to herein as **global notes**. Beneficial interests in global notes of a series will be subject to certain restrictions on transfer set out therein, herein and/or in the note trust deed and such global notes will bear the applicable legends regarding the restrictions set out under "**Transfer restrictions and investor representations**". No beneficial owner of a beneficial interest in a global note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

The issuer will notify Euroclear, Clearstream, Luxembourg and the paying agents upon issue whether the notes are intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper (and in the case of registered notes, registered in the name of a nominee of one of Euroclear and Clearstream, Luxembourg acting as common safekeeper). Where the notes are not intended to be deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such as that the notes are capable of meeting such criteria, the notes may then be deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper. Where the notes are so deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper (and in the case of registered notes, registered in the name of a nominee of one of Euroclear and Clearstream, Luxembourg acting as common safekeeper) upon issuance or otherwise, this does not necessarily mean that the notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Definitive notes

A class (or sub-class) of Z notes of a series and the class Z GIC collateral notes will be issued in definitive registered form and deposited with the custodian on behalf of the note purchaser on or about the initial closing date. Owners of beneficial interests in global notes will not be entitled to receive physical delivery of individual certificated notes, except in the following limited circumstances:

- as a result of a change in UK law, the issuer or any paying agent is or will be required to make any deduction or withholding on account of tax from any payment on the notes that would not be required if the notes were in definitive form;

- in the case of Rule 144A global notes held through DTC, DTC notifies the issuer that it is unwilling or unable to hold such Rule 144A global notes or is unwilling or unable to continue as, or has ceased to be, a clearing agency under the Exchange Act and, in each case, the issuer cannot appoint a successor within 90 days; or

- in the case of global notes held through Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear are closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announce an intention to cease business permanently or do in fact do so and no alternative clearing system satisfactory to the note trustee is available.

In no event will definitive notes in bearer form be issued. Any definitive notes of a series will be issued in registered form in minimum denominations as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Any definitive notes will be registered in that name or those names as the registrar shall be instructed by DTC, Clearstream, Luxembourg, Euroclear and any alternative clearing system agreed by the issuer, as applicable. It is expected that these instructions will be based upon directions received by DTC, Clearstream, Luxembourg, Euroclear and any alternative clearing system agreed by the issuer, from their participants reflecting the ownership of book-entry interests. To the extent permitted by law, the issuer, the note trustee and any paying agent shall be entitled to treat the person in whose name any definitive notes are registered as the absolute owner thereof. The paying agent and agent bank agreement contains provisions relating to the maintenance by a registrar of a register reflecting ownership of the notes and other provisions customary for a registered debt security.

Any person receiving definitive notes will not be obligated to pay or otherwise bear the cost of any tax or governmental charge or any cost or expense relating to insurance, postage, transportation or any similar charge, which will be solely the responsibility of the issuer. No service charge will be made for any registration of transfer or exchange of any definitive notes.

Transfer of interests

A beneficial interest in a Rule 144A global note of one class may be transferred to a person that takes delivery in the form of a beneficial interest in a Reg S global note of the same class, whether before or after the expiration of the distribution compliance period applicable to the notes of such class, only upon receipt by the issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S. A beneficial interest in a Reg S global note of one class may be transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A global note of the same class only upon receipt by the issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a QIB that is also a QP, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any beneficial interest in a Reg S global note of one class that is transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A global note of the same class will, upon transfer, cease to be represented by a beneficial interest in such Reg S global note and will become represented by a beneficial interest in such Rule 144A global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A global note for as long as it remains such a beneficial interest. Any beneficial interest in a Rule 144A global note of one class that is transferred to a person who takes delivery in the form of a beneficial interest in the Reg S global note of the same class will, upon transfer, cease to be represented by a beneficial interest in such Rule 144A global note and will become represented by a beneficial interest in such Reg S global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Reg S global note as long as it remains such a beneficial interest.

Exempt Notes

The issuer may agree with any dealer that exempt notes may be issued in a form not contemplated by the terms and conditions of the notes, in which event the relevant provisions will be included in the applicable pricing supplement.

BOOK-ENTRY CLEARANCE PROCEDURES

The information set out below has been obtained from the clearing systems (as defined herein) and the issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The issuer confirms that the information set out below has been accurately reproduced and that, as far as the issuer is aware and is able to ascertain from information published by the clearing systems, no facts have been omitted which would render the reproduced information set out below inaccurate or misleading. Such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or DTC (together, the ***clearing systems****) currently in effect and investors wishing to use the facilities of any of the clearing systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. None of the arranger, the seller, the servicer, the start-up loan provider, the cash manager, the issuer cash manager, Funding 1, the mortgages trustee, the issuer security trustee, the Funding 1 security trustee, the note trustee, any paying agent, the agent bank, the Funding 1 swap provider, the issuer swap providers, the issuer account bank, the Funding 1 account bank or the mortgages trustee account bank (or any affiliate of any of the above, as defined in the Securities Act) will have any responsibility for the performance by the clearing systems or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

Although DTC, Euroclear and Clearstream, Luxembourg will agree to certain procedures to facilitate transfers of beneficial interests in a global note among participants of DTC and participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discounted at any time. None of the issuer, the note trustee, the issuer security trustee or any of their respective agents will have any responsibility or liability for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

Euroclear, Clearstream, Luxembourg and DTC

Custodial and depositary links will be established between the clearing systems to facilitate the initial issue of the notes and cross-market transfers of the notes associated with secondary market trading see "**—Settlement and Transfer of Notes**" below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such global notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (**direct participants**) or indirectly (**indirect participants** and, together with direct participants, **participants**) through organisations which are accountholders therein.

DTC

DTC has advised the issuer as follows: "DTC, the world's largest depositary, is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of section 17A of the Exchange Act." DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Investors may hold their interests in a global note directly through DTC if they are participants (**direct participants**) in the DTC system, or indirectly through organisations which are participants in such system (**indirect participants**, and together with direct participants, **participants**).

DTC has advised the issuer that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants in whose accounts with DTC interests in global notes are credited and only in respect of such portion of the aggregate principal amount of the relevant global notes as to which such participant or participants has to have given such direction.

Book-entry ownership

Euroclear and Clearstream, Luxembourg

Each Reg S global note will have an ISIN and a common code and will be deposited with Citibank, N.A. as common depositary on behalf of Euroclear and Clearstream, Luxembourg or with Citibank, N.A. as common safekeeper on behalf of Euroclear and Clearstream, Luxembourg.

DTC

Each Rule 144A global note will have an ISIN, a common code and a CUSIP number and will either (i) be deposited with Citibank, N.A. as custodian (the **custodian**) for, and registered in the name of a nominee for DTC (or such other name as may be requested by an authorised representative of DTC) or (ii) be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or with a common safekeeper on behalf of Euroclear and Clearstream, Luxembourg, as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). In relation to Rule 144A global notes deposited with the custodian, the custodian and DTC will electronically record the principal amount of the notes held within the DTC system.

Payments and relationship of participants with clearing systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a note represented by a global note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the issuer to the holder of such global note (save in the case of payments other than U.S. dollars outside DTC, as referred to below) and in relation to all other rights arising under the global note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The issuer expects that, upon receipt of any payment in respect of notes represented by a global note, the common depositary by whom such note is held, or nominee in whose name it is registered, will (save as provided below in respect of Rule 144A global notes held through DTC) immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in

amounts proportionate to their respective beneficial interests in the principal amount of the relevant global note as shown on the records of the relevant clearing system or its nominee. The issuer also expects that payments by direct participants in any clearing system to owners of beneficial interests in any global note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the issuer in respect of payments due on the notes for so long as the notes are represented by such global note and the obligations of the issuer will be discharged by payment to the registered holder, as the case may be, of such global note in respect of each amount so paid. None of the arranger, the seller, the servicer, the start-up loan providers, the cash manager, the issuer cash manager, Funding 1, the mortgages trustee, the issuer security trustee, the Funding 1 security trustee, the note trustee, any paying agent, the agent bank, the Funding 1 swap provider, the issuer swap providers, the issuer account bank, the Funding 1 account bank or the mortgages trustee account bank will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any global note or for maintaining, supervising or reviewing any records relating to such ownership interests.

DTC will only process payments of principal and interest in U.S. dollars. Accordingly, holders of beneficial interests in Rule 144A global notes held through DTC and denominated in a currency other than U.S. dollars must notify the exchange rate agent not less than 15 days prior to each interest payment date (i) that they wish to be paid in such currency outside DTC and (ii) of the relevant bank account details into which such payments are to be made.

If such instructions are not received, the exchange rate agent will exchange the relevant non-U.S. dollar amounts into U.S. dollars. The exchange rate agent will effect the exchange of the relevant amounts into U.S. dollars on such payment date at a market rate available on such interest payment date and in accordance with the exchange rate agent's usual procedures for such currency exchange, and the relevant holders of beneficial interests will receive the U.S. dollar equivalent of such payment converted at such exchange rate. Upon written request by a holder of beneficial interests in Rule 144A global notes held through DTC, the exchange rate agent will provide information regarding the exchange rate (and any relevant commission) with respect to any amounts converted into U.S. dollars.

Principal and interest payments on the class Z notes in definitive registered form will be made in accordance with the terms and conditions of the notes.

Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through direct participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the **beneficial owner**) will in turn be recorded on the participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of beneficial owners. **Beneficial owners will not receive individual certificates representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued**.

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to

beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some states in the United States may require that certain persons take physical delivery in definitive form of securities. Consequently, it may not be possible to transfer interests in a global note to such persons. Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a global note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds, sterling denominated bonds and U.S. dollar denominated bonds.

Trading between DTC participants

Secondary market sales of book-entry interests in the dollar notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's same-day funds settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in the notes are to be transferred from the account of a DTC participant holding a beneficial interest in a global note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in that global note (subject to the certification procedures provided in the note trust deed), subject to the rules and procedures of DTC and Euroclear/Clearstream, Luxembourg (as the case may be), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the global note will instruct the registrar to (i) decrease the amount of notes registered in the name of a nominee for DTC (as may be requested by an authorised representative of DTC), evidenced by the relevant global note and (ii) increase the amount of notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and common safekeeper evidenced by the relevant global note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a global note (subject to the certification procedures provided in the note trust deed), subject to the rules and procedures of DTC and Euroclear/Clearstream, Luxembourg (as the case may be), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common

depositary for Euroclear and Clearstream, Luxembourg or common safekeeper and the registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg or common safekeeper will: (a) transmit appropriate instructions to the custodian of the global note who will in turn deliver evidence of such book-entry interests in the notes free of payment to the relevant account of the DTC participant; and (b) instruct the registrar to (i) decrease the amount of notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg or common safekeeper and evidenced by the relevant global note and (ii) increase the amount of notes registered in the name of a nominee for DTC (or as may be requested by an authorised representative of DTC) and evidenced by the relevant global note.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in global notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, 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 arranger, the servicer, the seller, the start-up loan provider, the cash manager, the issuer cash manager, the seller, Funding 1, the mortgages trustee, the issuer security trustee, the Funding 1 security trustee, the note trustee, any paying agent, the registrar, the transfer agent, the agent bank, the Funding 1 swap provider, the issuer swap providers, the issuer account bank, the Funding 1 account bank or the mortgages trustee account bank will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue trades settlement

It is expected that delivery of notes will be made against payment therefore on the closing date, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (**T+3**), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant closing date will be required, by virtue of the fact the notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of notes may be affected by such local settlement practices and purchasers of notes who wish to trade notes between the date of pricing and the relevant closing date should consult their own adviser.

TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions (the **conditions**, and any reference to a **condition** shall be construed accordingly) of the notes in the form (subject to amendment) which will be incorporated by reference into each **global note** and each **definitive note**, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the issuer and the relevant dealer(s) (if any) and, if applicable, underwriters (if any) at the time of issue but, if not so permitted and agreed, such definitive note will have endorsed thereon or attached thereto such conditions. The applicable pricing supplement in relation to any exempt notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purposes of such exempt notes. The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) (or the relevant provisions thereof) will be endorsed upon, or attached to, each global note and each definitive note.*

The notes are constituted by a deed or deeds supplemental to the note trust deed. The security for the notes is created pursuant to, and on the terms set out in, the issuer deed of charge. By the paying agent and agent bank agreement, provision is made for, *inter alia*, the payment of principal and interest in respect of the notes.

References herein to the **notes** shall, unless the context otherwise requires, be references to all the notes issued by the issuer and constituted by the note trust deed and shall mean:

(a) in relation to any notes of a series and class (or sub-class) represented by a global note, units of the lowest specified denomination in the specified currency in each case of such series and class (or sub-class);

(b) any global note; and

(c) any definitive note issued in exchange for a global note in the limited circumstances as described in condition 1.1.

Notes constituted by the note trust deed are issued in series (each a **series**) and each series comprises one or more classes of notes. Each series of notes is subject to the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). The final terms (or, in the case of exempt notes, the pricing supplement) in relation to a series and class (or sub-class) of notes (or the relevant provisions thereof) will be endorsed upon, or attached to, such notes and will supplement these conditions in respect of such notes. References in this base prospectus to the **applicable final terms** are, in relation to a series and class (or sub-class) of notes, to the final terms (or the relevant provisions thereof) attached to, or endorsed on such notes. References in this base prospectus to the **applicable pricing supplement** are, in relation to a series and class (or sub-class) of exempt notes, to the pricing supplement (or the relevant provisions thereof) attached to, or endorsed on such exempt note.

The statements in these conditions include summaries of, and are subject to, the detailed provisions of the note trust deed, the issuer deed of charge and the paying agent and agent bank agreement.

Copies of the note trust deed, the issuer deed of charge, the paying agent and agent bank agreement and each of the other transaction documents are available for inspection during normal business hours at the registered office of the issuer, being c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF and the specified office for the time being of (a) the principal paying agent, being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and (b) the U.S. paying agent, being at 388 Greenwich Street New York, NY 10013. Copies of the final terms of each series of notes are obtainable during normal business hours at the registered office of the issuer and the specified office for the time being of (i) the principal paying agent and (ii) the U.S. paying agent and any noteholder must produce evidence satisfactory to the relevant paying agent as to its holding of notes and identity.

The holders of any series and class (or sub-class) of notes are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of, and definitions contained or incorporated in, the note trust deed, the issuer deed of charge, the paying agent and agent bank agreement, each of the other transaction documents and the applicable final terms and to have notice of each other final terms relating to each other series and class (or sub-class) of notes.

A glossary of definitions appears in condition 18 of these conditions.

References herein to the class A noteholders, the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders shall, in each case and unless specified otherwise, be references to the holders of the notes of all series of the applicable class.

References herein to the class A notes, the class B notes, the class M notes, the class C notes, the class D notes or the class Z notes shall, in each case and unless specified otherwise, be references to the notes of all series of the applicable class.

1. FORM, DENOMINATION, REGISTER, TITLE AND TRANSFERS

1.1. Form and denomination

Each series and class (or sub-class) of notes will be issued in the specified currency and in the specified denomination. Each series and class (or sub-class) of Rule 144A notes will be initially represented by one or more Rule 144A global notes, which, in the aggregate, will represent the principal amount outstanding from time to time of such series and class (or sub-class) of Rule 144A notes. Each series and class (or sub-class) of Reg S notes will be initially represented by one or more Reg S global notes which, in the aggregate, will represent the principal amount outstanding from time to time of such series and class (or sub-class) of the Reg S notes.

Each Reg S global note will be deposited with, and registered in the name of a nominee of, a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Each Rule 144A global note will either (i) be deposited with a custodian for, and registered in the name of a nominee for DTC (or as may be requested by an authorised representative of DTC) or (ii) be deposited with, and registered in the name of a nominee of, a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Each global note will be numbered serially with an identifying number which will be recorded on the relevant global note and in the register.

Each series and class (or sub-class) of notes may be fixed rate notes, floating rate notes, zero coupon notes, money market notes or a combination of any of the foregoing, depending upon the interest basis shown in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Each series and class (or sub-class) of notes may be bullet redemption notes, scheduled redemption notes, pass-through notes or a combination of any of the foregoing, depending upon the redemption/payment basis shown in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Global notes will be exchanged for notes in definitive form (**definitive notes**) only under certain limited circumstances (as described in the relevant global note). If definitive notes are issued, they will be serially numbered and issued in an aggregate principal amount equal to the principal amount outstanding of the relevant global note and in registered form only.

The notes (in either global or definitive form) will be issued in such denominations as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), save that the minimum denomination of each note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant currency and save that the minimum denomination of each U.S. dollar denominated note will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof, each euro denominated note will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof, each sterling denominated note will be issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof and the minimum denomination of each note denominated in a currency other than euro shall be an amount equivalent in that currency to at least €100,000. Notwithstanding the above, each Rule 144A note denominated in sterling with a maturity of less than one year may not be issued in a minimum denomination of less than £100,000.

In the case of a series and class (or sub-class) of notes with more than one specified denomination, notes of one specified denomination may not be exchanged for notes of such series and class (or sub-class) of another specified denomination.

The class Z GIC collateral notes will on the date of issue be issued with a principal amount outstanding of at least £10,000,000.

1.2. Register

The registrar will maintain the register in respect of the notes in accordance with the provisions of the paying agent and agent bank agreement. In these conditions, the **holder** of a note means the person in whose name such note is for the time being registered in the register (or, in the case of a joint holding, the first named thereof). A note will be issued to each noteholder in respect of its registered holding. Each note will be numbered serially with an identifying number which will be recorded in the register.

1.3. Title

The holder of each note shall (to the fullest extent permitted by applicable law) be treated by the issuer, the note trustee, the issuer security trustee the agent bank and any other agent as the absolute owner of such note for all purposes (including the making of any payments) 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).

1.4. Transfers

(a) Title to the notes shall pass by and upon registration in the register. Subject as provided otherwise in this condition 1.4, a note may be transferred upon surrender of the relevant note, with the endorsed form of transfer certificate (a **transfer certificate**) duly completed, at the specified office of the registrar or the transfer agent, together with such evidence as the registrar or (as the case may be) such transfer agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a note may only be transferred in the minimum denominations specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Where not all the notes represented by the surrendered note are the subject of the transfer, a new note in respect of the principal amount outstanding of the notes will be issued to the transferor.

Within five business days of such surrender of a note, the registrar will register the transfer in question and deliver a new note of a like principal amount to the note transferred to the

relevant holder at its specified office or (as the case may be) the specified office of the transfer agent or (at the request and risk of any such relevant holder) by uninsured first class mail (and by airmail if the holder is overseas) to the address specified for such purpose by such relevant holder.

The transfer of a note 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 or other governmental charges which may be imposed in relation to it.

Noteholders may not require transfers of notes to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the notes.

All transfers of notes and entries on the register are subject to the detailed regulations concerning the transfer of notes scheduled to the paying agent and agent bank agreement. The regulations may be changed by the issuer with the prior written approval of the note trustee and the registrar. A copy of the current regulations will be mailed (free of charge) by the registrar to any noteholder who requests in writing a copy of such regulations.

The notes are not issuable in bearer form.

(b) Prior to expiry of the applicable distribution compliance period, transfers by the holder of, or of a beneficial interest in, a Reg S note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the registrar of a duly completed transfer certificate from the transferor of the note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB that is also a QP in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the issuer of such satisfactory evidence as the issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. In the case of (i) above, such transferee may take delivery through a Rule 144A note. After expiry of the applicable distribution compliance period (i) beneficial interests in Reg S notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(c) Transfers of Rule 144A notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Reg S note, upon receipt by the registrar of a duly completed transfer certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Reg S note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable distribution compliance period, the interests in the notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Rule 144A note where the transferee is a person whom the transferor reasonably believes is a QIB that is also a QP in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the issuer of such satisfactory evidence as the issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Upon the transfer, exchange or replacement of Rule 144A notes, or upon specific request for removal of the legend thereon, the registrar shall deliver only Rule 144A notes or refuse to remove the legend, as the case may be, unless there is delivered to the issuer such satisfactory evidence as may reasonably be required by the issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2. STATUS, PRIORITY AND SECURITY

2.1. Status

The notes of each series and class (or sub-class) are direct, secured and unconditional obligations of the issuer and will at all times rank *pari passu* and *pro rata* without preference or priority amongst themselves.

Subject to the provisions of conditions 4 and 5 and subject to the relevant issuer priority of payments and the other payment conditions set out in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and the other transaction documents:

(a) the class A notes of each series will rank *pari passu* without any preference or priority among themselves and with the class A notes of each other series but in priority to the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series;

(b) the class B notes of each series will rank *pari passu* without any preference or priority among themselves and with the class B notes of each other series but in priority to the class M notes, the class C notes, the class D notes and the class Z notes of any series;

(c) the class M notes of each series will rank *pari passu* without any preference or priority among themselves and with the class M notes of each other series but in priority to the class C notes, the class D notes and the class Z notes of any series;

(d) the class C notes of each series will rank *pari passu* without any preference or priority among themselves and with the class C notes of each other series but in priority to the class D notes and the class Z notes of any series;

(e) the class D notes of each series will rank *pari passu* without any preference or priority among themselves and with the class D notes of each other series but in priority to the class Z notes of any series; and

(f) the class Z notes of each series will rank *pari passu* without any preference or priority among themselves and with the class Z notes of each other series.

2.2. Conflict between the classes of notes

The note trust deed contains provisions requiring the note trustee to have regard to the interests of the class A noteholders, the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders equally as regards all

powers, trusts, authorities, duties and discretions of the note trustee under these conditions or any of the transaction documents (except where expressly provided otherwise), but requiring the note trustee to have regard (except as expressly provided otherwise):

(a) for so long as there are any class A notes outstanding (of any series), only to the interests of the class A noteholders if, in the opinion of the note trustee, there is or may be a conflict between (i) the interests of the class A noteholders and (ii) the interests of the class B noteholders and/or the interests of the class M noteholders and/or the interests of the class C noteholders and/or the interests of the class D noteholders and/or the interests of the class Z noteholders (of that series or of any other series);

(b) subject to (a) above and for so long as there are any class B notes outstanding (of any series), only to the interests of the class B noteholders if, in the opinion of the note trustee, there is or may be a conflict between (i) the interests of the class B noteholders and (ii) the interest of the class M noteholders and/or the interests of the class C noteholders and/or the interests of the class D noteholders and/or the interests of the class Z noteholders (of that series or of any other series);

(c) subject to (a) and (b) above and for so long as there are any class M notes outstanding (of any series), only to the interests of the class M noteholders if, in the opinion of the note trustee, there is or may be a conflict between (i) the interests of the class M noteholders and (ii) the interests of the class C noteholders and/or the interests of the class D noteholders and/or the interests of the class Z noteholders (of that series or of any other series); and

(d) subject to (a), (b) and (c) and for so long as there are any class C notes outstanding (of any series), only to the interests of the class C noteholders if, in the opinion of the note trustee, there is or may be a conflict between (i) the interests of the class C noteholders and (ii) the interests of the class D noteholders and/or the interests of the class Z noteholders (of that series or of any other series).

(e) subject to (a), (b), (c) and (d) above and for so long as there are any class D notes outstanding (of any series), only to the interests of the class D noteholders if, in the opinion of the note trustee, there is or may be a conflict between (i) the interests of the class D noteholders and (ii) the interests of the class Z noteholders (of that series or of any other series).

The note trust deed also contains provisions:

(i) limiting the powers of the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders (in each case, of any series), *inter alia*, to request or direct the note trustee to take any action or to pass an effective extraordinary resolution according to the effect thereof on the interests of the class A noteholders (of that series or of any other series). Except in certain circumstances described in condition 11, the note trust deed contains no such limitation on the powers of the class A noteholders, the exercise of which will be binding on the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders respectively, irrespective of the effect thereof on their respective interests;

(ii) limiting the powers of the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders (in each case, of any series), *inter alia*, to request or direct the note trustee to take any action or to pass an effective extraordinary resolution according to the effect thereof on the interests of the class B

noteholders (of that series or of any other series). Except in certain circumstances described above and in condition 11, the note trust deed contains no such limitation on the powers of the class B noteholders, the exercise of which will be binding on the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders, respectively, irrespective of the effect thereof on their respective interests;

(iii) limiting the powers of the class C noteholders, the class D noteholders and the class Z noteholders (in each case, of any series), *inter alia*, to request or direct the note trustee to take any action or to pass an effective extraordinary resolution according to the effect thereof on the interests of the class M noteholders (of that series or of any other series). Except in certain circumstances described above and in condition 11, the note trust deed contains no such limitation on the powers of the class M noteholders, the exercise of which will be binding on the class C noteholders, the class D noteholders and the class Z noteholders, respectively, irrespective of the effect thereof on their respective interests;

(iv) limiting the powers of the class D noteholders and the class Z noteholders (of any series), *inter alia*, to request or direct the note trustee to take any action or to pass an effective extraordinary resolution according to the effect thereof on the interests of the class C noteholders (of that series or of any other series). Except in certain circumstances described above and in condition 11, the note trust deed contains no such limitation on the powers of the class C noteholders, the exercise of which will be binding on the class D noteholders and the class Z noteholders irrespective of the effect thereof on their respective interests; and

(v) limiting the powers of the class Z noteholders (of any series), *inter alia*, to request or direct the note trustee to take any action or to pass an effective extraordinary resolution according to the effect thereof on the interests of the class D noteholders (of that series or of any other series). Except in certain circumstances described above and in condition 11, the note trust deed contains no such limitation on the powers of the class D noteholders, the exercise of which will be binding on the class Z noteholders irrespective of the effect thereof on their respective interests

The note trustee shall be entitled to assume, for the purpose of exercising any right, power, trust, authority, duty or discretion under or in relation to these conditions or any of the transaction documents, without further investigation or inquiry, that such exercise will not be materially prejudicial to the interests of the noteholders (or any series and class (or sub-class)), if S&P rating the relevant series and class (or sub-class) has confirmed in writing that the then current ratings of the applicable series and class (or sub-class) of rated notes would not be reduced, withdrawn or qualified by such exercise (and advance notice in writing of such exercise 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) other than in the case of a modification, waiver, determination or authorisation that relates to an amendment of a maturity purchase deed or Condition 5.8. Where a modification, waiver, determination or authorisation relates to an amendment of a maturity purchase deed or Condition 5.8, the note trustee may agree to such modification or make such determination in accordance with Condition 11.5(a) to (e) inclusive.

2.3. Security

As security for, *inter alia*, the payment of all monies payable in respect of the notes, the issuer has entered into the issuer deed of charge creating the issuer security in favour of the issuer security trustee for itself and on trust for, *inter alios*, the note trustee and the noteholders.

3. COVENANTS

Save with the prior written consent of the note trustee or unless provided in or contemplated under these conditions or any of the transaction documents to which the issuer is a party, the issuer shall not, so long as any note remains outstanding:

3.1. Negative pledge

create or permit to subsist any mortgage, standard security, pledge, lien, charge or other security interest whatsoever (unless arising by operation of law), upon the whole or any part of its assets (including any uncalled capital) or its undertakings, present or future, except where the same is given in connection with the issue of a series;

3.2. Disposal of assets

sell, assign, transfer, lend, lease or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its properties, assets, or undertakings or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do any of the foregoing;

3.3. Equitable interest

permit any person other than itself and the issuer security trustee (as to itself and on behalf of the issuer secured creditors) to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

3.4. Bank accounts

have an interest in any bank account, other than the issuer bank accounts, except in connection with the issue of a series where such bank account is immediately charged in favour of the issuer security trustee pursuant to the issuer deed of charge;

3.5. Restrictions on activities

carry on any business other than as described in the base prospectus (as revised, supplemented and/or amended from time to time) relating to the issue of the notes and the related activities described therein or as contemplated in the transaction documents relating to the issue of the notes;

3.6. Borrowings

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or obligation of any person, except where the same is incurred or given or the issuer becomes so obligated in connection with the issue of a series;

3.7. Merger

consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;

3.8. Waiver or consent

permit the validity or effectiveness of any of the note trust deed or the issuer deed of charge or the priority of the security interests created thereby to be amended, terminated, postponed,

waived or discharged, or permit any other person whose obligations form part of the issuer security to be released from such obligations;

3.9. Employees or premises

have any employees or premises or subsidiaries;

3.10. Dividends and distributions

pay any dividend or make any other distribution to its shareholders or issue any further shares or alter any rights attaching to its shares as at the date of the issuer deed of charge;

3.11. Purchase notes

purchase or otherwise acquire any note or notes; or

3.12. United States 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.

4. INTEREST

4.1. Interest on fixed rate notes

Each fixed rate note bears interest on its principal amount outstanding from (and including) the interest commencement date at the rate(s) per annum equal to the rate(s) of interest payable, subject as provided in these conditions, in arrear on the interest payment date(s) in each year specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) up to (and including) the final maturity date.

Except as provided in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the amount of interest payable in respect of any fixed rate note on each interest payment date for a fixed interest period ending on (but excluding) such date will amount to the fixed coupon amount. Payments of interest on any interest payment date will, if so specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), amount to the broken amount so specified.

As used in these conditions, **fixed interest period** means the period from and including an interest payment date (or the interest commencement date) to but excluding the next (or the first) interest payment date.

If interest is required to be calculated in respect of any fixed rate note for a period other than a fixed interest period, such interest shall be calculated by applying the rate of interest specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) to the principal amount outstanding on such note, multiplying such sum by the applicable day count fraction, and rounding the resultant figure to the nearest sub-unit of the relevant specified currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

day count fraction means, in respect of the calculation of an amount of interest for any fixed rate note in accordance with this condition 4.1:

(a) if "actual/actual (ICMA)" is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement):

(i) in the case of notes where the number of days in the relevant period from (and including) the most recent interest payment date for such notes (or, if none, the interest commencement date) to (but excluding) the relevant interest payment date (the **accrual period**) is equal to or shorter than the determination period during which the accrual period ends, the number of days in such accrual period divided by the product of (a) the number of days in such determination period and (b) the number of determination dates (as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) that would occur in one calendar year; or

(ii) in the case of notes where the accrual period is longer than the determination period during which the accrual period ends, the sum of:

(A) the number of days in such accrual period falling in the determination period in which the accrual period begins divided by the product of (x) the number of days in such determination period and (y) the number of determination dates that would occur in one calendar year; and

(B) the number of days in such accrual period falling in the next determination period divided by the product of (I) the number of days in such determination period and (II) the number of determination dates that would occur in one calendar year; and

(b) if "30/360" is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the number of days in the period from (and including) the most recent interest payment date for such note (or, if none, the interest commencement date) to (but excluding) the relevant interest payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

As used in these conditions, **determination period** means each period from and including a determination date (as defined in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) to but excluding the next determination date (including, where either the interest commencement date or the final interest payment date is not a determination date, the period commencing on the first determination date prior to, and ending on the first determination date falling after, such date).

4.2. Interest on floating rate notes

(a) Interest payment dates

Each floating rate note bears interest on its principal amount outstanding from (and including) the interest commencement date and such interest will be payable in arrear on the interest payment date(s) in each year specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement). Such interest will be payable in respect of each floating interest period.

As used in these conditions, **floating interest period** means the period from and including an interest payment date (or the interest commencement date) to but excluding the next (or the first) interest payment date.

If a business day convention is specified for a floating rate note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and (x) if there is no numerically corresponding day in the calendar month in which an interest payment date should occur or (y) if any interest payment date would otherwise fall on a day which is not a business day, then, if the business day convention specified is:

(i) in any case where specified periods are specified in accordance with condition 4.2(a) above, the "**floating rate convention**", the interest payment date for such note (a) in the case of (x) above, shall be the last day that is a business day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such interest payment date shall be bought forward to the immediately preceding business day and (ii) each subsequent interest payment date shall be the last business day in the month which falls in the specified period after the preceding applicable interest payment date occurred; or

(ii) the "**following business day convention**", the interest payment date for such note shall be postponed to the next day which is a business day; or

(iii) the "**modified following business day convention**", the interest payment date for such note shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event such interest payment date shall be brought forward to the immediately preceding business day; or

(iv) the "**preceding business day convention**", the interest payment date for such note shall be brought forward to the immediately preceding business day.

(b) In these conditions, **business day** means, in respect of a series or class (or sub-class) of notes, a day that is a London business day and any other day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any additional business centre specified in the final terms (or, in the case of exempt notes, the applicable pricing supplement) for any series or class (or sub-class) of notes.

(c) Rate of interest

The rate of interest payable from time to time in respect of a floating rate note will be determined in the manner specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

(i) ISDA Determination for floating rate notes

Where "ISDA Determination" is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as the manner in which the rate of interest is to be determined, the rate of interest for each interest period will be the relevant ISDA rate plus or minus (as indicated for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) the margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an interest period means a rate equal to the floating rate that would be determined by the agent bank or other person specified in a drawdown prospectus or

supplementary prospectus under an interest rate swap transaction if the agent bank or that other person were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) the floating rate option is as specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

(B) the designated maturity is the period specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); and

(C) the relevant reset date is either (i) if the applicable floating rate option is based on LIBOR or EURIBOR for a currency, the first day of that interest period, or (ii) in any other case, as specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

For the purposes of this subparagraph (i), **floating rate**, **calculation agent**, **floating rate option**, **designated maturity** and **reset date** have the meanings given to those terms in the ISDA Definitions.

(ii) Screen rate determination for floating rate notes

Where **screen rate determination** is specified for a floating rate note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as the manner in which the rate of interest is to be determined for such note, the rate of interest for each interest period will, subject as provided below, be either:

(A) the offered quotation (if there is only one quotation on the relevant screen page); or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the reference rate which appears or appear, as the case may be, on the relevant screen page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the determination date in question plus or minus the margin (if any), all as determined by the agent bank. If five or more of such offered quotations are available on the relevant screen page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the agent bank for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The paying agent and agent bank agreement contains provisions for determining the rate of interest pursuant to this subparagraph (ii) in the event that the relevant screen page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the reference rate from time to time in respect of a floating rate note is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as being other than LIBOR or EURIBOR, the rate of interest in

respect of such note will be determined as provided for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

(d) Minimum rate of interest and/or maximum rate of interest

If the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) specifies a minimum rate of interest for a floating rate note for any interest period, then, in the event that the rate of interest for such note in respect of such interest period determined in accordance with the provisions of paragraph (b) above is less than such minimum rate of interest, the rate of interest for such note for such interest period shall be such minimum rate of interest.

If the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) specifies a maximum rate of interest for such note for any interest period, then, in the event that the rate of interest for such note in respect of such interest period determined in accordance with the provisions of paragraph (b) above is greater than such maximum rate of interest, the rate of interest for such note for such interest period shall be such maximum rate of interest.

(e) Determination of rate of interest and calculation of interest amounts

The agent bank will as soon as practicable after each time at which the rate of interest is to be determined, determine the rate of interest for the relevant interest period.

The agent bank will calculate the amount of interest payable on the floating rate notes in respect of each specified denomination (each an **interest amount**) for the relevant interest period. Each interest amount shall be calculated by applying the rate of interest to the principal amount outstanding of each note, multiplying such sum by the applicable day count fraction and rounding the resultant figure to the nearest sub-unit of the relevant specified currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

Day count fraction means, in respect of the calculation of an amount of interest for a floating rate note in accordance with this condition 4.2(e) for any interest period:

(i) if **actual/actual (ISDA)** is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the actual number of days in the interest period divided by 365 (or, if any portion of that interest period falls in a leap year, the sum of (a) the actual number of days in that portion of the interest period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the interest period falling in a non-leap year divided by 365);

(ii) if **actual/365** or **actual/365 (fixed)** is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the actual number of days in the interest period divided by 365;

(iii) if **actual/365 (sterling)** is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the actual number of days in the interest period divided by 365 or, in the case of a interest payment date falling in a leap year, 366;

(iv) if **actual/360** is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the actual number of days in the interest period divided by 360;

(v) if **30/360**, **360/360** or **bond basis** is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the number of days in the interest period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (a) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (b) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if **30E/360** or **Eurobond basis** is specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the number of days in the interest period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the interest period unless, in the case of the final interest period, the final maturity date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(f) Notification of rate of interest and interest amounts

The agent bank will cause the rate of interest and each interest amount for each interest period and the relevant interest payment date to be notified to the note trustee, the issuer security trustee, the issuer cash manager, the paying agents, the registrar and to any stock exchange or other relevant competent authority or quotation system on which the relevant floating rate notes are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with condition 14 as soon as possible after their determination but in no event later than the fourth business day thereafter. Each interest amount and interest payment date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the interest period. Any such amendment or alternative arrangements will be promptly notified to the note trustee and each stock exchange or other relevant authority on which the relevant floating rate notes are for the time being listed or by which they have been admitted to listing and to noteholders in accordance with condition 14**.**

(g) Determination or calculation by note trustee

If for any reason at any relevant time, the agent bank or, as the case may be, the calculation agent defaults in its obligation to determine the rate of interest for a floating rate note or the agent bank defaults in its obligation to calculate any interest amount for such note in accordance with conditions 4.2(a) and 4.2(b) or as otherwise specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), as the case may be, and in each case in accordance with condition 4.2(e), the note trustee shall determine the rate of interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this condition, but subject always to any minimum rate of interest or maximum rate of interest specified for such note in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)), it shall deem fair and reasonable in all the circumstances or, as the case may be, the note trustee shall calculate the interest amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the agent bank or the calculation agent, as the case may be.

(h) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this condition 4.2, whether by the agent bank or the calculation agent or the note trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the issuer, the issuer cash manager, the principal paying agent, the calculation agent, the other paying agents, the note trustee and all noteholders and (in the absence of wilful default or bad faith) no liability to the issuer or the noteholders shall attach to the agent bank or the calculation agent or the note trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3. Accrual of interest

Interest (if any) will cease to accrue on each note (or in the case of the redemption of part only of a note, that part only of such note) on the due date for redemption thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue until the earlier of:

(a) the date on which all amounts due in respect of such note have been paid; and

(b) the seventh day after notice is duly given by the principal paying agent or the U.S. paying agent (as the case may be) to the holder thereof that such payment will be made, provided that, subsequently, payment is in fact made.

4.4. Deferred interest

To the extent that, subject to and in accordance with the relevant issuer priority of payments, the funds available to the issuer to pay interest on any series and class (or sub-class) of notes (other than the most senior class of notes of any series then outstanding) on an interest payment date (after discharging the issuer's liabilities of a higher priority) are insufficient to pay the full amount of such interest, payment of the shortfall attributable to such series and class (or sub-class) of notes (**deferred interest**) will not then fall due but will instead be deferred until the first interest payment date for such notes thereafter on which sufficient funds are available (after allowing for the issuer's liabilities of a higher priority and subject to and in accordance with the relevant issuer priority of payments) to fund the payment of such deferred interest to the extent of such available funds.

Such deferred interest will accrue interest (**additional interest**) at the rate of interest applicable from time to time to the applicable series and class (or sub-class) of notes and payment of any additional interest will also be deferred until the first interest payment date for such notes thereafter on which funds are available (after allowing for the issuer's liabilities of a higher priority subject to and in accordance with the relevant issuer priority of payments) to the issuer to pay such additional interest to the extent of such available funds.

Amounts of deferred interest and additional interest shall not be deferred beyond the final maturity date of the applicable series and class (or sub-class) of notes, when such amounts will become due and payable.

Payments of interest due on an interest payment date in respect of the most senior class of notes of any series then outstanding will not be deferred. In the event of the delivery of a note acceleration notice (as described in condition 9), the amount of interest in respect of such notes that was due but not paid on such interest payment date will itself bear interest at the applicable rate until both the unpaid interest and the interest on that interest are paid as provided in the note trust deed.

4.5. Interest where there is an increase amount of a class Z GIC collateral note

In calculating the interest payable in respect of the class Z GIC collateral notes on any interest payment date where there has been the subscription of an increase amount pursuant to Condition 5.9 in the floating interest period immediately preceding such interest payment date, the interest payable shall be determined as the sum of the:

(a) the interest determined as being payable in respect of the class Z GIC collateral notes as if the principal amount outstanding were the principal amount outstanding of the class Z GIC collateral notes at the beginning of such floating interest period; plus

(b) interest on each increase amount made in such floating interest period calculated on the basis set out in Condition 4.2 as if references in Condition 4.2 to the principal amount outstanding in respect of such class Z GIC collateral notes were to the increase amount and the floating interest period in respect of such increase amount commenced on the increase date. The rate of interest payable in respect of any increase amount paid on an increase date which is not an interest payment date shall be the same rate as that determined in respect of the principal amount outstanding of the class Z GIC collateral notes immediately prior to such increase date or such other rate specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in respect of such class Z GIC collateral notes.

Thereafter, interest on the class Z GIC collateral notes shall, for the avoidance of doubt, be determined on the principal amount outstanding including any increase amounts subscribed pursuant to Condition 5.9 in each subsequent floating interest period subject to any redemption pursuant to Condition 5.

5. REDEMPTION AND CANCELLATION

5.1. Final redemption

Unless previously redeemed in full as provided in this condition 5, the issuer shall redeem a series and class (or sub-class) of notes at their then principal amount outstanding together with all accrued interest on the final maturity date in respect of such notes.

The issuer may not redeem such notes in whole or in part prior to their final maturity date except as provided in conditions 5.2, 5.4 or 5.5 below, but without prejudice to condition 9.

5.2. Mandatory redemption of the notes in part

On each interest payment date, other than an interest payment date on which a series and class (or sub-class) of notes are to be redeemed under conditions 5.1, 5.4 or 5.5, the issuer shall repay principal in respect of such notes in an amount equal to:

(a) prior to the earlier to occur of the step-up date (if any) in respect of such notes and a pass-through trigger event (and subject to the terms of the issuer cash management agreement and the issuer deed of charge) the lower of:

(i) the amount due to be paid on such interest payment date as specified for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); and

(ii) the amount (if any) repaid on the corresponding interest payment date in respect of the related term advance and pursuant to the intercompany loan agreement and which is available, under the terms of the issuer deed of

charge and the issuer cash management agreement to repay principal in respect of such notes converted, where the specified currency for such notes is not sterling, into the specified currency at the specified currency exchange rate for such notes;

provided that, in the case of any series and class (or sub-class) of pass-through notes, the amount of principal to be repaid by the issuer in respect of such notes on the applicable interest payment date shall be calculated in accordance with subparagraph (ii) above; and

(b) following the earlier to occur of the step-up date (if any) in respect of such notes and a pass-through trigger event (whereupon each following payment date shall constitute an interest payment date) and subject to the terms of the issuer deed of charge, the amount (if any) repaid on the corresponding interest payment date in respect of the related term advance and pursuant to the intercompany loan agreement converted, where the specified currency for such notes is not sterling, into the specified currency at the specified currency exchange rate for such notes.

To the extent that there are insufficient funds available to the issuer to repay the amount due to be paid on such interest payment date, the issuer will be required to repay the shortfall to the extent that it receives funds therefore (and subject to the terms of the issuer deed of charge and the issuer cash management agreement) on subsequent interest payment dates in respect of such notes.

5.3. Note principal payments and principal amount outstanding

The principal amount redeemable (the **note principal payment**) in respect of each note of a particular series and class (or sub-class) on any interest payment date under condition 4 shall be a proportion of the amount required as at that interest payment date to be applied in redemption of such series and class (or sub-class) of notes on such date equal to the proportion that the principal amount outstanding of the relevant note bears to the aggregate principal amount outstanding of such series and class (or sub-class) of notes rounded down to the nearest sub-unit of the specified currency; provided always that no such note principal payment may exceed the principal amount outstanding of the relevant note.

On each note determination date the issuer shall determine (or cause the issuer cash manager to determine) (a) the amount of any note principal payment payable in respect of each note of the relevant series and class (or sub-class) on the immediately following interest payment date and (b) the principal amount outstanding of each such note which shall be the specified denomination less (in each case) the aggregate amount of all note principal payments in respect of such note that has been paid since the relevant closing date and on or prior to that note determination date (the **principal amount outstanding**) and (c) the fraction expressed as a decimal to the fifth decimal point (the **pool factor**), of which the numerator is the principal amount outstanding of that note (as referred to in (b) above) and the denominator is the specified denomination. Each determination by or on behalf of the issuer of any note principal payment of a note, 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.

The issuer will cause each determination of the note principal payment and the principal amount outstanding and the pool factor in respect of a series of class of notes to be notified forthwith, and in any event not later than 1.00 p.m. (London time) on the business day immediately succeeding the note determination date, to the note trustee, the issuer security trustee, the paying agents, the registrar, the issuer cash manager and (for so long as such notes are listed on one or more stock exchanges) the relevant stock exchanges, and will cause notice

of each determination of the note principal payment and the principal amount outstanding to be given to noteholders in accordance with condition 14 by no later than the business day after the relevant interest payment date.

If the issuer does not at any time for any reason determine (or cause the issuer cash manager to determine) a note principal payment, the principal amount outstanding or the pool factor in accordance with the preceding provisions of this condition 5.3, such note principal payment and/or principal amount outstanding and/or pool factor may be determined by the note trustee in accordance with this condition 5.3 in the manner the note trustee in its discretion considers fair and reasonable in the circumstances, having regard to this condition 5.3, and each such determination or calculation shall be deemed to have been made by the issuer. Any such determination shall (in the absence of wilful default, bad faith or manifest error) be binding on the issuer, the agent bank and the noteholders.

5.4. Optional redemption

Provided a note acceleration notice has not been served and subject to the provisos below, upon giving not more than 60 nor less than 30 days' prior notice to the note trustee and the noteholders in accordance with condition 14, the issuer may redeem a series and class (or sub-class) of notes (in whole but not in part unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) at their aggregate redemption amount together with any accrued and unpaid interest in respect thereof on the following dates:

(a) the date specified as the step-up date for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) and on any interest payment date for such notes thereafter;

(b) on any interest payment date on which the aggregate principal amount outstanding of such notes and all other classes of notes of the same series is less than 10% of the aggregate principal amount outstanding of such series of notes as at the closing date on which such series of notes was issued;

(c) if specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), on any date designated as an "optional redemption date" in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in respect of such notes; or

(d) on any date provided that all the noteholders of such notes have given prior written consent to such redemption,

PROVIDED THAT (in each of the cases above), (i) on or prior to giving any such notice, the issuer shall have provided to the note trustee a certificate signed by two directors of the issuer to the effect that (A) it will have the funds, not subject to any interest of any other person, required to redeem such notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with such notes outstanding in accordance with the terms and conditions of the issuer deed of charge and the issuer cash management agreement and (B) the repayment tests will be satisfied following the making of such redemptions, and (ii) in the case of redemption of the class Z notes of a series, the class A notes, the class B notes, the class M notes, the class C notes and the class D notes of such series are also redeemed in full on such date, in the case of redemption of the class D notes of a series, the class A notes, the class B notes, the class M notes and the class C notes of a series are also redeemed in full on such date, in the case of redemption of the class C notes of such series, the class A notes, the class B notes and the class M notes of a series are also redeemed in full on such date, in the case of redemption of the class M notes of such series, the class A notes and the class B notes of such series are

also redeemed in full on such date and in the case of redemption of the class B notes of a series, the class A notes of such series are also redeemed in full on such date. A series and class of notes may be redeemed other than in accordance with this proviso if S&P has confirmed that the then current ratings of the rated notes issued by the issuer will not be reduced, withdrawn or qualified as a result of such redemption, and advance notice of such redemption having been given 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.

5.5. Optional redemption for tax and other reasons

Provided a note acceleration notice has not been served, if the issuer at any time satisfies the note trustee immediately prior to the giving of the notice referred to below that on the next interest payment date either:

(a) the issuer would by virtue of a change in the law or regulations of the United Kingdom or any other jurisdiction (or the application or interpretation thereof) be required to deduct or withhold from any payment of principal or interest or any other amount under a series and class (or sub-class) of notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of notes or any such sub-class) any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; or

(b) Funding 1 would by virtue of a change in the law or regulations of the United Kingdom or any other jurisdiction (or the application or interpretation thereof) be required to deduct or withhold from amounts due in respect of the term advance under the intercompany loan agreement which was funded by such notes any amount on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; or

(c) the issuer or Funding 1, as the case may be, falls within the securitisation tax regime but subsequently ceases to fall within such regime and that such cessation would result in the issuer and/or Funding 1 having to pay more tax than if the issuer and Funding 1 remained within the securitisation tax regime,

and in relation to any of the events described in (a), (b) or (c) above, such obligation of the issuer or Funding 1 (as the case may be) or such ceasing to fall within the securitisation tax regime cannot be avoided by the issuer or Funding 1 (as the case may be) taking reasonable measures available to it, then the issuer shall use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction, approved by the note trustee, as principal debtor under such notes and/or as lender of such term advance as the case may be, upon (1) written confirmation having been received from S&P that the then current ratings of the rated notes outstanding at that time will not be reduced, withdrawn or qualified because of such substitution and advance notice in writing of such substitution 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, (2) the note trustee being satisfied that (i) such substitution will not be materially prejudicial to the interests of the noteholders and (ii) in the case of an event described in (a) or (b) such substitution would enable such substituted company to make payments of principal and interest under the relevant series or class of notes or under the intercompany loan, as the case may, be without such deduction or withholding, and (3) the issuer security trustee being satisfied that (i) the position of the issuer secured creditors will not thereby be adversely affected, and (ii) such substitution would not require registration of any new security under united states securities laws or materially increase the disclosure requirements under united

states law or the costs of issuance. Only if the issuer is unable to arrange a substitution will the issuer be entitled to redeem the notes as described in this condition 5.5.

Subject to the proviso below, if the issuer is unable to arrange a substitution as described above and, as a result, one or more of the events described in (a), (b) or (c) above (as the case may be) is continuing, then the issuer may, having given not more than 60 nor less than 30 days' notice to the note trustee and the noteholders in accordance with condition 14, redeem all (but not some only) of such relevant notes (or all of the notes, in the case of an event described in (c)) on the immediately succeeding interest payment date for such notes at their aggregate redemption amount together with any accrued and unpaid interest in respect thereof provided that (in either case), prior to giving any such notice, the issuer shall have provided to the note trustee:

(i) a certificate signed by two directors of the issuer stating the circumstances referred to in (a), (b) or (c) above prevail and setting out details of such circumstances; and

(ii) an opinion in form and substance satisfactory to the note trustee of independent legal advisors of recognised standing to the effect that the issuer or Funding 1 as the case may be has or will become obliged to deduct or withhold such amounts as a result of such circumstances or, as the case may be, that the issuer or Funding 1 (as the case may be) has ceased or will cease to fall within the securitisation tax regime.

The note trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in (a), (b) or (c) above, in which event they shall be conclusive and binding on the noteholders. The issuer may only redeem such notes as aforesaid, if on or prior to giving such notice, the issuer shall have provided to the note trustee a certificate signed by two directors of the issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem such notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with such notes outstanding in accordance with the terms and conditions of the issuer deed of charge and the issuer cash management agreement.

In addition to the foregoing, if at any time the issuer delivers a certificate to Funding 1, the note trustee and the issuer security trustee to the effect that it would be unlawful for the issuer to make, fund or allow to remain outstanding a term advance under the intercompany loan agreement, then the issuer may require Funding 1 to prepay the relevant term advance on a Funding 1 payment date subject to and in accordance with the provisions of the intercompany loan agreement to the extent necessary to cure such illegality and the issuer may redeem all (but not some only) of the relevant notes at their redemption amount together with any accrued interest upon giving not more than 60 nor less than 30 days' (or such shorter period as may be required under any relevant law) prior written notice to the issuer security trustee, the note trustee, the relevant issuer swap provider(s) and the noteholders in accordance with condition 14. Such monies received by the issuer shall be used to redeem the relevant notes in full, together with any accrued and unpaid interest, on the equivalent interest payment date.

5.6. Redemption amounts

For the purposes of this condition 5, **redemption amount** means, in respect of any series and class (or sub-class) of notes, the amount specified in relation to such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) or, if not so specified:

(a) in respect of each note (other than a zero coupon note), the principal amount outstanding of such note; and

(b) in respect of each zero coupon note, an amount (the **amortised face amount**) calculated in accordance with the following formula:

$$\text{redemption amount} = \text{RP} \times (1 + \text{AY})\text{y}$$

Where:

RP = the reference price;

AY = the accrual yield expressed as a decimal; and

y = a fraction, the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the first closing date of the applicable series and class (or sub-class) of notes to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such note becomes due and payable and the denominator of which is 360 or such other fraction as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

If the amount payable in respect of any zero coupon note upon redemption of such zero coupon note pursuant to conditions 5.1, 5.2, 5.4 or 5.5 or upon its becoming due and repayable as provided in condition 9 is improperly withheld or refused, the amount due and repayable in respect of such note shall be the amount calculated as provided in paragraph (b) above as though the reference therein to the date fixed for the redemption or, as the case may be, the date upon which such note becomes due and payable were replaced by reference to the date which is the earlier of:

(i) the date on which all amounts due in respect of such note have been paid; and

(ii) the date on which the full amount of the monies payable in respect of such note has been received by the principal paying agent or the note trustee or the registrar and notice to that effect has been given to the noteholders in accordance with condition 14.

5.7. Cancellation

All notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

5.8. Mandatory transfer of maturity purchase notes

(a) A series and class of the maturity purchase notes shall, subject to paragraphs (b) and (d) below and the provisions of the relevant maturity purchase deed, be transferred in accordance with paragraph (c) below on the relevant transfer date in exchange for payment of the relevant maturity purchase price by the maturity purchaser to the holders of such series and class of maturity purchase notes on the relevant transfer date.

(b) If the issuer fails to redeem a series and class of maturity purchase notes in full on the expected maturity date for such notes (or within 3 business days thereof) then subject to the terms of the relevant maturity purchase deed, the maturity purchaser will be required to purchase on the transfer date for such notes, at the maturity purchase price for such notes all, but not some only, of the outstanding maturity purchase notes of that series and class held by a holder of maturity purchase notes and in respect of which a valid transfer instruction or tender instruction has been delivered to the relevant clearing system, provided that no note event of default has occurred which is continuing on such transfer date.

(c) In respect of a series and class of maturity purchase notes outstanding following the expected maturity date for such notes the issuer will on the business day following the loss calculation date for such notes (i) give notice (which notice shall be irrevocable) to the holder(s) of any such maturity purchase notes held in Euroclear and Clearstream, Luxembourg via Euroclear and Clearstream, Luxembourg of the maturity purchaser's intention to purchase such maturity purchase notes on the transfer date for such notes for cash at a price equal to the maturity purchase price for such notes (an **EC/CS notice to purchase**), (ii) instruct the DTC tender agent to give notice (which notices shall be irrevocable) to the holder(s) of any maturity purchase notes held in DTC via DTC of the maturity purchaser's intention to purchase such maturity purchase notes on the transfer date for such notes for cash at a price equal to the maturity purchase price for such notes (a **DTC notice to purchase**) and (iii) make a corresponding announcement via the London Stock Exchange plc and Bloomberg.

(d) A holder of any maturity purchase notes of a series and class has the right (but not the obligation) to elect to have all of its maturity purchase notes purchased by the relevant maturity purchaser on the transfer date for such notes. A holder of any maturity purchase note of a series and class may exercise its right to have its maturity purchase notes purchased by the maturity purchaser on the transfer date for such notes (i) in the case of maturity purchase notes held in Euroclear and Clearstream, Luxembourg, by giving a transfer instruction (which shall be irrevocable) via Euroclear or Clearstream, Luxembourg (as applicable) no later than 4:00 p.m. (London time) on the business day that is 5 business days prior to (but excluding) the transfer date (or such earlier deadline set by any relevant intermediary or clearing system) and (ii) in the case of maturity purchase notes held in DTC, by instructing the DTC tender agent to deliver instructions to DTC in accordance with the usual procedures of DTC acknowledging acceptance of the maturity purchaser's offer to buy the maturity purchase notes (a **tender instruction**) (which shall be irrevocable) no later than 4:00 p.m. (New York time) on the business day that is 5 business days prior to (but excluding) the transfer date (or such earlier deadline set by any relevant intermediary or clearing system).

(e) The principal paying agent shall arrange on the transfer date for an amount equal to the aggregate maturity purchase price received from the maturity purchaser in respect of a series and class of maturity purchase notes to be credited (via Euroclear, Clearstream, Luxembourg or DTC, as the case may be) to the accounts of the holder(s) of such maturity purchase notes that have delivered a transfer instruction or tender instruction in accordance with paragraph (d) above.

(f) Subject to paragraphs (a) above and (d) above, all the holders' interests in a series and class of maturity purchase notes specified in any valid transfer instruction or tender instruction in accordance with paragraph (d) above shall be transferred on the relevant transfer date to the account of the maturity purchaser or as otherwise notified by the maturity purchaser prior to such date. For the avoidance of doubt, the holders of interests in a series and class of maturity purchase notes which are transferred in accordance with this condition 5.8 shall, following such transfer, have no further claim or rights against the issuer in respect of such transferred notes.

(g) Notwithstanding the provisions of this condition 5.8, where definitive notes have been issued in respect of a series and class of maturity purchase notes or if the relevant clearing system ceases to offer the relevant mechanisms to enable the purchase and settlement of the maturity purchase notes as provided for in this condition 5.8 and the relevant maturity purchase deed, the maturity purchaser in respect of such notes will be required to purchase the relevant maturity purchase notes on the later of (i) the relevant scheduled transfer date and (ii) the date (the **deferred transfer date**) which is the earlier of (a) the date that is 5 business days after the date on which the parties to the relevant maturity purchase deed agree a procedure by which the purchase can occur and (b) 60 days after the scheduled transfer date.

5.9. Increase in the class Z GIC collateral notes of interest and principal

The class Z GIC collateral noteholder may on any date (each an increase date) increase the principal amount outstanding of the class Z GIC collateral note and cause a corresponding increase in the specified denomination of such class Z GIC collateral note by:

(a) delivering to the issuer, the registrar and the issuer cash manager a written notice indicating:

(i) the amount of the increase (the increase amount) being an amount which is at least equal to the amount which would cause the principal amount outstanding of the class Z GIC collateral notes to be at least equal after the increase to £10,000,000; provided that such increase amount shall not cause the seller share to be reduced below the minimum seller share,

(ii) the date of the proposed increase which may include the date on which the notice is provided, and

(iii) confirmation that it is the class Z GIC collateral noteholder; and

(b) by subscribing for and paying an amount equal to the increase amount to the issuer transaction account or such other account as the issuer (or the issuer cash manager) may direct from time to time),

The issuer undertakes to lend the proceeds of the increase amount to Funding 1 by way of a further advance in respect of the term NR GIC collateral advance.

6. PAYMENTS

6.1. Payment of interest and principal

Payments of principal shall be made by cheque in the specified currency, drawn on a designated bank, or upon application by a holder of the relevant note to the specified office of the principal paying agent not later than the fifth business day before the record date (as defined in condition 6.7), by transfer to a designated account maintained by the payee with a designated bank and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note at the specified office of any paying agent.

Payments of interest shall be made by cheque in the specified currency drawn on a designated bank, or upon application by a holder of the relevant note to the specified office of the principal paying agent not later than the fifth business day before the record date (as defined in condition 6.7), by transfer to a designated account maintained by the payee with a designated bank and (in the case of interest payable on final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note at the specified office of any paying agent.

All amounts payable to DTC or its nominee as registered holder of a Rule 144A global note held through DTC in respect of notes denominated in a currency other than U.S. dollars shall be paid by transfer by the principal paying agent to an account in the relevant currency of the exchange rate agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the paying agent and agent bank agreement.

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) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law 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 4 will be paid in accordance with this condition 6.

6.4. Change of agents

The initial principal paying agent, the registrar, the transfer agent, the exchange rate agent and the initial paying agents are listed in these conditions. The issuer reserves the right, subject to the prior written approval of the note trustee, at any time to vary or terminate the appointment of the principal paying agent, the registrar, the transfer agent, the exchange rate agent and the U.S. paying agent and to appoint additional or other paying agents. The issuer will at all times maintain a paying agent with a specified office in London and a U.S. paying agent with a specified office in New York and a registrar. Except where otherwise provided in the note trust deed, the issuer will cause at least 30 days' notice of any change in or addition to the paying agents, the transfer agent or the registrar or their specified offices to be given in accordance with condition 14 and will notify the rating agencies of such change or addition. For as long as any note is outstanding, the issuer will endeavour to maintain a paying agent in a member state of the European Union that will not be 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.

6.5. No payment on non-business day

Where payment is to be made by transfer to a designated account, payment instructions (for value the due date or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (a) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant note is surrendered (or, in the case of part payment only, endorsed) at the specified office of a paying agent and (b) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for a payment not being a business day or (ii) a cheque mailed in accordance with this condition 6 arriving after the due date for payment or being lost in the mail.

6.6. Partial payment

If a paying agent makes a partial payment in respect of any note, the issuer shall procure and the registrar will ensure that the amount and date of such payment are noted on the register and, in the case of partial payment upon presentation of a note, that a statement indicating the amount and date of such payment is endorsed on the relevant note.

6.7. Record date

Each payment in respect of a note will be made to the persons shown as the holder in the register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the opening of business in the place of the registrar's specified office on the fifteenth day before the due date for such payment (the **record date**). Where payment in respect of a note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the register at the opening of business on the relevant record date.

6.8. Payment of interest

Subject as provided otherwise in these conditions, 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 business day or by reason of non-compliance with condition 6.1), 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 14.

7. PRESCRIPTION

Claims against the issuer for payment of interest and principal on redemption shall be prescribed and become void if not made within a period of 10 years from the relevant date in respect thereof. After the date on which a payment under a note becomes void in its entirety, no claim may be made in respect thereof. In this condition 7, the **relevant date**, in respect of a payment under a note, is the date on which the payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of those payments under all the notes due on or before that date has not been duly received by the principal paying agent, the U.S. paying agent or the note trustee (as the case may be) on or prior to such date) the date on which the full amount of such monies having been so received or notice to that effect is duly given to noteholders in accordance with condition 14.

8. TAXATION

8.1. All payments in respect of the notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the issuer or any relevant paying agent is required by applicable law to make any payment in respect of the notes subject to any such withholding or deduction. In that event, the issuer or such paying agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. No paying agent nor the issuer will be obliged to make any additional payments to noteholders in respect of such withholding or deduction.

8.2. The class Z noteholder or, if different, the person beneficially entitled to interest payable in respect of the class Z note shall no later than the record date (or, if such day is not a business day, the immediately preceding business day) (the relevant date) preceding the interest payment date next following the date that the class Z noteholder or such person became beneficially entitled to interest payable in respect of the class Z note (by completing and delivering a certificate in the form set out in schedule 3 to the paying agent and agent bank agreement (a certificate)) in respect of the class Z notes the subject thereof (the relevant class Z notes):

(a) represent and warrant to the issuer and the principal paying agent that the person beneficially entitled to interest payable in respect of the relevant class Z notes is the person specified therein as such, and is and will be a company (as defined in section 992 of the Income Tax Act 2007) within the charge to United Kingdom corporation

tax as regards any payment of interest under the relevant class Z notes unless and until such time as it notifies each of the issuer and the principal paying agent in writing that this is not the case or that such person has ceased to be the person beneficially entitled to interest payable in respect of the relevant class Z notes;

(b) agree to confirm to each of the issuer and the principal paying agent prior to each interest payment date upon their request that the person beneficially entitled to interest payable in respect of the class Z notes remains the person specified therein as such;

(c) agree to indemnify the issuer and the principal paying agent for any loss or liability, costs and expenses (including stamp duties) which the issuer or the principal paying agent determines will be or has been suffered by the issuer or the principal paying agent (as the case may be) to the extent that it is in breach of the representation and warranty referred to in paragraph (a) above or any information provided to it in accordance with paragraph (b) above proves to be untrue or incorrect;

(d) acknowledge that as at the closing date the principal paying agent does not offer a refund service in respect of sums withheld or deducted in respect of the payments made by it on behalf of the issuer in respect of the class Z notes including, without limitation, in the event that the representations, warranties and confirmations set out in paragraph (a) and (b) above or (e) below are not fully complied with by a class Z noteholder;

(e) acknowledge that each of the representations, warranties, authorisations, agreements, acknowledgements and information given by it to the issuer and the principal paying agent is given in full knowledge that the issuer and the principal paying agent shall each rely on the same for the purposes of making determinations as to its obligation to make withholdings under applicable UK tax law and accordingly irrevocably confirm to the issuer and the principal paying agent that it has taken all necessary steps to give each such representation, warranty, authorisation, agreement, acknowledgement and information and intends that the issuer and the principal paying agent each rely on the same for such purpose.

8.3. In the case of either (a) the absence of both (i) a receipt from the class Z noteholder or the person beneficially entitled to interest payable in respect of a class Z note of a duly completed certificate and (ii) confirmation from the class Z noteholder or the person beneficially entitled to interest payable in respect of a class Z note of a corresponding holding of the class Z notes on the relevant date preceding the interest payment date or (b) (in the absence of a new certificate and confirmation in satisfaction of paragraph (a) above in respect of a class Z note) notification in writing that the person beneficially entitled to interest payable in respect of a class Z note is no longer the person specified in the certificate delivered to the issuer and the principal paying agent in respect of a class Z note or a company within the charge to United Kingdom corporation tax as regards any payment of interest in respect of a class Z note, the principal paying agent shall be entitled to assume that:

(a) the class Z noteholder or the person beneficially entitled to interest payable in respect of a class Z note is not a company within the charge to United Kingdom corporation tax as regards such payment of interest under the class Z note; and

(b) that a withholding or deduction for or on account of tax is required in respect of such payment by or on behalf of the issuer in respect of the class Z note pursuant to condition 8.1.

9. EVENTS OF DEFAULT

9.1. Class A noteholders

The note trustee in its absolute discretion may (and if so requested in writing by the holders of not less than 25% in aggregate principal amount outstanding of the class A notes (which for this purpose and the purpose of any extraordinary resolution referred to in this condition 9.1 means the class A notes of all series constituted by the note trust deed) or if so directed by or pursuant to an extraordinary resolution passed at a single meeting of the holders of the class A notes shall), subject in each case to being indemnified and/or secured to its satisfaction, give notice (a **class A note acceleration notice**) to the issuer, the issuer security trustee and the Funding 1 security trustee of a note event of default (as defined below) declaring (in writing) the class A notes and all other notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events which is continuing or unwaived:

(a) default being made for a period of three business days in the payment of any amount of principal of the class A notes of any series when and as the same ought to be paid in accordance with these conditions or default being made for a period of three business days in the payment of any amount of interest on the class A notes of any series when and as the same ought to be paid in accordance with these conditions; or

(b) the issuer failing duly to perform or observe any other obligation binding upon it under the class A notes of any series, the note trust deed, the issuer deed of charge or any other transaction document and, in any such case (except where the note trustee certifies that, in its opinion, such failure is incapable of remedy, in which case no notice will be required), such failure is continuing unremedied for a period of 20 days following the service by the note trustee on the issuer of notice requiring the same to be remedied and the note trustee has certified that the failure to perform or observe is materially prejudicial to the interests of the holders of the class A notes of such series; or

(c) the issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in condition 9.1(d), ceases or threatens to cease to carry on its business or a substantial part of its business or the issuer is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or

(d) an order being made or an effective resolution being passed for the winding-up of the issuer except a winding-up for the purposes of or pursuant to an amalgamation, restructuring or merger the terms of which have previously been approved by the note trustee in writing or by an extraordinary resolution of the holders of the class A notes; or

(e) proceedings being otherwise initiated against the issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the making of an application for administration or the filing of documents with the court for an administration) and (except in the case of presentation of a petition for an administration order) such proceedings are not, in the opinion of the note trustee, being disputed in good faith with a reasonable prospect of success, a formal notice is given of intention to appoint an administrator in relation to the issuer or an administration order being granted or

an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the issuer or in relation to the whole or any substantial part of the undertaking or assets of the issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally or a composition or similar arrangement with the creditors or takes steps with a view to obtaining a moratorium in respect of its indebtedness, including without limitation, the filing of documents with the court; or

(f) if an intercompany loan acceleration notice is served under the intercompany loan agreement while the class A notes of any series are outstanding.

9.2. Class B noteholders

This condition 9.2 shall have no effect if, and for as long as, any class A notes of any series are outstanding. Subject thereto, for so long as any class B notes are outstanding, the note trustee in its absolute discretion may (and if so requested in writing by the holders of not less than 25% in aggregate principal amount outstanding of the class B notes (which for this purpose and the purpose of any extraordinary resolution referred to in this condition 9.2, means the class B notes of all series constituted by the note trust deed) or if so directed by or pursuant to an extraordinary resolution passed at a single meeting of the holders of the class B notes shall), subject in each case to it being indemnified and/or secured to its satisfaction, give notice (a **class B note acceleration notice**) to the issuer, the issuer security trustee and the Funding 1 security trustee of a note event of default (as defined below) and declaring (in writing) the class B notes and all other notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

(a) default being made for a period of three business days in the payment of any amount of principal of the class B notes of any series when and as the same ought to be paid in accordance with these conditions or default being made for a period of three business days in the payment of any amount of interest on the class B notes of any series when and as the same ought to be paid in accordance with these conditions; or

(b) the occurrence of any of the events in conditions 9.1(b), (c), (d), (e) or (f) above provided that the references in conditions 9.1(b), (d) and (f) to class A notes shall be read as references to class B notes.

9.3. Class M noteholders

This condition 9.3 shall have no effect if, and for as long as, any class A notes or class B notes of any series are outstanding. Subject thereto, for so long as any class M notes are outstanding, the note trustee in its absolute discretion may (and if so requested in writing by the holders of not less than 25% in aggregate principal amount outstanding of the class M notes (which for this purpose and the purpose of any extraordinary resolution referred to in this condition 9.3, means the class C notes of all series constituted by the note trust deed) or if so directed by or pursuant to an extraordinary resolution passed at a single meeting of the holders of the class M notes) shall, subject in each case to it being indemnified and/or secured to its satisfaction, give notice (a **class M note acceleration notice**) to the issuer, the issuer security trustee and the Funding 1 security trustee of a note event of default (as defined below) and declaring (in writing) the class M notes and all other notes to be due and

repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

(a) default being made for a period of three business days in the payment of any amount of principal of the class M notes of any series when and as the same ought to be paid in accordance with these conditions or default being made for a period of three business days in the payment of any amount of interest on the class M notes of any series when and as the same ought to be paid in accordance with these conditions; or

(b) the occurrence of any of the events in conditions 9.1(b), (c), (d), (e) or (f) above provided that the references in conditions 9.1(b), (d) and (f) to class A notes shall be read as references to class M notes.

9.4. Class C noteholders

This condition 9.4 shall have no effect if, and for as long as, any class A notes, class B notes or class M notes of any series are outstanding. Subject thereto, for so long as any class C notes are outstanding, the note trustee in its absolute discretion may (and if so requested in writing by the holders of not less than 25% in aggregate principal amount outstanding of the class C notes (which for this purpose and the purpose of any extraordinary resolution referred to in this condition 9.4, means the class C notes of all series constituted by the note trust deed) or if so directed by or pursuant to an extraordinary resolution passed at a single meeting of the holders of the class C notes) shall, subject in each case to it being indemnified and/or secured to its satisfaction, give notice (a **class C note acceleration notice**) to the issuer, the issuer security trustee and the Funding 1 security trustee of a note event of default (as defined below) and declaring (in writing) the class C notes and all other notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

(a) default being made for a period of three business days in the payment of any amount of principal of the class C notes of any series when and as the same ought to be paid in accordance with these conditions or default being made for a period of three business days in the payment of any amount of interest on the class C notes of any series when and as the same ought to be paid in accordance with these conditions; or

(b) the occurrence of any of the events in conditions 9.1(b), (c), (d), (e) or (f) above provided that the references in conditions 9.1(b), (d) and (f) to class A notes shall be read as references to class C notes.

9.5. Class D noteholders

This condition 9.5 shall have no effect if, and for as long as, any class A notes, class B notes, class M notes or class C notes of any series are outstanding. Subject thereto, for so long as any class D notes are outstanding, the note trustee in its absolute discretion may (and if so requested in writing by the holders of not less than 25% in aggregate principal amount outstanding of the class D notes (which for this purpose and the purpose of any extraordinary resolution referred to in this condition 9.5, means the class D notes of all series constituted by the note trust deed) or if so directed by or pursuant to an extraordinary resolution passed at a single meeting of the holders of the class D notes shall), subject in each case to it being indemnified and/or secured to its satisfaction, give notice (a **class D note acceleration notice**) to the issuer, the issuer security trustee and the Funding 1 security trustee of a note event of default (as defined below) and declaring (in writing) the class D notes and all other notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

(a) default being made for a period of three business days in the payment of any amount of principal of the class D notes of any series when and as the same ought to be paid in accordance with these conditions or default being made for a period of three business days in the payment of any amount of interest on the class D notes of any series when and as the same ought to be paid in accordance with these conditions; or

(b) the occurrence of any of the events in conditions 9.1(b), (c), (d), (e) or (f) above provided that the references in conditions 9.1(b), (d) and (f) to class A notes shall be read as references to class D notes.

9.6. Class Z noteholders

This condition 9.6 shall have no effect if, and for as long as, any class A notes, class B notes, class M notes, class C notes or class D notes of any series are outstanding. Subject thereto, for so long as any class Z notes are outstanding, the note trustee in its absolute discretion may (and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount outstanding of the class Z notes outstanding (as defined in the note trust deed) (which for this purpose and the purpose of any extraordinary resolution referred to in this condition 9.6, means the class Z notes constituted by the note trust deed) or if so directed by or pursuant to an extraordinary resolution passed at a meeting of the class Z noteholders of the class Z notes shall), subject in each case to it being indemnified and/or secured to its satisfaction, give notice (a class **Z note acceleration notice**) to the issuer, the issuer security trustee and the Funding 1 security trustee of a note event of default (as defined below) and declaring (in writing) the class Z notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

(a) default being made for a period of three business days in the payment of any amount of principal of the class Z notes when and as the same ought to be paid in accordance with these conditions or default being made for a period of three business din the payment of any amount of interest on the class Z notes when and as the same ought to be paid in accordance with these conditions; or

(b) the occurrence of any of the events in condition 9.1(b), (c), (d), (e) or (f) above provided that the references in condition 9.1(b), condition 9.1(d) and condition 9.1(f) to class A notes shall be read as references to class Z notes.

9.7. Following service of a note acceleration notice

In these conditions, a **note acceleration notice** means any of the class A note acceleration notice, the class B note acceleration notice, the class M note acceleration notice, the class C note acceleration notice, the class D note acceleration notice and the class Z acceleration notice. For the avoidance of doubt, upon any note acceleration notice being given by the note trustee in accordance with condition 9.1, 9.2, 9.3, 9.4 or 9.5 all notes shall immediately become due, without further action or formality at their principal amount outstanding together with accrued interest (or, in the case of a zero coupon note, at its redemption amount, calculated in accordance with condition 5.6).

10. ENFORCEMENT OF NOTES

10.1. Enforcement

The note trustee may, at its discretion and without notice at any time and from time to time, take such steps and institute such proceedings against the issuer or any other person as it may think fit to enforce the provisions of the notes, the note trust deed (including these conditions) or any of the other transaction documents to which it is a party and the note trustee may, at its

discretion and without notice, at any time after the issuer security has become enforceable (including after the service of a note acceleration notice in accordance with condition 9), instruct the issuer security trustee to take such steps as it may think fit to enforce the issuer security. The note trustee shall not be bound to take such steps or institute such proceedings or give such instructions unless:

(a) (subject in all cases to restrictions contained in the note trust deed to protect the interests of any higher ranking class of noteholders) it shall have been so directed by an extraordinary resolution passed at a single meeting of the class A noteholders, the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders, or the class Z noteholders (which for this purpose means the holders of all series of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes, or the class Z notes (as applicable)) or so requested in writing by the holders of at least one quarter in aggregate principal amount outstanding of the class A notes, class B notes, class M notes, class C notes, class D notes, or class Z notes (as applicable) of all series; and

(b) it shall have been indemnified and/or secured to its satisfaction.

The issuer security trustee shall not be bound to take such steps or take any such other action unless it is so directed by the note trustee and has been indemnified and/or secured to its satisfaction.

Amounts available for distribution after enforcement of the issuer security shall be distributed in accordance with the terms of the issuer deed of charge.

No noteholder may institute any proceedings against the issuer to enforce its rights under or in respect of the notes, the note trust deed or the issuer deed of charge unless (i) the note trustee or the issuer security trustee, as applicable, has become bound to institute proceedings and has failed to do so within a reasonable time of becoming so bound and (ii) such failure is continuing; provided that, no noteholder will be entitled to commence proceedings for the winding up or administration of the issuer unless there are no outstanding notes of a class with higher priority, or if notes of a class with higher priority are outstanding, there is consent of noteholders of not less than one quarter of the aggregate principal amount of the notes outstanding (as defined in the note trust deed) of the class or classes of notes with higher priority or pursuant to an extraordinary resolution of the holders of such class of notes. Notwithstanding the foregoing and notwithstanding any other provision of the note trust deed, the right of any noteholder to receive payment of principal and interest on its notes on or after the due date for such principal or interest, or to institute suit for the enforcement of payment of that principal or interest, may not be impaired or affected without the consent of that noteholder.

10.2. 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 by the issuer deed of charge (the **issuer charged assets**).

If:

(a) there are no issuer charged assets remaining which are capable of being realised or otherwise converted into cash;

(b) all amounts available from the issuer charged assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the issuer deed of charge; and

(c) there are insufficient amounts available from the issuer charged assets to pay in full, in accordance with the provisions of the issuer deed of charge, amounts outstanding under the notes (including payments of principal, premium (if any) and interest),

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

11. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND WAIVER

11.1. Meetings of noteholders

The note trust deed contains provisions for convening meetings of noteholders to consider any matter affecting their interests, including the sanctioning by extraordinary resolution of a modification of any provision of these conditions or the provisions of any of the transaction documents.

(a) Class A notes

In respect of the class A notes, the note trust deed provides that, subject to condition 11.2:

(i) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class A notes of one sub-class only shall be deemed to have been duly passed if passed at a meeting of the holders of the class A notes of that sub-class;

(ii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class A notes of any two or more sub-classes but does not give rise to a conflict of interest between the holders of such two or more sub-classes of class A notes, shall be deemed to have been duly passed if passed at a single meeting of the holders of such two or more sub-classes of class A notes; and

(iii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class A notes of any two or more sub-classes and gives or may give rise to a conflict of interest between the holders of such two or more sub-classes of class A notes, shall be deemed to have been duly passed only if, *in lieu* of being passed at a single meeting of the holders of such two or more sub-classes of class A notes, it shall be passed at separate meetings of the holders of such two or more sub-classes of class A notes.

(b) Class B notes

In respect of the class B notes, the note trust deed provides that, subject to condition 11.2:

(i) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class B notes of one sub-class only shall be deemed to have been duly passed if passed at a meeting of the holders of the class B notes of that sub-class;

(ii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class B notes of any two or more sub-classes but does not give rise to a conflict of interest between the holders of such two or more sub-classes of class B

notes, shall be deemed to have been duly passed if passed at a single meeting of the holders of such two or more sub-classes of class B notes; and

(iii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class B notes of any two or more sub-classes and gives or may give rise to a conflict of interest between the holders of such two or more sub-classes of class B notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such two or more sub-classes of class B notes, it shall be passed at separate meetings of the holders of such two or more sub-classes of class B notes.

(c) Class M notes

In respect of the class M notes, the note trust deed provides that, subject to condition 11.2:

(i) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class M notes of one sub-class only shall be deemed to have been duly passed if passed at a meeting of the holders of the class M notes of that sub-class;

(ii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class M notes of any two or more sub-classes but does not give rise to a conflict of interest between the holders of such two or more sub-classes of class M notes, shall be deemed to have been duly passed if passed at a single meeting of the holders of such two or more sub-classes of class M notes; and

(iii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class M notes of any two or more sub-classes and gives or may give rise to a conflict of interest between the holders of such two or more sub-classes of class M notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such two or more sub-classes of class M notes, it shall be passed at separate meetings of the holders of such two or more sub-classes of class M notes.

(d) Class C notes

In respect of the class C notes, the note trust deed provides that, subject to condition 11.2:

(i) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class C notes of one sub-class only shall be deemed to have been duly passed if passed at a meeting of the holders of the class C notes of that sub-class;

(ii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class C notes of any two or more sub-classes but does not give rise to a conflict of interest between the holders of such two or more sub-classes of class C notes, shall be deemed to have been duly passed if passed at a single meeting of the holders of such two or more sub-classes of class C notes; and

(iii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class C notes of any two or more sub-classes and gives or may give rise to a conflict of interest between the holders of such two or more sub-classes of class C notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the holders of such two or more sub-classes of class C notes, it shall be passed at separate meetings of the holders of such two or more sub-classes of class C notes.

(e) Class D notes

In respect of the class D notes, the note trust deed provides that, subject to condition 11.2:

(i) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class D notes of one sub-class only shall be deemed to have been duly passed if passed at a meeting of the holders of the class D notes of that sub-class;

(ii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class D notes of any two or more sub-classes but does not give rise to a conflict of interest between the holders of such two or more sub-classes of class D notes, shall be deemed to have been duly passed if passed at a single meeting of the holders of such two or more sub-classes of class D notes; and

(iii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class D notes of any two or more sub-classes and gives or may give rise to a conflict of interest between the holders of such two or more sub-classes of class D notes, shall be deemed to have been duly passed only if, *in lieu* of being passed at a single meeting of the holders of such two or more sub-classes of class D notes, it shall be passed at separate meetings of the holders of such two or more sub-classes of class D notes.

(f) Class Z notes

In respect of the class Z notes, the note trust deed provides that, subject to condition 11.2:

(i) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class Z notes of one sub-class only shall be deemed to have been duly passed if passed at a meeting of the holders of the class Z notes of that sub-class;

(ii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class Z notes of any two or more sub-classes but does not give rise to a conflict of interest between the holders of such two or more sub-classes of class Z notes, shall be deemed to have been duly passed if passed at a single meeting of the holders of such two or more sub-classes of class Z notes; and

(iii) a resolution which, in the sole opinion of the note trustee, affects the interests of the holders of the class Z notes of any two or more sub-classes and gives or may give rise to a conflict of interest between the holders of such two or more sub-classes of class Z notes, shall be deemed to have been duly passed only if, *in lieu* of being passed at a single meeting of the holders of such two or more sub-classes of class Z notes, it shall be passed at separate meetings of the holders of such two or more sub-classes of class Z notes.

The quorum for any meeting of the holders of any sub-class or sub-classes of notes convened to consider a resolution (except for the purpose of passing an extraordinary resolution or a programme resolution) will be one or more persons holding or representing not less than one-twentieth of the aggregate principal amount outstanding of such sub-class or sub-classes of notes or, at any adjourned meeting, one or more persons being or representing noteholders of such sub-class or sub-classes, whatever the principal amount of the relevant notes so held or represented. A **resolution** means a resolution (excluding an extraordinary resolution or a programme resolution) passed at a meeting of noteholders duly convened and held in accordance with the provisions of the note trust deed by a simple majority of the persons voting thereat upon a show of hands or if a poll is duly demanded by a simple majority of the votes cast on such poll.

Subject as provided in the following paragraph, the quorum at any meeting of the holders of any sub-class or sub-classes of notes convened to consider an extraordinary resolution will be two or more persons holding or representing not less than 50% of the aggregate principal amount outstanding of such sub-class or sub-classes of notes or, at any adjourned meeting, one or more persons being or representing noteholders of such sub-class or sub-classes of notes, whatever the aggregate principal amount outstanding of the notes so held or represented.

The quorum at any meeting of the noteholders for passing an extraordinary resolution which includes the sanctioning of a modification which would have the effect of altering the amount or timing of payments of principal on the notes of any sub-class or sub-classes, the rate, the day or the timing of payments of interest thereon or of the currency of payment of the notes of any sub-class or sub-classes or altering the priority of payments or altering the quorum or majority required in relation to any resolution (each a **basic terms modification** as more fully defined in the note trust deed) shall be one or more persons holding or representing not less than 75% of the aggregate principal amount outstanding of the notes of the relevant sub-class or sub-classes or, at any adjourned and reconvened meeting, not less than 25% of the aggregate principal amount outstanding of the notes of the relevant series and class (or sub-class) or of the relevant sub-class or sub-classes.

An extraordinary resolution passed at any meeting of noteholders of any sub-class or sub-classes shall be binding on all of the noteholders of such sub-class or sub-classes whether or not they are present or represented at the meeting.

In connection with any meeting of the noteholders where the relevant notes (or any of them) are not denominated in sterling, the principal amount outstanding of any note not denominated in sterling shall be converted into sterling at the relevant specified currency exchange rate.

A resolution signed by or on behalf of all the noteholders of any sub-class or sub-classes who for the time being are entitled to receive notice of a meeting under the note trust deed shall for all purposes be as valid and effective as an extraordinary resolution passed at a meeting of holders of such sub-class or sub-classes.

11.2. Programme resolution

Notwithstanding the provisions of condition 11.1, any extraordinary resolution of the noteholders of any class of notes to direct the note trustee to give a note acceleration notice or to take any enforcement action pursuant to conditions 9 and 10 (a **programme resolution**) shall only be capable of being passed at a single meeting of the noteholders of all series of such class of notes. The quorum at any such meeting for passing a programme resolution shall be two or more persons holding or representing not less than 50% of the aggregate principal amount outstanding of the notes of such class or, at any adjourned and reconvened meeting, one or more persons being or representing noteholders of such class of notes, whatever the aggregate principal amount outstanding of such class of notes so held or represented by them.

A programme resolution passed at any meeting of all series of any class of notes shall be binding on all noteholders of all series of that class of notes, whether or not they are present or represented at the meeting.

11.3. Limitations on noteholders

Subject as provided in condition 11.4:

(a) an extraordinary resolution of the class A noteholders shall be binding on all class B noteholders, all class M noteholders, all class C noteholders, all class D noteholders and all class Z noteholders;

(b) no extraordinary resolution of the class B noteholders shall take effect for any purpose while any class A notes remain outstanding unless it shall have been sanctioned by an extraordinary resolution or extraordinary resolutions of the class A noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the interests of the class A noteholders and, subject hereto and to condition 11.4, an extraordinary resolution of the class B noteholders will be binding on the class M noteholders, the class C noteholders and the class D noteholders irrespective of the effect upon them;

(c) no extraordinary resolution of the class M noteholders shall take effect for any purpose while any class A notes or class B notes remain outstanding unless it shall have been sanctioned by an extraordinary resolution or extraordinary resolutions of the class A noteholders and an extraordinary resolution or extraordinary resolutions of the class B noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class A noteholders and the class B noteholders and, subject hereto and to condition 11.4, an extraordinary resolution of the class M noteholders of any series will be binding on the class C noteholders and the class D noteholders irrespective of the effect upon them;

(d) no extraordinary resolution of the class C noteholders shall take effect for any purpose while any class A notes, class B notes or class M notes remain outstanding unless it shall have been sanctioned by an extraordinary resolution or extraordinary resolutions of the class A noteholders, an extraordinary resolution or extraordinary resolutions of the class B noteholders and an extraordinary resolution or extraordinary resolutions of the class M noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class A noteholders, the class B noteholders and the class M noteholders and, subject hereto and to condition 11.4, an extraordinary resolution of the class C noteholders will be binding on the class D noteholders irrespective of the effect upon them; and

(e) no extraordinary resolution of class D noteholders shall take effect for any purpose while any class A notes, class B notes, class M notes or class C notes remain outstanding unless it shall have been sanctioned by an extraordinary resolution or extraordinary resolutions of the class A noteholders, an extraordinary resolution or extraordinary resolutions of the class B noteholders, an extraordinary resolution or extraordinary resolutions of the class M noteholders and an extraordinary resolution or extraordinary resolutions of the class C noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class A noteholders, the class B noteholders, the class M noteholders and the class C noteholders.

(f) no extraordinary resolution of class Z noteholders shall take effect for any purpose while any class A notes, class B notes, class M notes, class C notes or class D notes remain outstanding unless it shall have been sanctioned by an extraordinary resolution or extraordinary resolutions of the class A noteholders, an extraordinary resolution or extraordinary resolutions of the class B noteholders, an extraordinary resolution or extraordinary resolutions of the class M noteholders, an extraordinary

resolution or extraordinary resolutions of the class C noteholders and an extraordinary resolution or extraordinary resolutions of the class D noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class A noteholders, the class B noteholders, the class M noteholders, the class C noteholders and the class D noteholders.

11.4. Approval of modifications and waivers by noteholders

No extraordinary resolution of the class A noteholders to sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of such notes shall take effect unless it has been sanctioned by an extraordinary resolution or extraordinary resolutions of the class B noteholders, an extraordinary resolution or extraordinary resolutions of the class M noteholders, an extraordinary resolution or extraordinary resolutions of the class C noteholders, an extraordinary resolution or extraordinary resolutions of the class D noteholders and an extraordinary resolution or extraordinary resolutions of the class Z noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders and the class Z noteholders.

No extraordinary resolution of the class B noteholders to sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of the notes shall take effect unless it has been sanctioned by an extraordinary resolution or extraordinary resolutions of the class M noteholders, an extraordinary resolution or extraordinary resolutions of the class C noteholders, an extraordinary resolution or extraordinary resolutions of the class D noteholders and an extraordinary resolution or extraordinary resolutions of the class Z noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class M noteholders, the class C noteholders, the class D noteholders, and the class Z noteholders.

No extraordinary resolution of the class M noteholders to sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of the notes shall take effect unless it has been sanctioned by an extraordinary resolution or extraordinary resolutions of the class C noteholders, an extraordinary resolution or extraordinary resolutions of the class D noteholders and an extraordinary resolution or extraordinary resolutions of the class Z noteholders or the note trustee is of the opinion that it would not be materially prejudicial to the respective interests of the class C noteholders, the class D noteholders and the class Z noteholders.

No extraordinary resolution of the class C noteholders to sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of the notes shall take effect unless it has been sanctioned by an extraordinary resolution or extraordinary resolutions of the class D noteholders and an extraordinary resolution or extraordinary resolutions of the class Z noteholders, or the note trustee is of the opinion that it would not be materially prejudicial to the interests of the class D noteholders and the class Z noteholders.

No extraordinary resolution of the class D noteholders to sanction a modification of, or any waiver or authorisation of any breach, or proposed breach of, any of the provisions of the transaction documents or the conditions of the notes shall take effect unless it has been sanctioned by an extraordinary resolution or extraordinary resolutions of the class Z noteholders, or the note trustee is of the opinion that it would not be materially prejudicial to the interests of the class Z noteholders.

11.5. Modifications and determinations by note trustee

The note trustee may, without the consent of the noteholders:

(a) agree to any modification (other than a basic terms modification) of, or to the waiver or authorisation of any breach or proposed breach of, the conditions of any series and class (or sub-class) of notes or any of the transaction documents which is not in the opinion of the note trustee, materially prejudicial to the interests of the noteholders of any series and class (or sub-class) of notes; or

(b) determine that any note event of default shall not be treated as such provided that it is not in the opinion of the note trustee materially prejudicial to the interests of the holders of the most senior class of notes then outstanding; or

(c) agree to any modification (except a basic terms modification) of these conditions or any of the transaction documents which, in the opinion of the note trustee, is of a formal, minor or technical nature or is to correct a manifest error established as such to the satisfaction of the note trustee or is to comply with the mandatory provisions of law; or

(d) agree to any modification of any of these conditions or any transaction documents as expressly provided for in the transaction documents; or

(e) agree to a change of laws governing the notes and/or the transaction documents (and to any consequential amendments deriving therefrom) provided that such change and consequential amendments would not, in the opinion of the note trustee, be materially prejudicial to the interests of the holders of any series or class (or sub-class) of notes.

For the avoidance of doubt, the note trustee shall be entitled to assume, without further investigation or inquiry, that such modification, waiver, determination or authorisation will not be materially prejudicial to the interests of the noteholders of any class or series if S&P rating the relevant series and class (or sub-class) of rated notes has confirmed in writing that the then current ratings of the applicable series and class (or sub-class) of rated notes would not be reduced, withdrawn or qualified by such modification, waiver, determination or authorisation (and advance notice in writing of such modification, waiver, determination or authorisation 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) other than in the case of a modification, waiver, determination or authorisation that relates to an amendment of a maturity purchase deed or Condition 5.8. Where a modification, waiver, determination or authorisation relates to an amendment of a maturity purchase deed or Condition 5.8, the note trustee may agree to such modification or make such determination in accordance with Condition 11.5(a) to (e) inclusive.

Any modification, waiver, authorisation or determination made pursuant to this Condition 11.5(a) shall be binding on the noteholders and, unless the note trustee agrees otherwise, any such modification shall be notified to the noteholders and the rating agencies in accordance with condition 14 as soon as practicable thereafter.

11.6. Redenomination

The note trustee may agree, without the consent of the holders of the sterling notes on or after the specified date (as defined below), to such modifications to the sterling notes and the note trust deed in respect of redenomination of such notes in euro and associated reconventioning, renominalisation and related matters in respect of such notes as may be proposed by the issuer (and confirmed by an independent financial institution approved by the note trustee to be in

conformity with then applicable market conventions) and to provide for redemption at the euro equivalent of the sterling principal amount of the sterling notes. For these purposes, **specified date** means the date on which the United Kingdom participates in the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time, or otherwise participates in European economic and monetary union in a manner with an effect similar to such third stage.

Any such modification shall be binding on the holders of the sterling notes and, unless the note trustee agrees otherwise, any such modification shall be notified to such noteholders in accordance with condition 14 as soon as practicable thereafter.

11.7. Exercise of note trustee's functions

Where the note trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions under these conditions or any transaction document, to have regard to the interests of the noteholders of any class, it shall have regard to the interests of such noteholders as a class and, in particular but without prejudice to the generality of the foregoing, the note trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the note trustee shall not be entitled to require, and no noteholder shall be entitled to claim, from the issuer or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual noteholders.

11.8. Additional right of modification

Notwithstanding the provisions of Condition 11.4 (Approval of modifications and waivers by noteholders) and Condition 11.5 (Modifications and determinations by note trustee), following the redemption in full of all notes issued prior to 11 December 2014 (or at any time if noteholders representing 100 per cent. of the outstanding principal balance of such notes issued prior to 11 December 2014 consent), the note trustee shall be obliged, without any consent or sanction of the noteholders, or, subject to paragraph (g)(iii) below, any of the other issuer secured creditors or the Funding 1 secured creditors (as appropriate), to concur with the issuer, and to direct the issuer security trustee to concur with the issuer or any other person and shall direct the issuer security trustee to direct the Funding 1 security trustee to concur with Funding 1 and any other person, in making any modification (other than in respect of a basic terms modification) to these conditions or any other transaction document to which it is a party or in relation to which it holds security that the issuer considers necessary:

(a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the rating agencies which may be applicable from time to time, provided that (i) the issuer certifies in writing to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and (ii) in the case of any modification to a transaction document proposed by any of a swap provider, any account bank, the issuer cash manager or the cash manager in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):

A. such swap provider, such account bank, the issuer cash manager or the cash manager, as the case may be, certifies in writing to the issuer or the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) that

such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above (and in the case of a certification provided to the issuer, the issuer shall certify to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) that is has received the same from such swap provider, such account bank, the issuer cash manager or the cash manager, as the case may be);

B. either:

1. such swap provider, such account bank, the issuer cash manager or the cash manager, as the case may be, obtains from each of the rating agencies written confirmation (or certifies in writing to the issuer and the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the rating agencies) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the notes by such rating agency and would not result in any rating agency placing any notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the issuer and the note trustee; or

2. the issuer certifies in writing to the note trustee, the issuer security trustee and the Funding 1 security trustee that the rating agencies have been informed of the proposed modification and none of the rating agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the notes by such rating agency or (y) such rating agency placing any notes on rating watch negative (or equivalent); and

C. such swap provider, such account bank or the issuer (with respect to changes requested by the issuer cash manager or the cash manager) pays all costs and expenses (including legal fees) incurred by the issuer, the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in connection with such modification;

(b) in order to enable the issuer and/or a swap provider to comply with:

(i) any obligation which applies to it under Articles 9, 10 and 11 of EMIR; or

(ii) any other obligation which applies to it under EMIR, provided that the issuer or such swap provider, as appropriate, certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect;

(c) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of the AIFMD, Article 51 of the AIFMR or Section 15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Act, after the closing date, including as a result of the adoption of Regulatory Technical Standards in relation to the CRR or the AIFMR or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the issuer certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(d) for the purpose of enabling the notes to be (or to remain) listed on the London Stock Exchange, provided that the issuer certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(e) for the purposes of enabling the issuer or any of the other parties to the transaction documents to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the issuer or the relevant other party, as applicable, certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(f) for the purposes of enabling the issuer to comply with the provisions of Rule 17g-5 of the Securities Exchange Act of 1934, provided that the issuer certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(g) for the purpose of complying with any changes in the requirements of the Credit Rating Agencies Regulation after the closing date, including as a result of the adoption of Regulatory Technical Standards in relation to the Credit Rating Agencies Regulation or regulations or official guidance in relation thereto, provided that the issuer certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(h) for the purpose of complying with the requirements of any law, regulation or official guidance introduced after 11 December 2014 relating to securitisation which establishes capital, liquidity or other regulatory treatment for securities or securitisations and would enable the notes (either then outstanding or intended to be issued in the future) to qualify for and benefit from favourable capital, liquidity or other regulatory treatment under the requirements of such legislation, regulations or official guidance, provided that the issuer certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is required solely for such purpose; and

(i) for the purpose of complying with the eligibility criteria of PCS required to obtain a PCS Label for notes which are either then outstanding or are intended to be issued in the future, provided that the issuer certifies to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) in writing that such modification is, in its opinion, not materially prejudicial to noteholders and is required to enable such notes to qualify for a PCS label,

(the certificate to be provided by the issuer, the relevant swap provider or the relevant other party to a transaction document, as the case may be, pursuant to paragraphs (a) to (i) above being a **modification certificate**), provided that:

(i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate);

(ii) the modification certificate in relation to such modification shall be provided to the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) both at the time the note trustee, the issuer security trustee and the Funding 1 security trustee (as appropriate) are notified of the proposed modification and on the date that such modification takes effect; and

(iii) the consent of each issuer secured creditor and Funding 1 secured creditor (as appropriate) which is party to the relevant transaction document has been obtained,

and provided further that, other than in the case of a modification pursuant to Condition 11.8(b)(i):

(iv) other than in the case of a modification pursuant to Condition 11.8(a)(ii), either:

A. the issuer obtains from each of the rating agencies written confirmation (or certifies in the modification certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the rating agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the notes by such rating agency or (y) such rating agency placing any notes on rating watch negative (or equivalent); or

B. the issuer certifies in the modification certificate that it has informed the rating agencies of the proposed modification and none of the rating agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any class of the notes by such rating agency or (y) such rating agency placing any notes on rating watch negative (or equivalent); and

(v) (I) the issuer has provided at least 30 calendar days' notice to the noteholders of each class of the proposed modification in accordance with Condition 14 (Notice to noteholders), and (II) the note trustee has not been notified in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such notes may be held) by noteholders representing at least 10 per cent. of the aggregate principal amount outstanding of the most senior class of notes then outstanding within such notification period that such noteholders do not consent to the modification.

If noteholders representing at least 10 per cent. of the aggregate principal amount outstanding of the most senior class of notes then outstanding have notified the note trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an extraordinary resolution of the noteholders of the most senior class of notes then outstanding is passed in favour of such modification in accordance with Condition 11.1 (Meetings of Noteholders).

most senior class of notes means the class A notes or, if no class A notes are outstanding, the class B notes or, if no class A notes or class B notes are outstanding, the class C notes or, if no class A notes, class B notes or class C notes are outstanding, the class D notes or, if no class A notes, class B notes, class C notes or class D notes are outstanding, the class M notes or, if no class A notes, class B notes, class C notes, class D notes or class M notes are outstanding, the class Z notes.

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the note trustee's satisfaction (having regard to prevailing market practices) of the relevant noteholder's holding of the notes.

Other than where specifically provided in this Condition 11.8 (Additional Right of Modification) or any transaction document:

(a) when implementing any modification pursuant to this Condition 11.8 (Additional Right of Modification) (save to the extent the note trustee considers that the proposed modification would constitute a basic terms modification), the note trustee shall not consider the interests of the noteholders, any other issuer secured creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the issuer or the relevant transaction party, as the case may be, pursuant to this Condition 11.8 (Additional Right of Modification) and shall not be liable to the noteholders, any other issuer secured creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(b) the note trustee shall not be obliged to agree to any modification which, in the sole opinion of the note trustee would have the effect of (i) exposing the note trustee to any liability against which is has not be indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the note trustee in the transaction documents and/or these conditions.

Any such modification shall be binding on all noteholders and shall be notified by the issuer as soon as reasonably practicable to:

(a) so long as any of the notes rated by the rating agencies remains outstanding, each rating agency;

(b) the issuer secured creditors and Funding 1 secured creditors (as appropriate); and

(c) the noteholders in accordance with Condition 14 (Notices to Noteholders).

12. INDEMNIFICATION OF THE NOTE TRUSTEE AND THE ISSUER SECURITY TRUSTEE

The note trust deed and the issuer deed of charge set out certain provisions for the benefit of the note trustee and the issuer security trustee. The following is a summary of such provisions and is subject to the more detailed provisions of the note trust deed and the issuer deed of charge.

The transaction documents contain provisions governing the responsibility (and relief from responsibility) of the note trustee and the issuer security trustee and providing for their indemnification in certain circumstances, including, among others, provisions relieving the issuer security trustee from taking enforcement proceedings or enforcing the issuer security unless indemnified and/or secured to its satisfaction.

The note trustee and the issuer security trustee and their related companies are entitled to enter into business transactions with the issuer, Nationwide, the issuer cash manager and/or the related companies of any of them and to act as note trustee or issuer security trustee for the holders of any new notes and/or any other person who is a party to any transaction document or whose obligations are comprised in the issuer security and/or any of its subsidiary or associated companies without accounting for any profit resulting therefrom.

Neither the note trustee nor the issuer security trustee will be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the issuer security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the note trustee or the issuer security trustee, as applicable.

Furthermore, the note trustee and the issuer security trustee will be relieved of liability for making searches or other inquiries in relation to the assets comprising the issuer security. The note trustee and the issuer security trustee do not have any responsibility in relation to the legality and the enforceability of the trust arrangements and the related issuer security. Neither the note trustee nor the issuer security trustee will be obliged to take any action that might result in its incurring personal liabilities. Neither the note trustee nor the issuer security trustee is obliged to monitor or investigate the performance of any other person under the transaction documents and is entitled to assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, unless it receives express notice to the contrary.

Neither the note trustee nor the issuer security trustee will be responsible for any deficiency that may arise because it is liable to tax in respect of the proceeds of any issuer security.

13. REPLACEMENT OF NOTES

If definitive notes are lost, stolen, mutilated, defaced or destroyed, the noteholder can replace them at the specified office of any paying agent subject to all applicable laws and stock exchange requirements. The noteholder will be required both to pay the expenses of producing a replacement and to comply with the issuer's, the registrar's and the paying agent's reasonable requests for evidence and indemnity.

If a global note is lost, stolen, mutilated, defaced or destroyed, the issuer will deliver a replacement global note to the registered holder upon receipt of satisfactory evidence and surrender of any defaced or mutilated global note. A replacement will only be made upon payment of the expenses for a replacement and compliance with the issuer's, registrar's and paying agents' reasonable requests as to evidence and indemnity.

Defaced or mutilated notes must be surrendered before replacements will be issued.

14. NOTICE TO NOTEHOLDERS

14.1. Publication of notice

Any notice to noteholders shall be validly given if such notice is:

(a) sent to them by first class mail (or its equivalent) or (if posted to a non-UK address) by airmail at the respective addresses on the register; and

(b) published in The Financial Times; and

(c) for so long as amounts are outstanding on the Rule 144A notes, in a daily newspaper of general circulation in New York (which is expected to be the New York Times);

or, if any of such newspapers set out above shall cease to be published or timely publication therein shall not be practicable, in a leading English language daily newspaper having general circulation in the United Kingdom or the United States (as applicable) provided that if, at any time, the issuer procures that the information concerned in such notice shall be published on the relevant screen, publication in the newspapers set out above or such other newspaper or newspapers shall not be required with respect to such information.

14.2. Date of publication

Any notices so published shall be deemed to have been given on the fourth day after the date of posting or, as the case may be, on the date of such publication or, if published more than

once 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 on which) publication is required.

14.3. Global notes

While the notes are represented by global notes, any notice to noteholders will be validly given if such notice is provided in accordance with condition 14 or (at the option of the issuer) if delivered to DTC (in the case of the Rule 144A notes held through DTC) or Euroclear and/or Clearstream, Luxembourg (in the case of the Reg S notes and the Rule 144A notes held through Euroclear and/or Clearstream). Any notice delivered to the DTC and/or Euroclear and/or Clearstream, Luxembourg will be deemed to be given on the day of delivery.

14.4. 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 any series or class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges on which the notes are then admitted for trading and provided that notice of such other method is given to the noteholders in such manner as the note trustee shall require.

15. NEW SERIES

The issuer may issue new series and classes (or sub-classes) of notes from time to time, without obtaining the consent of noteholders, subject to satisfaction of the issuance tests (including written confirmation from S&P that the then current ratings of the rated notes outstanding of that time will not be reduced, withdrawn or qualified because of the new issue (and advance notice in writing of such new issue 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)) as described in the note trust deed and the other transaction documents.

16. GOVERNING LAW AND JURISDICTION

The transaction documents and the notes and any non-contractual obligations arising out of or in connection with them are governed by English law unless specifically stated to the contrary. Certain provisions in the transaction documents relating to property situated in Northern Ireland and Scotland are governed by, or construed in accordance with, Northern Irish law and Scots law, respectively. Unless specifically stated to the contrary:

(a) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the notes and the transaction documents; and

(b) the issuer and the other parties to the transaction documents irrevocably submit to the exclusive jurisdiction of the courts of England.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the notes under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy of a third party which exists or is available apart from that Act.

18. DEFINITIONS

Unless otherwise defined in these conditions or unless the context otherwise requires, in these conditions the following words shall have the following meanings and any other terms used but not otherwise defined in these conditions shall have the meanings ascribed to them or incorporated in the note trust deed, the issuer master definitions and construction schedule or the master definitions and construction schedule. The provisions of clause 2 (interpretation and construction) of the master definitions and construction schedule and the issuer master definitions and construction schedule are incorporated into and shall apply to these conditions.

accrual yield means, in respect of any series and class (or sub-class) of notes, the yield specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

additional business centre means, in respect of any series and class (or sub-class) of notes, each place specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

agents means the paying agents, the transfer agent, the exchange rate agent, the registrar and the agent bank;

agent bank means Citibank, N.A. in its capacity as agent bank at its specified office or such other person for the time being acting as agent bank under the paying agent and agent bank agreement;

base prospectus means, in relation to the notes, the base prospectus dated on or about 22 October 2010 relating to the programme, as amended, replaced and/or supplemented from time to time;

broken amount means, in respect of any series and class (or sub-class) of notes, the amount specified as such (if any) for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class means, in relation to the notes or the noteholders, the class A notes, the class B notes, the class M notes, the class C notes, the class D notes, the class Z notes or the class Z GIC collateral notes, as the context requires;

class A noteholders means the holders of the class A notes;

class A notes means notes of any series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class B noteholders means the holders of the class B notes;

class B notes means notes of any series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class C noteholders means the holders of the class C notes;

class C notes means notes of any series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class D noteholders means the holders of the class D notes;

class D notes means notes of any series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class M noteholders means the holders of the class M notes;

class M notes means notes of any series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class Z GIC collateral noteholder means Nationwide or the holders for the time being of the class Z GIC collateral notes;

class Z GIC collateral notes means the notes issued by the issuer and which are designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

class Z noteholders means the holders of the class Z notes;

class Z notes means notes of any series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), and the class Z GIC collateral notes, as applicable;

Clearstream, Luxembourg means Clearstream Banking, société anonyme;

closing date has the meaning given to it in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

deferred transfer date has the meaning indicated in condition 5.8(g);

definitive notes means the note certificates representing the notes while in definitive form;

designated account means the account (which, in the case of a payment in Japanese Yen to a non resident of Japan, shall be a non-resident account) maintained by a holder with a designated bank and identified as such in the register;

designated bank means (in the case of payment in a specified currency other than euro) a bank in the principal financial centre of the country of such specified currency (which, if the specified currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro;

determination date means, in respect of any series and class (or sub-class) of notes, the date(s) specified as such (if any) for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

determination period has the meaning indicated in condition 4.1;

distribution compliance period means the period that ends 40 days after the later of the commencement of the offering and the date of issue of the relevant notes;

dollars, **US$**, **U.S. dollars** or **$** means the lawful currency for the time being of the United States of America;

DTC means The Depository Trust Company;

DTC notice to purchase means a notice given by the issuer to a holder of any maturity purchase note(s) held in DTC in accordance with condition 5.8(c);

DTC tender agent means any party designated or appointed by the issuer to coordinate the purchase of any maturity purchase notes by the maturity purchaser held in DTC in accordance with condition 5.8(c);

EC/CS notice to purchase means a notice given by the issuer to a holder of any maturity purchase note(s) held in Euroclear or Clearstream, Luxembourg in accordance with condition 5.8(c);

EURIBOR means the Euro-zone inter-bank offered rate;

Euro, **euro** or **€** means the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning the European Union, as amended from time to time;

Euroclear means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

exchange rate agent means Citibank, N.A. in its capacity as exchange rate agent at its specified office or such other person for the time being acting as exchange rate agent under the paying agent and agent bank agreement;

expected maturity date means, in respect of a series and class of maturity purchase notes, the bullet redemption date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

extraordinary resolution means (a) a resolution passed at a meeting of the noteholders of a particular class, series or series and class (or sub-class) duly convened and held in accordance with the provisions of the note trust deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll or (b) a resolution in writing signed by or on behalf of all the noteholders of a particular class, series or series and class (or sub-class), which resolution in writing 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 of such class, series or series and class (or sub-class) (as the case may be);

final maturity date means, in respect of any series and class (or sub-class) of notes, the date specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

final terms means, in relation to any series of notes, the final terms issued in relation to such series of notes as a supplement to these conditions and giving details of, *inter alia*, the amount and price of such series of notes and which forms a part of the prospectus in relation to such series of notes;

fixed coupon amount means, in respect of any series and class (or sub-class) of notes, the amount specified as such (if any) for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

Funding 1 means Silverstone Funding (No. 1) Limited;

Funding 1 deed of charge means the deed of charge entered into on the programme closing date, as amended from time to time, between, among others, Funding 1, the Funding 1 security trustee, the issuer and the issuer security trustee and each deed of accession or supplement entered into in connection therewith;

Funding 1 payment date means, in relation to the term advances, the date which is the 21st day of each month or, if not a business day, the next business day;

Funding 1 security trustee means Citicorp Trustee Company Limited and its successors or any other security trustee under the Funding 1 deed of charge;

global notes means the Rule 144A global notes and the Reg S global notes;

holder has the meaning indicated in condition 1.2;

increase amount has the meaning indicated in condition 5.9(a)(i);

increase date has the meaning indicated in condition 5.9;

intercompany loan means, at any time, the aggregate of all term advances advanced under the intercompany loan agreement;

intercompany loan agreement means the loan agreement entered into on the programme closing date, as amended from time to time, between, among others, Funding 1, the issuer, the issuer security trustee and the Funding 1 security trustee, as amended from time to time;

interest commencement date means, in respect of any series and class (or sub-class) of notes, the closing date of such notes or such other date as may be specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

interest payment date means, in respect of a series and class (or sub-class) of notes, the issuer payment dates specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), subject to the appropriate business day convention, if any, specified (in relation to a series and class (or sub-class) of notes) in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the closing date of the first series of notes;

issuer account bank means Nationwide or such other person for the time being acting as account bank to the issuer under the issuer bank account agreement;

issuer bank accounts means the issuer transaction account and any other account opened and maintained by the issuer with the issuer account bank pursuant to the transaction documents;

issuer bank account agreement means the bank account agreement entered into on the programme closing date, as amended from time to time, between the issuer, the issuer cash manager, the issuer account bank and the issuer security trustee;

issuer cash management agreement means the cash management agreement dated on or about the programme closing date, as amended from time to time, between, amongst others, the issuer cash manager, the issuer and the issuer security trustee;

issuer cash manager means Nationwide or such other person or persons for the time being acting, under the issuer cash management agreement, as agent, *inter alia*, for the issuer;

issuer deed of charge means the deed of charge entered into on the programme closing date, as amended from time to time, between, among others, the issuer and the issuer security trustee and each deed of accession or supplement entered into in connection therewith;

issuer payment date means the date which is the 21st day of each month or, if not a London business day, the next London business day;

issuer priority of payments means the issuer pre-enforcement revenue priority of payments, the issuer pre-enforcement principal priority of payments or the issuer post-enforcement priority of payments, as the case may be, each as set out in the issuer cash management agreement or the issuer deed of charge (as the case may be);

issuer secured creditors means the issuer security trustee (and any receiver appointed under the issuer deed of charge), the note trustee, the issuer swap providers, the issuer corporate services provider, the post-enforcement option holder corporate services provider, the issuer account bank, the issuer cash manager, the paying agents, the agent bank, the transfer agent, the exchange rate agent, the registrar and the noteholders and any new issuer secured creditor who accedes to the issuer deed of charge from time to time under a deed of accession or a supplemental deed;

issuer security means the security created by the issuer pursuant to the issuer deed of charge;

issuer security trustee means Citicorp Trustee Company Limited and its successors or any other security trustee under the issuer deed of charge;

issuer swap agreement means the ISDA master agreements, schedules thereto and confirmations thereunder relating to the currency and/or interest rate swaps to be entered into on each closing date and any credit support annexes or other credit support documents entered into at any time, as amended from time to time, among the issuer and the applicable issuer swap provider and/or any credit support provider and includes any additional and/or replacement issuer swap agreement entered into by the issuer from time to time in connection with the notes;

issuer swap providers means the institutions identified in respect of each issuer swap agreement in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) or a supplementary prospectus related to the relevant series and class (or sub-class) of notes;

issuer transaction account means the day-to-day bank account of the issuer, held with the issuer account bank as at the programme closing date pursuant to the terms of the issuer bank account agreement;

issuer means Silverstone Master Issuer PLC;

LIBOR means the London inter-bank offered rate;

listed notes means each series and class (or sub-class) of notes which is admitted to the official list maintained by the UK Listing Authority and admitted to trading on the London Stock Exchange's regulated market;

London business day means a day (other than a Saturday or Sunday) on which banks are generally open for business in London;

London Stock Exchange means the London Stock Exchange plc;

loss calculation date means in respect of any series and class of maturity purchase notes, the date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

margin means, in respect of any series and class (or sub-class) of notes, the amount specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

master definitions and construction schedule means the master definitions and construction schedule dated the programme closing date, as amended from time to time, setting out, among other things, definitions which apply to certain transaction documents;

maturity purchase deed means any maturity purchase deed entered into in connection with the issuance of any series and class of maturity purchase notes between, among others, the issuer, the issuer cash manager, the maturity purchaser, the note trustee and the principal paying agent as amended and restated from time to time;

maturity purchase notes means any series and class of notes identified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

maximum rate of interest means, in respect of any series and class (or sub-class) of notes, the rate of interest specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

minimum rate of interest means, in respect of any series and class (or sub-class) of notes, the rate of interest specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

Nationwide means Nationwide Building Society, a building society incorporated in England and Wales under the Building Societies Act 1986, as amended (Register number 355B) whose principal office is at Nationwide House, Pipers Way, Swindon SN38 1NW;

note acceleration notice has the meaning indicated in condition 9.6;

note determination date means the determination date immediately preceding each interest payment date;

note event of default means the occurrence of an event of default by the issuer as specified in condition 9;

note principal payment has the meaning indicated in condition 5.3;

note trust deed means the trust deed entered into on the programme closing date as amended from time to time between the issuer and the note trustee, and each supplemental deed entered into in connection therewith;

note trustee means Citicorp Trustee Company Limited and its successors or any further or other note trustee under the note trust deed, as trustee for the noteholders;

noteholders means the holders for the time being of the notes;

notes means any global notes or definitive notes;

pass-through trigger event means any of the following events:

(a) a trigger event;

(b) the service of a note acceleration notice by the note trustee on the issuer; or

(c) the service of an intercompany loan acceleration notice by the issuer security trustee on Funding 1;

paying agent and agent bank agreement means the paying agent and agent bank agreement entered into on the programme closing date, as amended from time to time, between, among others, the issuer, the paying agents, the transfer agent, the exchange rate agent, the registrar, the agent bank and the issuer security trustee;

paying agents means the principal paying agent and the U.S. paying agent, together with any further or other paying agents for the time being appointed under the paying agent and agent bank agreement;

principal amount outstanding has the meaning indicated in condition 5.3;

principal paying agent means Citibank, N.A. in its capacity as principal paying agent at its specified office or such other person for the time being acting as principal paying agent under the paying agent and agent bank agreement;

programme closing date means 25 July 2008;

prospectus means, in relation to the notes, the base prospectus as supplemented by the final terms (or, in the case of exempt notes, the pricing supplement) relating to each series and class (or sub-class) of notes;

rate of interest and **rates of interest** means, in respect of any series and class (or sub-class) of notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of such notes specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) or calculated and determined in accordance with the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

rating agencies means each of Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited and Fitch Ratings Ltd. and any further or replacement rating agency appointed by the issuer with the approval of the note trustee to give a credit rating to the notes of any series;

record date has the meaning set out in condition 6.7 (Record date);

reference price means, in respect of any series and class (or sub-class) of notes, the price specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

reference rate means, in respect of any series and class (or sub-class) of notes, the rate specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

Regulation S means Regulation S under the United States Securities Act of 1933, as amended;

Reg S global notes means the note certificates representing the Reg S notes while in global form;

Reg S notes means each series and class (or sub-class) of notes that are issued pursuant to Regulations S;

register means the register of noteholders kept by the registrar and which records the identity of each noteholder and the number of notes that each noteholder owns;

registrar means Citibank, N.A. in its capacity as registrar at its specified office or such other person for the time being acting as registrar under the paying agent and agent bank agreement;

relevant date has the meaning set out in condition 7 (Prescription);

relevant screen means a page of the Reuters service or Bloomberg service, or any other medium for electronic display of data as may be previously approved in writing by the note trustee and has been notified to noteholders in the manner set out in condition 14;

relevant screen page means, in respect of any series and class (or sub-class) of notes, the screen page specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

Rule 144A means Rule 144A under the United States Securities Act of 1933, as amended;

Rule 144A global notes means the note certificates representing the Rule 144A notes while in global form;

Rule 144A notes means each series and class (or sub-class) of notes which are sold in the United States only to qualified institutional buyers within the meaning of Rule 144A;

series means, in relation to the notes, all notes (of any class) issued on a given day and designated as such;

series and class (or sub-class) means a particular class (or sub-class) of notes of a given series;

specified currency means, in respect of any series and class (or sub-class) of notes, the currency or currencies specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement);

specified currency exchange rate means, in relation to a series and class (or sub-class) of notes, the exchange rate specified in the issuer swap agreement relating to such series and class (or sub-class) of notes or, if the issuer swap agreement has been terminated, the applicable spot rate;

specified date has the meaning indicated in condition 11.6;

specified denomination means, in respect of any series and class (or sub-class) of notes, the denomination specified as such for such notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) which shall be €100,000 or more (or its equivalent in any other currency at the date of issue of such notes);

specified office means, as the context may require, in relation to any of the agents, the office specified against the name of such agent in the paying agent and agent bank agreement or such other specified office as may be notified to the issuer and the note trustee pursuant to the paying agent and agency bank agreement;

sterling, **pounds sterling** or **£** means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

sterling notes means each series and class (or sub-class) of notes denominated in sterling;

sub-unit means, with respect to any currency other than sterling, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to sterling, one pence;

tender instruction means the instruction to be delivered by the DTC tender agent on behalf of any holder of maturity purchase notes to DTC in accordance with the usual procedures of DTC;

term A advances means the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of the class M notes of any series;

term AA advances means the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of the class B notes of any series;

term AAA advances means the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of the class A notes of any series;

term advances means the term AAA advances, the term AA advances, the term A advances, the term BBB advances, the term BB advances and the term NR advances, being the advances made by the issuer to Funding 1, pursuant to the intercompany loan agreement, each being funded from proceeds received by the issuer from the issue of a series and class (or sub-class) of notes or the class Z GIC collateral notes, as applicable;

term BB advances means the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of the class D notes of any series;

term BBB advances means the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of the class C notes of any series;

term NR advances means the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of the class Z notes of any series, including a term NR GIC collateral advance;

term NR GIC collateral advance means a term advance made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue and drawings on the class Z GIC collateral note and includes any further advances made in respect thereof;

transaction documents has the meaning set out in the master definitions and construction schedule;

transfer agent means Citibank, N.A. in its capacity as transfer agent at its specified office or such other person for the time being acting as transfer agent under the paying agent and agent bank agreement;

transfer instruction means the electronic transfer and blocking instruction to be delivered by any holder of maturity purchase notes to Euroclear and Clearstream, Luxembourg, in accordance with the usual procedures of such clearing systems;

UK Listing Authority means the FCA in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended; and

U.S. paying agent means Citibank, N.A., acting in its capacity as U.S. paying agent through its New York office or such other person for the time being acting as U.S. paying agent under the paying agent and agent bank agreement.

FORM OF FINAL TERMS

Set out below is the form of final terms which will be completed for each series of notes and which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the programme.

Final Terms dated [●]
(to the base prospectus dated [●] 2014)

SILVERSTONE MASTER ISSUER PLC
(incorporated in England and Wales with limited liability with registered number 06612744)

Residential Mortgage Backed Note Programme

Issue of Series [●] Notes

Series	Class	Interest rate	Initial principal amount	Issue price	Scheduled redemption dates	Final Maturity date
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the base prospectus dated [●] which constitutes a base prospectus (the **base prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the final terms (the **final terms**) of the notes described herein for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with the base prospectus. Full information on the issuer and the offer of the notes is only available on the basis of the combination of the final terms and the base prospectus. The base prospectus is available for viewing at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and copies may be obtained from the registered office of the issuer at c/o Wilmington Trust Sp Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF.

[The [issue][Series] 20[●]-[●] notes have not been and will not be registered under the Securities Act or the state securities laws of any state of the United States and the [issue][Series] 20[●]-[●] notes 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 to persons that are QIBs within the meaning of Rule 144A, or in transactions that occur outside the United States to persons other than U.S. persons in accordance with Regulation S or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws.]

Arranger for the programme

Nationwide Building Society

[Dealers]

[●] [●] [●]

CONTRACTUAL TERMS

[**To be repeated for each class of notes of the applicable series**]

Series and Class:			[●]
1.	Issuer:		Silverstone Master Issuer PLC
2.	Specified Currency or Currencies:		[●]
3.	Initial Principal Amount:		[●]
4.	(a)	Issue Price:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [●]]
	(b)	[Net] [Gross] proceeds:	[●]
5.	Required Subordination Percentage:		[●]
6.	Funding 1 Reserve Required Amount:		[●]/[For all Notes issued by the issuer, at least £[●]]
7.	Ratings:		The Notes to be issued [have been]/[are expected to be rated]: [S&P [●]] [Moody's [●]] [Fitch [●]]
8.	Specified Denominations:		[●]
9.	(a)	Closing Date:	[●]
	(b)	Interest Commencement Date:	[●]
	(c)	First Interest Payment Date:	[●]
10.	Final Maturity Date:		[Fixed rate - [●]] [Floating rate - Interest Payment Date falling on or nearest to [●]]
11.	Interest Basis:		[[●]% Fixed Rate] [[LIBOR/EURIBOR] +/- [●]% Floating Rate] [Zero Coupon] (further particulars specified below)
12.	Redemption/Payment Basis:		[Bullet Redemption] [Scheduled Redemption]

Series and Class:			[●]
			[Pass-through]
			[Redeemable in full on [each interest payment date] [●]]
13.	Change of Interest Basis or Redemption/Payment Basis:		[Not applicable] / [Following [the earlier of] [a Trigger Event] [the enforcement of the issuer security] [and] [enforcement of the Funding security][●]LIBOR/[●] EURIBOR/[●]USD LIBOR/[●] AUD-BBR-BBSW/[●] JPY LIBOR/ [●] CDOR]] +/- [●]% Floating Rate] / [●]
14.	(a)	Listing:	[London/the notes are not listed and the UKLA has neither approved nor reviewed the information contained herein.]
	(b)	Estimate of total expenses related to admission to trading:	[●]/[For all Series [●] Notes, an aggregate amount of £[●]].
15.	Status of the Notes		Direct, secured and unconditional obligation of the issuer.
16.	[Date of [Board] approval for issuance of the Notes obtained:]		[[●]/Not Applicable]
17.	Method of distribution:		[Syndicated/Non-syndicated/Not Applicable]
Provisions Relating to interest (if any) Payable			
18.	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[●]% per annum [payable [annually/semi annually/quarterly] in arrear]
	(b)	Interest Payment Date(s):	[The Issuer Payment Dates falling in [*list months*] in each year up to and including the Final Maturity Date [or following a Pass-Through Trigger Event, each Payment Date up to and including the Final Maturity Date]
	(c)	Fixed Coupon Amount(s):	[●] per [●] in nominal amount
	(d)	Broken Amount(s):	[●] [Not Applicable]
	(e)	Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[●] in each year
	(g)	Indication of Yield:	[●]
19.	Floating Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified	[The Issuer Payment Dates falling in [*list months*] in each year up to and including the Final

Series and Class:		[●]
	Interest Payment Dates:	Maturity Date, [or following the occurrence of a [Pass-Through Trigger Event], each Payment Date up to and including the Final Maturity Date]
(b)	Business Day Convention:	[Floating Rate Convention/Following business day convention/Modified Following business day convention/Preceding business day convention]
(c)	Additional Business Centre(s):	[●]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Screen Rate Determination:	
	• Reference Rate:	[●]LIBOR/[●]EURIBOR/[●]USD-LIBOR] [or, in respect of the first interest period [the linear interpretation of [●] month [●] and [●] month [●]],
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
(f)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(g)	Margin(s):	[+/-] [●]% per annum
(h)	Minimum Rate of Interest:	[Not Applicable/[●]% per annum]
(i)	Maximum Rate of Interest:	[Not Applicable/[●]% per annum]
(j)	Step-Up Date	[Not Applicable/Interest Payment Date occurring in [●]]
	• [Step-Up Margin(s):	[+/-] [●]% per annum [Investors should note that the Step-Up Margin is lower than the Margin]
	• Step-Up Minimum Rate of Interest:	[[●]% per annum]/[Not Applicable]
	• Step-Up Maximum Rate	[[●]% per annum]/[Not Applicable]

Series and Class:			[●]
		of Interest:	
	(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360]
20.	Zero Coupon Note Provisions		[Applicable/Not Applicable]
	(a)	Accrual Yield:	[●]% per annum
	(b)	Reference Price:	[●]
	(c)	Any other formula/basis of determining amount payable:	[●]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions [5.6] [*Redemption, Purchase and Cancellation - Redemption Amounts*] and [●] [-*Late Payment on Zero Coupon Notes*] apply/*specify other*]
General Provisions Applicable to the Notes			
21.	(a)	Form of Notes:	[Reg S Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[with respect to a class (or sub-class) of class Z notes only a nominee(s) for the note purchaser and/or dealer, respectively] [Rule 144A Note registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg].]
	(b)	New Safekeeping Structure	[Yes/No.]
22.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):		[Yes/No.]
23.	Details relating to Bullet Redemption		[Applicable/Not Applicable]

Series and Class:			[●]
	Notes:		
	(a)	Redemption Amount:	[●]
	(b)	Bullet Redemption Date:	Interest Payment Date occurring in [●]
24.	Details relating to Scheduled Redemption Notes:		[Applicable/Not Applicable]
	(a)	Scheduled Redemption Dates:	Interest Payment Dates occurring in [●]
	(b)	Scheduled Amortisation Instalments:	[●]
25.	Optional Redemption		
	(a)	Condition 5.4 and 5.5	[Applicable/Not Applicable]
	(b)	Optional Redemption Date:	[●]
	(c)	Other terms:	[●]
	(d)	Redemption in part:	[Applicable/Not Applicable]
26.	Details relating to Pass-Through Notes:		[Applicable/Not Applicable] *(If applicable, add:* [To be redeemed in full or in part on each Interest Payment Date falling on or after the Interest Payment Date [in [●]/on which all the [●] Series [●] Class [●] Notes [and the [●] Series [●] Class [●] Notes]] have been redeemed in full]]
27.	Redemption Amount:		[Condition [5.6] applicable][●]]
28.	Early redemption amount payable on redemption for taxation reasons or an event of default or other early redemption and/or method of calculating the same (if required or if different from that set out in the Conditions):		[Condition [5.6] applicable][●]
29.	Issuer Swap Provider:		[Nationwide Building Society/Not Applicable]
30.	Specified currency exchange rate (Sterling/specified currency):		GBP 1.00/[●]
31.	Redenomination applicable:		Redenomination [not] applicable
32.	ERISA eligibility		[No][Yes, subject to the considerations in "**ERISA considerations**" in the base prospectus.]
33.	U.S. Taxation		[Debt for United States federal income tax purposes, subject to the considerations contained in "United States federal income taxation" in the base prospectus][Not applicable]

Series and Class:			[●]
34.	Money Market Notes (2a-7)		[Yes/No]
	(a)	Money Market Note Purchaser:	[●]
	(b)	2a-7 Swap Provider (if applicable):	[●]
35.	Maturity Purchase Notes		[Yes/No]
	(a)	Scheduled Transfer Date:	[●]
	(b)	Loss Calculation Date:	[●]
	(c)	Maturity Purchaser:	[●]
Distribution			
36.	(a)	If syndicated, names [and addresses] of Dealers:	[Not Applicable/[●]]
	(b)	Stabilising Manager (if any):	[Not Applicable/[●]]
37.	If non-syndicated, name of relevant Dealer:		[[●]/Not Applicable]
38.	Total Commission:		[●]
39.	US selling restrictions:		[3(c)(7); Rule 144A; Reg. S Category; TEFRA D/TEFRA C/TEFRA not applicable]
Operational Information			
40.	Any clearing system(s) other than DTC, Euroclear, or Clearstream, Luxembourg and the relevant identification numbers:		[Not Applicable/[●]]
41.	Delivery:		Delivery [against/free of payment]
42.	ISIN Code:		[●]
43.	Common Code:		[●]
44.	CUSIP:		[●]
Term advance Information			
45.	Borrower:		Silverstone Funding (No. 1) Limited
46.	Tier of Term Advance:		[●]
47.	Series Number:		Series [●]
48.	Designation of Term Advance:		[Bullet Term Advance/Scheduled Amortisation

Series and Class:		[●]
		Term Advance/Pass-Through Term Advance]
49.	Initial Principal Amount:	£[●]
	(a) Closing Date:	[●]
	(b) Interest Commencement Date:	[●]
50.	Initial interest rate per annum:	[●] [+/-] [●]% /
51.	Step-Up Date (if any):	[The Funding 1 payment date occurring in [●]/Not Applicable]
52.	Stepped-up interest rate per annum:	[[●]%/Not Applicable]
53.	Details relating to Bullet Term Advances:	[Applicable/Not Applicable]
	• Bullet Repayment Date/Repayment Amount/Relevant Accumulation Amount:	[●]
54.	Details relating to Scheduled Amortisation Term Advances:	[Applicable/Not Applicable]
	• Scheduled Repayment Dates/Repayment Amounts/Relevant Accumulation Amounts:	[●]
55.	Details relating to Pass-Through Term Advances:	[Applicable. This Pass-Through Term Advance [will/will not] be a Rule 1(D) Lower Percentage Pass-Through Term Advance[, and the Rule 1(D) Lower Percentage will be [●]%]] [Not Applicable]
56.	Final Repayment Date:	The Issuer Payment Date falling on [●]
57.	Funding 1 Payment Dates:	[to match payment date of notes/swaps for corresponding series of notes.]
58.	AA PDL (revenue shortfall) percentage	[●]
59.	A PDL (revenue shortfall) percentage	[●]
60.	BBB PDL (revenue shortfall) percentage	[●]
61.	BB PDL (revenue shortfall) percentage	[●]

Series and Class: [●]

Remarketing Arrangements

62.	Do the Notes have the benefit of remarketing arrangements:	[Yes/No]
	If yes:	
	• Mandatory transfer date:	[●]
	• Maximum reset margin:	[●]
	• Remarketing transfer arrangements:	[●]
	• Other details	[●]

OTHER INFORMATION

Listing and Admission to Trading

[Application has been made to the FCA in its capacity as competent authority under the FSMA (the **UK Listing Authority**) for the [●] notes to be admitted to the official list of the UK Listing Authority (the **Official List**). Application has also been made to the London Stock Exchange for each class of the [●] notes to be admitted to trading on the regulated market of the London Stock Exchange with effect from [●]. Admission to the Official List together with admission to the London Stock Exchange's regulated market (being a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC)) constitute official listing on the London Stock Exchange.]

Interests of Natural and Legal Persons Involved in the Issue

[Save for any fees payable to the [managers/dealers], so far as the issuer is aware, no person involved in the issue of the notes has an interest material to the offer. [The managers/dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the issuer and its affiliates in the ordinary course of business.]]

Start-up term advance

The start-up loan to be made available to Funding 1 on the closing date in connection with Series [●] will have the following terms:

Start-up loan provider:	Nationwide Building Society
Initial outstanding principal balance:	£[●]
Interest rate:	[●] per annum

Other series issued

As of the initial closing date, the aggregate principal amount outstanding of Notes issued by the issuer (converted, where applicable, into sterling at the applicable specified currency exchange rate), including the Notes described herein, will be:

Class A Notes	£[●]
Class B Notes	£[●]
Class M Notes	£[●]
Class C Notes	£[●]
Class D Notes	£[●]
Class Z Notes (other than Class Z GIC Collateral Notes)	£[●]
Class Z GIC Collateral Notes	£[●]

Other term advances

As of the initial closing date, the aggregate outstanding principal amount of term advances advanced by the issuer to Funding 1 under the intercompany loan agreement, including the term advances described herein will be:

AAA	£[●]
AA	£[●]
A	£[●]
BBB	£[●]

BB	£[●]
NR (other than NR GIC Collateral)	£[●]
NR GIC Collateral	£[●]

Mortgages Trust and the Portfolio

Trust Property

As at the relevant closing date:

- the minimum seller share will be approximately £[●];
- [the amount used to determine OC in item X in the definition of minimum seller share is [●]];
- the Funding 1 share of the trust property will be approximately £[●] representing approximately [●]% of the trust property; and
- the seller share of the trust property will be approximately £[●] representing approximately [●]% of the trust property.

The actual amounts of the Funding 1 share of the trust property and the seller share of the trust property as at the closing date will not be determined until the closing date which will be after the date of these final terms.

Non-asset trigger event

For the purposes of paragraph (d) of the definition of non-asset trigger event (which defines the minimum trust size), the aggregate outstanding balance of loans comprising the trust property must be (i) in respect of the period up to and including the trust calculation date in [●], £[●]; and (ii) in respect of the period from but excluding the trust calculation date in [●], £[●]. See "**The mortgages trust—Cash management of trust property—principal receipts**" in the base prospectus.

The required aggregate outstanding balance of loans, as determined in accordance with the preceding paragraph, constitutes the **minimum trust size**.

Fitch Conditions

Original Weighted Average LTV Margin: [●]%

Current Weighted Average LTV Margin: [●]%

Current Weighted Average Income Multiple Threshold: [●] times

Original LTV Margin: [●]

Funding 1 Provisions

Minimum Yield

The Minimum Yield is [●]% (unless otherwise amended in any subsequent final terms).

Mortgage Collateral Required Credit Enhancement

The Mortgage Collateral Required Credit Enhancement applicable from the relevant closing date is [●] per cent.

Funding 1 Cash Accumulation Period

With respect to the Series [●] Class [●] Notes, for the purposes of paragraph (b) of the definition of Funding 1 cash accumulation period, the number of months shall be [●] as at the date of these final terms.

[With respect to each of the Series [●] Class [●] Notes, the Series [●] Class [●] Notes and the Series [●] Class [●] Notes, the Funding 1 cash accumulation period shall not commence earlier than the date falling [●] months prior to the applicable bullet redemption date. (Delete if not applicable).]

[With respect to each of the Series [●] Class [●] Notes, the Series [●] Class [●] Notes and the Series [●] Class [●] Notes, the Funding 1 cash accumulation period shall not commence earlier than the date falling [●] months prior to the applicable scheduled redemption date. (Delete if not applicable).]

Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes - Rule (1) – Repayment deferrals

For the purposes of paragraph (C) of Rule (1) – Repayment Deferrals, X shall be equal to [●]%.

Provisions relating to the Funding 1 Swap Agreement

Funding 1 Swap Premium: £[●] (if applicable)

Party A Fixed Amount: £[●] (if applicable)

Interest payment date[s] for payment of Party A Fixed Amount: [●] (if applicable)

[Loan Balance in respect of the Fixed Rate Loans: [●]]

[Loan Balance in respect of the SMR Rate Loans: [●]]

[Loan Balance in respect of the BMR Rate Loans: [●]]

[Relevant Rate in respect of the Transaction with the Confirmation entitled "Swap Confirmation—Funding 1 Swap (Fixed Rate Loans)": [●]]

[Relevant Rate in respect of the Transaction with the Confirmation entitled "Swap Confirmation—Funding 1 Swap (SMR Loans)": [●]]

[Relevant Rate in respect of the Transaction with the Confirmation entitled "Swap Confirmation—Funding 1 Swap (BMR Loans)": [●]]

Replenishment of General Reserve Fund

Following the occurrence of an arrears or step-up trigger event, the general reserve fund will be replenished from any Funding 1 available revenue receipts to be paid in accordance with item (q) of the Funding 1 pre-enforcement revenue priority of payments up to and including an amount equal to the sum of the Funding 1 reserve required amount and:

(a) if an arrears or step-up trigger event has occurred under item (i) only of the arrears or step-up trigger event definition, £[●]

(b) if an arrears or step-up trigger event has occurred under item (ii) only of the arrears or step-up trigger event definition, £[●];

(c) if an arrears or step-up trigger event has occurred under both items (i) and (ii) of the arrears or step-up trigger event definition, £[●].

Interest only loans level tests

For the purposes of the definition of "interest only loans test", C shall be [●]% as at the date of these final terms which percentage may change from time to time.

Use of proceeds

The gross proceeds from the issue of the series [●] notes equal approximately £[●] (after exchanging, where applicable, the proceeds of the notes for sterling, calculated by reference to the applicable specified currency exchange rate) and will be used by the issuer to make available term advances to Funding 1 pursuant to and in accordance with the terms of the intercompany loan agreement. Funding 1 will use the gross proceeds of each term advance (other than a term NR GIC collateral advance) to [make available an initial contribution to the mortgages trustee][make a further contribution to the mortgages trustee][fund or replenish the general reserve fund][refinance the existing notes of Funding 1] on the closing date.

Maturity and prepayment considerations

Weighted average life refers to the average amount of time that will elapse from a certain date to the date of distribution to the investor of amounts distributed in net reduction of principal of a security to zero (assuming no losses). The weighted average lives of the relevant notes (as defined below) will be influenced by, among other things, the actual rate of repayment of the loans in the portfolio.

Set out in the table below are the expected weighted average lives of the [●] Notes (together, the **Relevant Notes**) under the following scenarios and based on the assumptions also described below.

[Two scenarios are] [The following scenario is] presented:

1. **[Scenario A]** – no changes to the Programme. Assumes a starting portfolio balance as of [●] of £[●] with a minimum pool size of £[●] assumed to apply until [●][; and]

2. **[Scenario B** – the cancellation of the [●] Notes and the reduction in the portfolio balance to £[●]].

Noteholders should note that while these scenarios reflect the current intentions of the issuer, no assurance can be given that any scenario can be, or will be, implemented as described.

The average lives of each class of the relevant 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 these classes of notes can be made based on certain assumptions. For example, based on the assumptions that:

1. neither the issuer security nor the Funding 1 security has been enforced;

2. each series and class (or sub-class) of the relevant notes is repaid in full by its final maturity date;

3. the seller is not in breach of the terms of the mortgage sale agreement;

4. the seller does not sell any loans to the mortgages trustee after [●] (except to the extent required to maintain the minimum seller share) and the loans are assumed to amortise in

accordance with the assumed CPR (which includes both scheduled and unscheduled repayments) as indicated in the table below;

5. the seller sells to the mortgages trustee sufficient loans and their related security to ensure that the seller share remains at least at[, in Scenario A,] [●]% [or, in Scenario B, [●]%] of the trust property and/or to ensure that the trust size remains at least equal to the minimum trust size. For the avoidance of doubt, any sale of loans and their related security will only occur if the conditions precedent in clause 4.2 of the mortgage sale agreement are satisfied;

6. neither an asset trigger event nor a non-asset trigger event occurs;

7. no event occurs that would cause payments on scheduled amortisation term advances or pass-through term advances to be deferred (unless such advances are deferred in accordance with Rules 1(C), 1(D) or 2);

8. there is a balance of [●] in the Funding 1 cash accumulation ledger on [●];

9. the closing date is [●];

10. the issuer exercises its option to redeem notes issued by the issuer on the relevant optional redemption date, but does not exercise its option to make scheduled amortisation instalments for scheduled redemption notes (if not met in full through the relevant priority of payments) falling on interest payment dates that are before the optional redemption date;

11. the loans in the portfolio are not subject to any defaults or losses and no loans in the portfolio have fallen into arrears;

12. no interest or fees are paid from principal receipts; and

13. the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller are rated at least "A3" by Moody's,

the approximate average life in years of each class of the notes, measured from [●] at various assumed rates of prepayment of the loans, would be as set out in the tables below.

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

Series [●] Class [●]	**Constant Prepayment Rate**						
[Scenario:	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**
A (Current)	[●]	[●]	[●]	[●]	[●]	[●]	[●]
B (Restructured)]	[●]	[●]	[●]	[●]	[●]	[●]	[●]

Assumptions (1), (2), (3), (4), (5), (6), (7), (10), (11), (12) and (13) relate to circumstances which are not predictable. [No assurance can be given that the issuer will be in a position to redeem the notes on the step-up date. If the issuer does not so exercise its option to redeem, then the average lives of the then outstanding notes would be extended.]

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 these assumptions and estimates will prove in any way to be realistic and they must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of these estimated average lives, see "**Risk Factors—The yield to maturity of the notes may be adversely affected by prepayments or redemptions on the loans**" in the base prospectus.

Statistical information on the expected portfolio

The statistical and other information contained in these final terms has been compiled by reference to the loans in the following [two] scenario[s]:

1. **[Scenario A** –]loans in the portfolio securing the notes as at [●] (the **cut-off date**)[; and]

2. **[Scenario B** – the expected portfolio (the **expected portfolio**), being the loans in the portfolio securing the notes as at the cut-off date, excluding the surplus loans].

Columns stating percentage amounts may not add up to 100% due to rounding. A loan will be removed from any portfolio (which comprises a portion of the cut-off date portfolio) if the loan is repaid in full or if the loan does not comply with the terms of the mortgage sale agreement on or about the relevant determination date. Except as otherwise indicated, these tables have been prepared using the relevant true balance of the loans in the portfolio [or the expected portfolio] as at the cut-off date.

The portfolio [and the expected portfolio] as at the cut-off date consisted of loans originated or acquired by Nationwide and secured over properties located in England, Wales, Northern Ireland and Scotland, and having an aggregate true balance as stated below, as at that date.

A small proportion of the mortgages in the portfolio [and the expected portfolio] as at the cut-off date were extended to the relevant borrowers in connection with the purchase by those borrowers of properties from local authorities or certain other landlords under the **right-to-buy schemes** governed by the Housing Act 1985 (as amended by the Housing Act 2004) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001) or (as applicable) the Housing (NI) Order 1983 (as amended).

Outstanding balances as at the cut-off date

The following table shows the range of true balances as at the cut-off date.

	[Scenario A]				**[Scenario B**			
Range of true balances as at the Cut-Off Date	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
£0 – £24,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%

	[Scenario A]				[Scenario B			
Range of true balances as at the Cut-Off Date	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
£25,000 – £49,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£50,000 – £74,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£75,000 – £99,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£100,000 – £124,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£125,000 – £149,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£150,000 – £174,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£175,000 – £199,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£200,000 – £224,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£225,000 – £249,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£250,000 – £299,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£300,000 – £349,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£350,000 – £399,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£400,000 – £449,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£450,000 – £499,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£500,000 – £549,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£550,000 – £599,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£600,000 – £649,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£650,000 – £699,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£700,000 – £749,999.99	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
£750,000+	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

The maximum, minimum and average outstanding principal balance of the loans as of the cut-off date were[, in Scenario A,] £[●], £[●] and £[●], respectively[, and in Scenario B, £[●], £[●] and £[●], respectively].

LTV ratios at origination

The following table shows the range of LTV ratios, which express the true balance of the aggregate of loans in the mortgage accounts (excluding capitalised arrears, insurance fees, booking fees and valuation fees) as at the date of the initial loan origination divided by the value of the property securing the loans in that mortgage account.

	[Scenario A]				[Scenario B			
Range of LTV ratios as at the Cut-Off Date*	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
0.00% – 25.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
25.01% – 50.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
50.01% – 75.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
75.01% – 80.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
80.01% – 85.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
85.01% – 90.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
90.01% – 95.00%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

**Excluding capitalised arrears, insurance fees, booking fees and valuation fees.*

The maximum, minimum and weighted average original LTV ratio of all the loans in the mortgage accounts (excluding any capitalised arrears, insurance fees, booking fees and valuation fees) at

origination were[, in Scenario A,] [●]%,[●]% and [●]%, respectively[, and in Scenario B, [●]%, [●]% and [●]%, respectively].

Cut-off date Indexed LTV ratios

The following table shows the range of LTV ratios, which express the true balance of the aggregate of loans within the mortgage accounts as at the cut-off date divided by the indexed valuation of the property securing the loans in that mortgage account.

	[Scenario A]				[Scenario B			
Range of LTV ratios as at the Cut-Off Date	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
0.00% – 24.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
25.00% – 49.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
50.00% – 74.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
75.00% – 79.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
80.00% – 84.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
85.00% – 89.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
90.00% – 94.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
95.00% – 96.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
97.00% – 99.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
100.00%+	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

The maximum, minimum and weighted average indexed LTV ratio as at the Cut-Off Date of all the loans within the mortgage accounts were[, in Scenario A,] [●]%, [●]% and [●]%, respectively[, and in Scenario B, [●]%, [●]% and [●]%, respectively].

Geographical distribution

The following table shows the distribution of properties securing the loans throughout England, Wales, Northern Ireland and Scotland as at the cut-off date. No such properties are situated outside England, Wales, Northern Ireland or Scotland. The seller's lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a loan.

	[Scenario A]				[Scenario B			
Regions	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
Unknown	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
East Anglia	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
East Midlands	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
London	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
North	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
North West	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Northern Ireland	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Outer Metropolitan	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Outer South East	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Scotland	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
South West	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Wales	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
West Midland	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Yorkshire & Humberside	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

Seasoning of loans

The following table shows the number of months since the date of origination of the initial loan up to the cut-off date.

	[Scenario A]				[Scenario B			
Age of loans in months as of Cut-Off Date	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
0 to <6	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
6 to <12	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
12 to <18	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
18 to <24	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
24 to <30	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
30 to <36	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
36 to <42	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
42 to <48	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
48 to <54	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
54 to <60	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
60 to <66	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
66 to <72	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
72+	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

The forecasted maximum, minimum and weighted average seasoning of loans as at the cut-off date will be[, in Scenario A,] [●],[●] and [●] months, respectively[, and in Scenario B, [●],[●] and [●] months, respectively].

Years to maturity of loans

The following table shows the number of remaining years of the term of the loans as at the cut-off date.

	[Scenario A]				[Scenario B			
Years to maturity	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
0 to <5	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
5 to <10	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
10 to <15	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
15 to <20	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
20 to <25	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
25 to <30	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
30 to <35	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
35+	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

The maximum, minimum and weighted average remaining term of the loans as at the cut-off date was[, in Scenario A,] [●], [●] and [●] years, respectively[, and in Scenario B, [●],[●] and [●] years, respectively].

Purpose of loan

The following table shows whether the purpose of the initial loan on origination was to finance the purchase of a new property or to remortgage a property already owned by the borrower.

	[Scenario A]				[Scenario B			
Use of proceeds	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
Purchase	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Remortgage	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

Repayment terms

The following table shows the repayment terms for the each individual loan as at the cut-off date. Where a customer has more than one loan in a mortgage account this is shown in the relevant row of the following table.

	[Scenario A]				[Scenario B			
Repayment terms	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total**
Combination	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Interest Only	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Repayment	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

Product groups

The following table shows the distribution of special rate loans as at the cut-off date. Where a customer has more than one loan in a mortgage account, this is shown in the relevant row of the following table.

	[Scenario A]				[Scenario B			
Type of rate	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total**
Fixed	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Tracker	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Variable	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals		100.00		100.00		100.00		100.00
	£[●]	%	[●]	%	£[●]	%	[●]	%]

Payment methods

The following table shows the payment methods in respect of the loans as at the cut-off date.

	[Scenario A]				[Scenario B			
Payment method	**Aggregate true balance as at the Cut-Off Date**	**% of total balance**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total balance**	**Number of mortgage accounts**	**% of total**
Direct Debit	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Other	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals	£[●]	100.00 %	[●]	100.00 %	£[●]	100.00 %	[●]	100.00 %]

Property Types

The following table shows the property types in respect of the loans as at the cut-off date.

	[Scenario A]				[Scenario B			
Property types	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of mortgage accounts**	**% of total**
Detached	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Semi-Detached	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Terraced	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Other (includes flats / maisonettes)	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals	£[●]	100.00 %	[●]	100.00 %	£[●]	100.00 %	[●]	100.00 %]

Distribution of fixed rate loans

As at the cut-off date, approximately [●]% and [●]% of the loans in the portfolio [and the expected portfolio, respectively,] were fixed rate loans. The following tables shows 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.

Fixed rate loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to a variable base rate or some other rate as specified in the offer conditions. Where a customer has more than one loan in a mortgage account, this is shown in the relevant row of the following table.

	[Scenario A]				[Scenario B			
Current interest rate of fixed rate loans	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total fixed rate holdings**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total fixed rate holdings**
0.00% – 3.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
4.00% – 4.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
5.00% – 5.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
6.00% – 6.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
7.00% – 7.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
8.00% – 8.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
9.00% – 9.99%	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%

	[Scenario A]				[Scenario B			
Current interest rate of fixed rate loans	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total fixed rate holdings**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total fixed rate holdings**
Totals	£[●]	100.00 %	[●]	100.00 %	£[●]	100.00 %	[●]	100.00 %]

	[Scenario A]				[Scenario B			
Year in which current fixed rate period ends	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total loans**	**Aggregate true balance as at the Cut-Off Date**	**% of total**	**Number of loans**	**% of total loans**
2014	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2015	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2016	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2017	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2018	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2019	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2032	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
2033	£[●]	[●]%	[●]	[●]%	£[●]	[●]%	[●]	[●]%
Totals	£[●]	100.00 %	[●]	100.00 %	£[●]	100.00 %	[●]	100.00 %]

Payment rate analysis

The following table shows the annualised payment rate for the most recent one-, three- and 12-month period for the loans in the portfolio.

As of month-end	**one-month annualised**	**three-month annualised**	**12 month-annualised**
[●]	[●]%	[●]%	[●]%

In the table above,

- one-month annualised CPR is calculated as 1 – ((1 – R) ^ 12),
- three-month annualised CPR is calculated as the average of the one-month annualised CPR for the most recent three months, and
- 12-month annualised CPR is calculated as the average of the one-month annualised CPR for the most recent 12 months,

where in each case R is (i) total principal receipts received plus the principal balance of loans repurchased by the seller (primarily due to further advances) during the relevant period, divided by (ii) the aggregate true balance of the loans in the portfolio as at the start of that period.

Write offs and recoveries of Nationwide[1]

The following table shows write offs and recoveries of Nationwide across its entire mortgage book, excluding the results of its specialist lending books.

[1] Includes Nationwide originated and Nationwide branded prime loans only

Year ended 4 April	Write offs £m	Recoveries £m	Net write offs £m	Mortgage balance £m	Write off balance %	Net write offs %
2005	[●]	[●]	[●]	[●]	[●]	[●]
2006	[●]	[●]	[●]	[●]	[●]	[●]
2007	[●]	[●]	[●]	[●]	[●]	[●]
2008[*]	[●]	[●]	[●]	[●]	[●]	[●]
2009[*]	[●]	[●]	[●]	[●]	[●]	[●]
2010[*]	[●]	[●]	[●]	[●]	[●]	[●]
2011[*]	[●]	[●]	[●]	[●]	[●]	[●]
2012[*]	[●]	[●]	[●]	[●]	[●]	[●]
2013[*]	[●]	[●]	[●]	[●]	[●]	[●]

* Figures for 2008, 2009 and 2010 exclude loans originated by Cheshire Building Society, Derbyshire Building Society and Dunfermline Building Society

Delinquency and loss experience of the Nationwide mortgage portfolio

The following table summarises arrears experience for the loans contained in the Nationwide mortgage portfolio as at the dates specified in the table. The seller will represent and warrant on each sale date that no loan to be transferred to the mortgages trust on such sale date will have experienced any arrears in the prior 12 months. Outstanding balances of loans in arrears and outstanding balances of arrears are reported on a net basis, excluding all loans in arrears which are performing loans. Numbers of loans in arrears are reported on a gross basis, including all loans in arrears which are performing loans. Performing loans are defined by Nationwide as loans where six months of payments have been received over the last six months.

Nationwide identifies a loan as being in arrears where an amount equal to or greater than a full month's contractual payment is past its due date.

Loans in the Nationwide mortgage portfolio[2]

Financial Years Ending:

	4 April 2007	4 April 2008	4 April 2009*	4 April 2010*	4 April 2011*	4 April 2012*	4 April 2013*	4 April 2014*
Outstanding balance (£ millions)	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Number of loans outstanding	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Outstanding balance of loans in arrears (£ millions)	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears = 2 to <3	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears = 3 to <6	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears = 6 to <8	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears of 8 or over	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total true balance of loans in arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total true balance of loans 6 months or more in arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total true balance of	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%

[2] Includes Nationwide originated and Nationwide branded prime loans only

	Financial Years Ending:							
	4 April 2007	4 April 2008	4 April 2009*	4 April 2010*	4 April 2011*	4 April 2012*	4 April 2013*	4 April 2014*
loans 6 payments or more in arrears as % of the true balance								
Outstanding balance of arrears (£ millions)	4 April 2007	4 April 2008	4 April 2009*	4 April 2010*	4 April 2011*	4 April 2012*	4 April 2013*	4 April 2014*
Payments in arrears = 2 to <3.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears = 3 to <6.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears = 6 to <8.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears of 8 or over.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total balance of arrears...	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total balance of arrears on loans 6 payments or more in arrears (£ millions)	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total balance of arrears on loans 6 payments or more in arrears as % of the true balance	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%
Number of Loans:	4 April 2007	4 April 2008	4 April 2009*	4 April 2010*	4 April 2011*	4 April 2012*	4 April 2013*	4 April 2014*
Payments in arrears 3-6 months	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears 6-9 months	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears 9-12 months	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Payments in arrears 12 + months	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total number of loans in arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total number of loans with 6+ month arrears.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total number of loans with 6+ months arrears as a % of number of loans outstanding	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%

* Figures for 2008, 2009 and 2010 but exclude loans originated by Cheshire Building Society, Derbyshire Building Society and Dunfermline Building Society.

There can be no assurance that the future arrears experience with respect to the loans comprising the Nationwide mortgage portfolio will correspond to the historical experience with respect to the loans as set forth in the foregoing table. If the property market experiences a further decline in property values so that the value of the properties in the Nationwide mortgage portfolio falls or (in the case of properties which are currently below the principal balances of the relevant loan) remains below the principal balances of the loans comprising the overall pool, the actual rates of arrears could be significantly higher than those previously experienced, as borrowers may no longer be able to refinance their loans or sell their properties and move to more affordable properties. In addition, other

adverse economic conditions, whether or not they affect property values, may nonetheless affect the timely payment by borrowers of principal and interest and, accordingly, the rates of arrears and losses with respect to the loans in the Nationwide mortgage portfolio. Noteholders should observe that the United Kingdom experienced relatively low and stable interest rates during the periods covered in the preceding table. If interest rates were to rise, it is likely that the rate of arrears would rise.

[Updates to "Characteristics of the United Kingdom residential mortgage market" in the base prospectus

Industry CPR rates

The table under the heading "**Industry CPR rates"** in "Characteristics of the United Kingdom residential mortgage market" in the base prospectus shall be amended as follows following updates in the source data:

Quarter	Industry CPR rate for the quarter (%)	12-month rolling average (%)
[●].....	[●]	[●]

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders.

House price index

The table under the heading "**House Price Index"** shall be supplemented by the following table:

	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
Quarter	Index	% annual change	Index	% annual change	Index	% annual change
[●].....	[●]	[●]	[●]	[●]	[●]	[●]

Source: Office for National Statistics, Nationwide and Bank of Scotland plc, respectively. "NA" indicates that the relevant figure is not available.]

Series issued by issuer and term advances advanced to Funding 1 in connection therewith

Term Advance	Interest rate	Initial principal amount	Scheduled Repayment Date	Final Maturity date
Series [●] Class [●] Term [●] Advance	[[●] Fixed rate]/[[●] [●] per cent. Floating rate]	£[●]	[The Funding 1 payment dates in [●] and [●]]/[Not Applicable]	[●]

[Static Pool Data

The tables in the following pages set out, to the extent material, static pool information with respect to all mortgage loans originated by Nationwide or other members of the Nationwide group (other than Cheshire Building Society, Derbyshire Building Society and Dunfermline Building Society). The tables show, for originations in each year the distribution of such loans originated in that year by delinquency category as at each year end. In preparing the static pool information in the following pages, accounts entering possession have been reflected in the "In Possession" line of each table. As

accounts entering possession will also be in arrears, the same accounts have been included in the figures provided for the relevant delinquency category. The issuer has not included static pool information on prepayments because changes in prepayment and payment rates are not anticipated to have a significant effect on future payments on the notes for a number of reasons: including that the mechanics of the mortgages trust require an extended cash accumulation period when prepayment rates fall below certain minima dictated by the rating agencies, serving to limit the extent to which slow prepayments would cause the average lives of the notes to extend. Conversely, rapid prepayments should not cause the average lives of the notes to shorten so long as the seller maintains the minimum required mortgages trust size. Furthermore, only a limited amount of note principal in relation to the mortgages trust size is actually due to be repaid on any particular interest payment date.

The sale of loans by the seller to the mortgages trustee is subject to conditions, including ones required by the rating agencies, designed to maintain certain credit-related and other characteristics of the mortgages trust. These include limits on loans in arrears in the mortgages trust at the time of sale, limits on the aggregate balance of loans sold, limits on changes in the weighted average foreclosure frequency (**WAFF**) and the weighted average loss severity (**WALS**), minimum yield after the sale and maximum LTV for the loans in the mortgages trust after the sale. See a description of these conditions in "**The mortgage sale agreement—Conditions for sale of loans**" in the base prospectus.

In the following tables, delinquency category corresponds to the number of monthly contractual repayment amounts in arrears. Delinquency rates represent the closing balances of loans in a particular category as a percentage of aggregate closing balances.

Arrears by Year of Origination – Nationwide Building Society
Loans originated in the year specified as at each specified date]

	LOANS ORIGINATED IN 2004				LOANS ORIGINATED IN 2005			
	[31 December 2014]/[[●] 2015]				[31 December 2014]/[[●] 2015]			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months								
>=2 & <3 months								
>=3 & <6 months								
>=6 & <9 months								
>=9 & <12 months								
>=12 months								
Of which, In Possession								
Closed								
Totals								

	LOANS ORIGINATED IN 2006				LOANS ORIGINATED IN 2007			
	[31 December 2014]/[[●] 2015]				[31 December 2014]/[[●] 2015]			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months								
>=2 & <3 months								
>=3 & <6 months								
>=6 & <9 months								
>=9 & <12 months								
>=12 months								
Of which, In Possession								
Closed								
Totals								

LOANS ORIGINATED IN 2008	LOANS ORIGINATED IN 2009

	[31 December 2014]/[[●] 2015]				[31 December 2014]/[[●] 2015]			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months								
>=2 & <3 months								
>=3 & <6 months								
>=6 & <9 months								
>=9 & <12 months								
>=12 months								
Of which, In Possession								
Closed								
Totals								

	LOANS ORIGINATED IN 2010				LOANS ORIGINATED IN 2011			
	[31 December 2014]/[[●] 2015]				[31 December 2014]/[[●] 2015]			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months								
>=2 & <3 months								
>=3 & <6 months								
>=6 & <9 months								
>=9 & <12 months								
>=12 months								
Of which, In Possession								
Closed								
Totals								

	LOANS ORIGINATED IN 2012				LOANS ORIGINATED IN 2013			
	[31 December 2014]/[[●] 2015]				[31 December 2014]/[[●] 2015]			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months								
>=2 & <3 months								
>=3 & <6 months								
>=6 & <9 months								
>=9 & <12 months								
>=12 months								
Of which, In Possession								
Closed								
Totals								

	LOANS ORIGINATED IN 2014				[LOANS ORIGINATED IN 2015]			
	[31 December 2014]/[[●] 2015]				[[●] 2015]			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months								
>=2 & <3 months								
>=3 & <6 months								
>=6 & <9 months								
>=9 & <12 months								
>=12 months								
Of which, In Possession								
Closed								
Totals								

Listing and admission to trading application

This document comprises the final terms required for the notes described herein to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's

regulated market pursuant to the Residential Mortgage Backed Note Programme of Silverstone Master Issuer PLC.

Responsibility

The issuer accepts responsibility for the information contained in these final terms.

Signed on behalf of the issuer:

By: .....
Duly authorised

[End Of Form of Final Terms]

FORM OF PRICING SUPPLEMENT

Set out below is the form of pricing supplement for use in connection with exempt notes issued under the Programme. The exempt notes will not form part of the base prospectus and will not be compliant with the Prospectus Directive. The UKLA will neither approve or review information contained in any pricing supplement in connection with the issuance of exempt notes.

Pricing Supplement dated [●]
(to the base prospectus dated [●] 2014)

SILVERSTONE MASTER ISSUER PLC
(incorporated in England and Wales with limited liability with registered number 06612744)

Residential Mortgage Backed Note Programme

Issue of Series [●] Notes

Series	Class	Interest rate	Initial principal amount	Issue price	Scheduled redemption dates	Final Maturity date
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the base prospectus dated [●]. This document constitutes the pricing supplement (the **pricing supplement**) of the notes described herein and must be read in conjunction with the base prospectus. Full information on the issuer and the offer of the notes is only available on the basis of the combination of the pricing supplement and the base prospectus. The base prospectus may be obtained from the registered office of the issuer at c/o Wilmington Trust Sp Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF. The exempt notes do not form part of the base prospectus and are not compliant with Directive 2003/71/EC (the **Prospectus Directive**). The Financial Conduct Authority (the **FCA** (previously known as the Financial Services Authority, the **FSA**)) in its capacity as competent authority (the **UK Listing Authority**) under the Financial Services and Markets Act 2000 (the **FSMA**) has neither approved or reviewed information contained in this pricing supplement in connection with the exempt notes.

[The [issue][Series] 20[●]-[●] notes have not been and will not be registered under the Securities Act or the state securities laws of any state of the United States and the [issue][Series] 20[●]-[●] notes 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 to persons that are QIBs within the meaning of Rule 144A, or in transactions that occur outside the United States to persons other than U.S. persons in accordance with Regulation S or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws.]

Arranger for the programme

Nationwide Building Society

[Dealers]

[●] [●] [●]

CONTRACTUAL TERMS

[**Contractual terms of the exempt notes to be inserted.**]

OTHER INFORMATION

[**Other information related to the exempt notes to be inserted.**]

[End Of Form of Pricing Supplement]

STATIC POOL DATA

The tables in the following pages set out, to the extent material, static pool information with respect to all mortgage loans originated by Nationwide or other members of the Nationwide group (other than Cheshire Building Society, Derbyshire Building Society and Dunfermline Building Society). The tables show, for originations in each year the distribution of such loans originated in that year by delinquency category as at each year end. In preparing the static pool information in the following pages, accounts entering possession have been reflected in the "Of which, In Possession" line of each table. As accounts entering possession will also be in arrears, the same accounts have been included in the figures provided for the relevant delinquency category. The issuer has not included static pool information on prepayments because changes in prepayment and payment rates are not anticipated to have a significant effect on future payments on the notes for a number of reasons, including that the mechanics of the mortgages trust require an extended cash accumulation period when prepayment rates fall below certain minima dictated by the rating agencies, serving to limit the extent to which slow prepayments would cause the average lives of the notes to extend. Conversely, rapid prepayments should not cause the average lives of the notes to shorten so long as the seller maintains the minimum required mortgages trust size. Furthermore, only a limited amount of note principal in relation to the mortgages trust size is actually due to be repaid on any particular interest payment date.

The sale of loans by the seller to the mortgages trustee is subject to conditions, including ones required by the rating agencies, designed to maintain certain credit-related and other characteristics of the mortgages trust. These include limits on loans in arrears in the mortgages trust at the time of sale, limits on the aggregate balance of loans sold, limits on changes in the weighted average foreclosure frequency (**WAFF**) and the weighted average loss severity (**WALS**), the minimum yield after the sale and maximum LTV for the loans in the mortgages trust after the sale. See a description of these conditions in "**The mortgage sale agreement—Conditions for sale of loans**" in the base prospectus.

In the following tables, delinquency category corresponds to the number of monthly contractual repayment amounts in arrears. Delinquency rates represent the closing balances of loans in a particular category as a percentage of aggregate closing balances.

Arrears by Year of Origination – Nationwide Building Society

Loans originated in 2004 as at each specified date

	31 December 2004				31 December 2005				31 December 2006			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	198,224,279	195,639	99.94	99.94	182,814,707	182,516	99.80	99.80	138,395,802	142,465	99.70	99.70
>=2 & <3 months	82,405	76	0.04	0.04	160,251	168	0.09	0.09	178,695	189	0.13	0.13
>=3 & <6 months	37,817	36	0.02	0.02	155,019	155	0.08	0.08	169,160	167	0.12	0.12
>=6 & <9 months	2,296	3	0.00	0.00	35,233	31	0.02	0.02	43,130	44	0.03	0.03
>=9 & <12 months			0.00	0.00	11,599	10	0.01	0.01	9,599	12	0.01	0.01
>=12 months	3,782	1	0.00	0.00	6,405	4	0.00	0.00	14,193	11	0.01	0.01
Of which, In Possession			0.00	0.00	8,108	7	0.00	0.00	10,253	8	0.01	0.01
Closed		2,797				15,655				55,480		
Totals	**198,350,579**		**100.00**	**100.00**	**183,183,215**		**100.00**	**100.00**	**138,810,578**		**100.00**	**100.00**

	31 December 2007				31 December 2008				31 December 2009			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	112,611,990	118,297	99.63	99.66	94,651,703	103,247	99.42	99.50	86,428,666	96,936	99.17	99.32
>=2 & <3 months	155,627	155	0.14	0.13	163,745	169	0.17	0.16	176,571	180	0.20	0.18
>=3 & <6 months	176,102	169	0.16	0.14	232,301	220	0.24	0.21	260,317	245	0.30	0.25
>=6 & <9 months	56,278	52	0.05	0.04	73,637	65	0.08	0.06	103,033	95	0.12	0.10
>=9 & <12 months	14,402	13	0.01	0.01	35,537	27	0.04	0.03	73,833	60	0.08	0.06
>=12 months	21,456	20	0.02	0.02	51,291	41	0.05	0.04	106,606	83	0.12	0.09
Of which, In Possession	21,705	15	0.02	0.01	46,438	33	0.05	0.03	24,861	19	0.03	0.02
Closed		79,570				94,313				106,373		
Totals	**113,035,854**		**100.00**	**100.00**	**95,208,215**		**100.00**	**100.00**	**87,149,026**		**100.00**	**100.00**

	31 December 2010				31 December 2011				31 December 2012			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	75,089,554	87,480	99.14	99.29	64,867,520	78,490	99.08	99.23	56,831,050	71,258	99.09	99.25
>=2 & <3 months	180,607	178	0.24	0.20	143,891	161	0.22	0.20	128,945	148	0.22	0.21
>=3 & <6 months	214,757	218	0.28	0.25	212,192	218	0.32	0.28	171,347	179	0.30	0.25
>=6 & <9 months	103,740	101	0.14	0.11	95,003	103	0.15	0.13	88,614	85	0.15	0.12
>=9 & <12 months	56,347	52	0.07	0.06	47,553	45	0.07	0.06	47,673	51	0.08	0.07
>=12 months	99,678	74	0.13	0.08	101,865	79	0.16	0.10	87,890	76	0.15	0.11
Of which, In Possession	24,512	23	0.03	0.03	23,391	21	0.04	0.03	12,372	12	0.02	0.02
Closed		115,949				125,000				132,417		
Totals	**75,744,684**		**100.00**	**100.00**	**65,468,024**		**100.00**	**100.00**	**57,355,518**		**100.00**	**100.00**

	31 December 2013				31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	49,003,202	63,815	99.03	99.22	44,673,818	59,327	99.08	99.28
>=2 & <3 months	108,801	127	0.22	0.20	81,582	101	0.18	0.17
>=3 & <6 months	172,472	178	0.35	0.28	160,221	167	0.36	0.28
>=6 & <9 months	68,047	66	0.14	0.10	61,826	62	0.14	0.10
>=9 & <12 months	50,903	52	0.10	0.08	39,306	31	0.09	0.05
>=12 months	80,521	76	0.16	0.12	72,537	68	0.16	0.11
Of which, In Possession	15,414	16	0.03	0.02	9,027	8	0.02	0.01
Closed		139,419				144,762		
Totals	**49,483,945**		**100.00**	**100.00**	**45,089,291**		**100.00**	**100.00**

Loans originated in 2005 as at each specified date

	31 December 2005				31 December 2006				31 December 2007			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	167,345,324	158,793	99.96	99.96	153,380,589	147,447	99.87	99.86	110,361,910	110,991	99.81	99.80
>=2 & <3 months	46,227	45	0.03	0.03	91,398	104	0.06	0.07	88,418	97	0.08	0.09
>=3 & <6 months	19,143	17	0.01	0.01	81,814	79	0.05	0.05	92,685	92	0.08	0.08
>=6 & <9 months	3,230	3	0.00	0.00	16,689	15	0.01	0.01	20,564	23	0.02	0.02
>=9 & <12 months	1,566	2	0.00	0.00	995	1	0.00	0.00	9,483	10	0.01	0.01
>=12 months			0.00	0.00	8,444	3	0.01	0.00	1,354	3	0.00	0.00
Of which, In Possession			0.00	0.00	990	1	0.00	0.00	5,324	5	0.00	0.00
Closed		1,831				13,009				49,313		
Totals	**167,415,489**		**100.00**	**100.00**	**153,579,928**		**100.00**	**100.00**	**110,574,415**		**100.00**	**100.00**

	31 December 2008				31 December 2009				31 December 2010			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	94,319,553	97,529	99.62	99.64	89,474,735	94,688	99.38	99.42	76,387,019	84,035	99.28	99.36
>=2 & <3 months	137,294	131	0.15	0.13	142,847	145	0.16	0.15	149,267	146	0.19	0.17
>=3 & <6 months	135,660	129	0.14	0.13	218,216	211	0.24	0.22	206,071	202	0.27	0.24
>=6 & <9 months	48,336	46	0.05	0.05	84,601	87	0.09	0.09	76,561	81	0.10	0.10
>=9 & <12 months	21,800	25	0.02	0.03	31,035	40	0.03	0.04	49,553	49	0.06	0.06
>=12 months	16,650	17	0.02	0.02	77,942	67	0.09	0.07	70,848	64	0.09	0.08
Of which, In Possession	13,978	12	0.01	0.01	18,334	17	0.02	0.02	16,116	15	0.02	0.02
Closed		62,576				72,782				83,417		
Totals	**94,679,293**		**100.00**	**100.00**	**90,029,377**		**100.00**	**100.00**	**76,939,318**		**100.00**	**100.00**

	31 December 2011				31 December 2012				31 December 2013			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	65,913,903	75,411	99.21	99.30	57,681,187	68,342	99.18	99.30	49,520,676	61,108	99.17	99.31
>=2 & <3 months	133,324	135	0.20	0.18	103,654	102	0.18	0.15	105,522	107	0.21	0.17
>=3 & <6 months	188,629	204	0.28	0.27	166,662	193	0.29	0.28	128,916	146	0.26	0.24
>=6 & <9 months	74,194	80	0.11	0.11	74,275	67	0.13	0.10	71,922	70	0.14	0.11
>=9 & <12 months	43,125	43	0.06	0.06	47,866	42	0.08	0.06	41,132	39	0.08	0.06
>=12 months	82,736	69	0.12	0.09	86,863	75	0.15	0.11	65,143	61	0.13	0.10
Of which, In Possession	21,748	19	0.03	0.03	17,654	15	0.03	0.02	11,972	11	0.02	0.02
Closed		92,049				99,250				106,085		
Totals	**66,435,910**		**100.00**	**100.00**	**58,160,508**		**100.00**	**100.00**	**49,933,310**		**100.00**	**100.00**

	31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**
<2 months	45,209,911	57,199	99.23	99.36
>=2 & <3 months	86,355	93	0.19	0.16
>=3 & <6 months	128,755	135	0.28	0.23
>=6 & <9 months	49,342	51	0.11	0.09
>=9 & <12 months	35,060	33	0.08	0.06
>=12 months	49,353	55	0.11	0.10
Of which, In Possession	6,201	9	0.01	0.02
Closed		110,756		
Totals	**45,558,776**		**100.00**	**100.00**

Loans originated in 2006 as at each specified date

	31 December 2006				31 December 2007				31 December 2008			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	215,975,542	187,980	99.96	99.96	201,096,864	177,346	99.87	99.86	161,536,780	148,779	99.65	99.64
>=2 & <3 months	52,603	52	0.02	0.03	130,248	119	0.06	0.07	226,631	211	0.14	0.14
>=3 & <6 months	29,710	27	0.01	0.01	88,803	91	0.04	0.05	209,858	210	0.13	0.14
>=6 & <9 months	1,554	3	0.00	0.00	24,687	25	0.01	0.01	71,395	65	0.04	0.04
>=9 & <12 months			0.00	0.00	10,808	11	0.01	0.01	27,831	26	0.02	0.02
>=12 months			0.00	0.00	12,520	11	0.01	0.01	37,593	28	0.02	0.02
Of which, In Possession			0.00	0.00	5,747	6	0.00	0.00	32,678	24	0.02	0.02
Closed		1,990				12,406				40,536		
Totals	**216,059,409**		**100.00**	**100.00**	**201,363,929**		**100.00**	**100.00**	**162,110,088**		**100.00**	**100.00**

	31 December 2009				31 December 2010				31 December 2011			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	152,956,371	143,931	99.37	99.38	135,227,863	131,551	99.26	99.29	115,881,110	117,045	99.15	99.22
>=2 & <3 months	250,235	245	0.16	0.17	260,554	252	0.19	0.19	251,838	236	0.22	0.20
>=3 & <6 months	363,431	334	0.24	0.23	331,332	317	0.24	0.24	366,142	326	0.31	0.28
>=6 & <9 months	128,687	127	0.08	0.09	186,457	179	0.14	0.14	170,262	156	0.15	0.13
>=9 & <12 months	91,569	82	0.06	0.06	94,127	78	0.07	0.06	78,955	78	0.07	0.07
>=12 months	136,391	105	0.09	0.07	129,516	114	0.10	0.09	124,971	119	0.11	0.10
Of which, In Possession	49,753	41	0.03	0.03	50,614	47	0.04	0.04	43,852	43	0.04	0.04
Closed		53,633				65,956				80,472		
Totals	**153,926,684**		**100.00**	**100.00**	**136,229,848**		**100.00**	**100.00**	**116,873,279**		**100.00**	**100.00**

	31 December 2012				31 December 2013				31 December 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	102,002,935	106,924	99.17	99.26	88,198,861	96,360	99.13	99.21	80,513,231	90,274	99.13	99.24
>=2 & <3 months	227,191	219	0.22	0.20	208,146	209	0.23	0.22	202,260	199	0.25	0.22
>=3 & <6 months	300,741	281	0.29	0.26	254,904	253	0.29	0.26	224,089	225	0.28	0.25
>=6 & <9 months	139,716	126	0.14	0.12	120,111	114	0.13	0.12	102,276	98	0.13	0.11
>=9 & <12 months	69,991	65	0.07	0.06	66,363	70	0.07	0.07	58,790	59	0.07	0.06
>=12 months	116,022	111	0.11	0.10	125,028	126	0.14	0.13	118,597	114	0.15	0.13
Of which, In Possession	24,671	17	0.02	0.02	18,875	23	0.02	0.02	20,696	16	0.03	0.02
Closed		90,776				100,553				107,776		
Totals	**102,856,597**		**100.00**	**100.00**	**88,973,413**		**100.00**	**100.00**	**81,219,244**		**100.00**	**100.00**

Loans originated in 2007 as at each specified date

	31 December 2007				31 December 2008				31 December 2009			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	221,493,916	182,826	99.94	99.94	210,653,720	176,688	99.72	99.70	194,938,210	167,598	99.37	99.35
>=2 & <3 months	70,858	64	0.03	0.03	207,927	205	0.10	0.12	351,305	309	0.18	0.18
>=3 & <6 months	43,285	38	0.02	0.02	236,837	214	0.11	0.12	448,546	398	0.23	0.24
>=6 & <9 months	10,819	4	0.00	0.00	75,200	64	0.04	0.04	205,333	181	0.10	0.11
>=9 & <12 months	2,237	1	0.00	0.00	33,039	24	0.02	0.01	85,208	83	0.04	0.05
>=12 months			0.00	0.00	47,080	25	0.02	0.01	154,612	118	0.08	0.07
Of which, In Possession			0.00	0.00	40,418	27	0.02	0.02	60,935	52	0.03	0.03
Closed		2,710				8,372				24,169		
Totals	**221,621,116**		**100.00**	**100.00**	**211,253,803**		**100.00**	**100.00**	**196,183,214**		**100.00**	**100.00**

	31 December 2010				31 December 2011				31 December 2012			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	174,479,432	154,689	99.25	99.23	155,355,953	142,466	99.19	99.19	136,923,369	129,858	99.10	99.14
>=2 & <3 months	325,298	308	0.19	0.20	325,061	303	0.21	0.21	300,801	283	0.22	0.22
>=3 & <6 months	468,838	439	0.27	0.28	419,849	401	0.27	0.28	431,270	386	0.31	0.29
>=6 & <9 months	194,270	187	0.11	0.12	206,669	191	0.13	0.13	194,605	193	0.14	0.15
>=9 & <12 months	129,736	108	0.07	0.07	118,726	105	0.08	0.07	123,256	106	0.09	0.08
>=12 months	193,469	160	0.11	0.10	198,976	170	0.13	0.12	196,340	164	0.14	0.13
Of which, In Possession	61,700	55	0.04	0.04	73,076	65	0.05	0.05	37,595	32	0.03	0.02
Closed		36,939				49,186				61,851		
Totals	**175,791,042**		**100.00**	**100.00**	**156,625,235**		**100.00**	**100.00**	**138,169,642**		**100.00**	**100.00**

	31 December 2013				31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	119,297,667	117,600	99.12	99.14	108,941,899	110,152	99.16	99.19
>=2 & <3 months	282,164	263	0.23	0.22	239,592	243	0.22	0.22
>=3 & <6 months	337,058	336	0.28	0.28	307,965	308	0.28	0.28
>=6 & <9 months	170,714	176	0.14	0.15	127,012	131	0.12	0.12
>=9 & <12 months	102,467	100	0.09	0.08	80,608	79	0.07	0.07
>=12 months	167,422	146	0.14	0.12	165,977	142	0.15	0.13
Of which, In Possession	25,729	27	0.02	0.02	25,501	26	0.02	0.02
Closed		73,205				81,983		
Totals	**120,357,493**		**100.00**	**100.00**	**109,863,054**		**100.00**	**100.00**

Loans originated in 2008 as at each specified date

	31 December 2008				31 December 2009				31 December 2010			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	213,406,687	188,406	99.85	99.86	196,800,871	177,668	99.47	99.50	173,385,431	160,411	99.20	99.23
>=2 & <3 months	171,927	156	0.08	0.08	336,346	302	0.17	0.17	383,420	342	0.22	0.21
>=3 & <6 months	98,947	86	0.05	0.05	449,342	371	0.23	0.21	508,755	457	0.29	0.28
>=6 & <9 months	19,150	16	0.01	0.01	136,861	120	0.07	0.07	225,657	213	0.13	0.13
>=9 & <12 months	13,219	5	0.01	0.00	54,483	53	0.03	0.03	120,921	106	0.07	0.07
>=12 months	8,613	4	0.00	0.00	68,981	48	0.03	0.03	161,475	127	0.09	0.08
Of which, In Possession	4,704	3	0.00	0.00	52,840	37	0.03	0.02	72,720	60	0.04	0.04
Closed		2,745				12,815				29,662		
Totals	**213,718,542**		**100.00**	**100.00**	**197,846,883**		**100.00**	**100.00**	**174,785,659**		**100.00**	**100.00**

	31 December 2011				31 December 2012				31 December 2013			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	152,135,156	145,501	99.03	99.10	136,510,792	134,539	98.99	99.09	118,362,095	120,350	98.87	99.01
>=2 & <3 months	392,549	336	0.26	0.23	353,241	311	0.26	0.23	321,544	291	0.27	0.24
>=3 & <6 months	528,286	473	0.34	0.32	464,309	430	0.34	0.32	380,302	370	0.32	0.30
>=6 & <9 months	242,640	220	0.16	0.15	256,009	226	0.19	0.17	243,740	213	0.20	0.18
>=9 & <12 months	135,906	121	0.09	0.08	141,275	108	0.10	0.08	153,738	131	0.13	0.11
>=12 months	197,919	167	0.13	0.11	181,210	159	0.13	0.12	254,964	199	0.21	0.16
Of which, In Possession	89,448	76	0.06	0.05	33,867	36	0.02	0.03	43,314	40	0.04	0.03
Closed		44,498				55,561				68,561		
Totals	**153,632,456**		**100.00**	**100.00**	**137,906,837**		**100.00**	**100.00**	**119,716,383**		**100.00**	**100.00**

	31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**
<2 months	108,232,748	112,541	99.00	99.14
>=2 & <3 months	252,488	229	0.23	0.20
>=3 & <6 months	322,420	311	0.29	0.27
>=6 & <9 months	193,198	171	0.18	0.15
>=9 & <12 months	106,468	98	0.10	0.09
>=12 months	215,632	165	0.20	0.15
Of which, In Possession	34,550	32	0.03	0.03
Closed		77,978		
Totals	**109,322,954**		**100.00**	**100.00**

Loans originated in 2009 as at each specified date

	31 December 2009				31 December 2010				31 December 2011			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	91,292,193	78,245	99.92	99.90	86,284,734	75,509	99.65	99.63	75,204,665	67,933	99.42	99.38
>=2 & <3 months	28,841	33	0.03	0.04	92,952	96	0.11	0.13	106,924	116	0.14	0.17
>=3 & <6 months	37,736	37	0.04	0.05	129,772	121	0.15	0.16	190,636	178	0.25	0.26
>=6 & <9 months	6,997	5	0.01	0.01	33,643	33	0.04	0.04	62,561	59	0.08	0.09
>=9 & <12 months	2,180	2	0.00	0.00	16,719	15	0.02	0.02	33,905	29	0.04	0.04
>=12 months			0.00	0.00	26,506	16	0.03	0.02	44,777	43	0.06	0.06
Of which, In Possession	804	1	0.00	0.00	5,619	6	0.01	0.01	13,013	13	0.02	0.02
Closed		756				3,303				10,707		
Totals	**91,367,948**		**100.00**	**100.00**	**86,584,326**		**100.00**	**100.00**	**75,643,467**		**100.00**	**100.00**

	31 December 2012				31 December 2013				31 December 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	65,675,966	61,326	99.30	99.25	57,078,384	55,111	99.23	99.23	52,106,812	51,342	99.28	99.23
>=2 & <3 months	135,763	139	0.21	0.22	104,960	101	0.18	0.18	93,981	111	0.18	0.21
>=3 & <6 months	156,677	158	0.24	0.26	163,715	170	0.28	0.31	123,452	129	0.24	0.25
>=6 & <9 months	69,886	68	0.11	0.11	71,059	69	0.12	0.12	61,895	69	0.12	0.13
>=9 & <12 months	42,440	41	0.06	0.07	37,875	35	0.07	0.06	29,815	33	0.06	0.06
>=12 months	60,114	55	0.09	0.09	63,668	55	0.11	0.10	69,587	55	0.13	0.11
Of which, In Possession	7,022	6	0.01	0.01	8,445	10	0.01	0.02	6,292	10	0.01	0.02
Closed		17,270				22,983				27,375		
Totals	**66,140,846**		**100.00**	**100.00**	**57,519,661**		**100.00**	**100.00**	**52,485,541**		**100.00**	**100.00**

Loans originated in 2010 as at each specified date

	31 December 2010				31 December 2011				31 December 2012			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	82,953,786	65,147	99.94	99.93	78,513,308	63,151	99.82	99.79	68,732,901	57,205	99.67	99.66
>=2 & <3 months	28,445	30	0.03	0.05	54,352	53	0.07	0.08	73,104	57	0.11	0.10
>=3 & <6 months	13,367	11	0.02	0.02	58,887	57	0.07	0.09	74,989	68	0.11	0.12
>=6 & <9 months	2,111	2	0.00	0.00	19,386	17	0.02	0.03	38,829	37	0.06	0.06
>=9 & <12 months	3,160	1	0.00	0.00	8,777	7	0.01	0.01	25,360	21	0.04	0.04
>=12 months			0.00	0.00	1,345	2	0.00	0.00	12,925	12	0.02	0.02
Of which, In Possession			0.00	0.00	3,192	4	0.00	0.01	979	1	0.00	0.00
Closed		422				2,308				8,187		
Totals	**83,000,870**		**100.00**	**100.00**	**78,656,056**		**100.00**	**100.00**	**68,958,108**		**100.00**	**100.00**

	31 December 2013				31 July 2014			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months	58,634,515	50,788	99.53	99.51	53,264,696	47,205	99.55	99.52
>=2 & <3 months	72,105	65	0.12	0.13	52,731	50	0.10	0.11
>=3 & <6 months	100,788	95	0.17	0.19	88,743	85	0.17	0.18
>=6 & <9 months	35,874	31	0.06	0.06	39,408	40	0.07	0.08
>=9 & <12 months	30,920	32	0.05	0.06	25,093	23	0.05	0.05
>=12 months	35,739	25	0.06	0.05	33,940	32	0.06	0.07
Of which, In Possession	6,332	3	0.01	0.01	15,371	13	0.03	0.03
Closed		14,005				18,183		
Totals	**58,909,941**		**100.00**	**100.00**	**53,504,611**		**100.00**	**100.00**

Loans originated in 2011 as at each specified date

	31 December 2011				31 December 2012				31 December 2013			
	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count	Balance (£'00)	Count	% of Balance	% of Count
<2 months	110,815,420	85,319	99.98	99.98	104,903,250	82,958	99.88	99.86	91,065,756	75,083	99.75	99.72
>=2 & <3 months	12,287	12	0.01	0.01	50,812	51	0.05	0.06	69,866	71	0.08	0.09
>=3 & <6 months	6,977	6	0.01	0.01	44,365	39	0.04	0.05	104,291	89	0.11	0.12
>=6 & <9 months			0.00	0.00	19,223	16	0.02	0.02	18,251	21	0.02	0.03
>=9 & <12 months	1,872	1	0.00	0.00	7,886	5	0.01	0.01	20,305	18	0.02	0.02
>=12 months			0.00	0.00	2,997	3	0.00	0.00	15,965	9	0.02	0.01
Of which, In Possession			0.00	0.00			0.00	0.00	912	2	0.00	0.00
Closed		661				2,918				9,831		
Totals	**110,836,556**		**100.00**	**100.00**	**105,028,533**		**100.00**	**100.00**	**91,294,435**		**100.00**	**100.00**

	31 December 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**
<2 months	83,079,310	70,122	99.68	99.67
>=2 & <3 months	73,130	79	0.09	0.11
>=3 & <6 months	98,233	89	0.12	0.13
>=6 & <9 months	45,265	29	0.05	0.04
>=9 & <12 months	22,255	16	0.03	0.02
>=12 months	24,541	16	0.03	0.02
Of which, In Possession	14,338	11	0.02	0.02
Closed		15,666		
Totals	**83,342,735**		**100.00**	**100.00**

Loans originated in 2012 as at each specified date

	31 December 2012				31 December 2013				31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	160,366,023	119,841	99.97	99.98	151,645,919	116,397	99.92	99.90	141,452,708	110,903	99.88	99.85
>=2 & <3 months	23,407	16	0.01	0.01	46,132	46	0.03	0.04	61,602	60	0.04	0.05
>=3 & <6 months	14,689	10	0.01	0.01	47,396	42	0.03	0.04	77,443	67	0.05	0.06
>=6 & <9 months	2,258	2	0.00	0.00	12,173	13	0.01	0.01	19,858	20	0.01	0.02
>=9 & <12 months			0.00	0.00	6,848	6	0.00	0.01	8,887	8	0.01	0.01
>=12 months			0.00	0.00	7,634	8	0.01	0.01	8,132	8	0.01	0.01
Of which, In Possession			0.00	0.00	2,215	3	0.00	0.00	3,927	3	0.00	0.00
Closed		743				3,664				9,554		
Totals	**160,406,378**		**100.00**	**100.00**	**151,766,102**		**100.00**	**100.00**	**141,628,630**		**100.00**	**100.00**

Loans originated in 2013 as at each specified date

	31 December 2013				31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**	**Balance (£'00)**	**Count**	**% of Balance**	**% of Count**
<2 months	222,270,235	155,835	99.98	99.97	215,454,029	153,806	99.95	99.95
>=2 & <3 months	31,580	28	0.01	0.02	63,723	42	0.03	0.03
>=3 & <6 months	9,276	8	0.00	0.01	35,048	28	0.02	0.02
>=6 & <9 months	4,398	4	0.00	0.00	8,186	7	0.00	0.00
>=9 & <12 months			0.00	0.00	1,289	2	0.00	0.00
>=12 months			0.00	0.00	3,064	2	0.00	0.00
Of which, In Possession			0.00	0.00	3,666	3	0.00	0.00
Closed		780				2,957		
Totals	**222,315,489**		**100.00**	**100.00**	**215,565,341**		**100.00**	**100.00**

Loans originated in 2014 as at each specified date

	31 July 2014			
	Balance (£'00)	**Count**	**% of Balance**	**% of Count**
<2 months	118,585,405	77,301	100.00	100.00
>=2 & <3 months	2,804	3	0.00	0.00
>=3 & <6 months			0.00	0.00
>=6 & <9 months			0.00	0.00
>=9 & <12 months			0.00	0.00
>=12 months			0.00	0.00
Of which, In Possession			0.00	0.00
Closed		206		
Totals	**118,588,209**		**100.00**	**100.00**

MATERIAL LEGAL ASPECTS OF THE LOANS

The following discussion is a summary of the material legal aspects of English, Scottish and Northern Irish residential property loans and mortgages. It is not an exhaustive analysis of the relevant law.

English loans

General

There are two parties to a mortgage. The first party is the mortgagor, who is the borrower and homeowner. The mortgagor grants the mortgage over its property. The second party is the mortgagee, who is the lender. Each English loan will be secured by an English mortgage which has a first ranking priority over all other mortgages secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent mortgage or other secured interest over the relevant property without the consent of the seller, though such other mortgage or interest will rank below the seller's mortgage in priority.

Nature of property as security

There are two forms of title to land in England and Wales: registered and unregistered. Both systems of title can include both freehold and leasehold land.

Registered title

Title to registered land is registered at the Land Registry. Each parcel of land is given a unique title number. Prior to 13 October 2003 title to the land was established by a land certificate or (in the case of land which is subject to a mortgage or charge) charge certificate containing official copies of the entries on the register relating to that land, however, pursuant to the Land Registration Act 2002 which came into force on 13 October 2003 the provision of land certificates and charge certificates has now been abolished. Title to land and any mortgage is now established by reference to entries on the Land Register, which is held electronically so that no paper title document is issued.

There are four classes of registered title although generally only two of these (absolute and good leasehold) will be acceptable as good for mortgage purposes). A person registered with title absolute owns the land free from all interests other than those entered on the register and certain "overriding" interests (in the case of good leasehold title, ownership is also subject to any matters affecting freehold or leasehold title out of which the land is granted).

Title information documents provided by the Land Registry will reveal the present owner of the land, together with any legal charges and other interests affecting the land. However, the Land Registration Act 2002 provides that some interests in the land will bind the land even though they are not capable of registration at the Land Registry such as unregistered interests which override first registration and unregistered interests which override registered dispositions. The title information documents will also contain a plan indicating the location of the land. However, these plans may not be conclusive as to matters such as the precise location of boundaries.

Unregistered title

Since November 1997 all land in England and Wales has been subject to compulsory registration on the happening of any of a number of trigger events, which include the granting of a first legal mortgage. This means that, in the case of all mortgages granted since November 1997, the title to the property and the mortgage itself must (if not already done so) be registered.

Taking security over land

Where land is registered, a mortgagee must register its mortgage at the Land Registry in order to secure priority over any subsequent mortgagee. Prior to registration, the mortgage will take effect only as an equitable mortgage or charge. Priority of mortgages over registered land is governed by the date of registration of the mortgage rather than date of creation. However, a prospective mortgagee is able to obtain a priority period within which to register his mortgage by undertaking an official search which will afford a priority of approximately six weeks. If the mortgagee submits a proper application for registration during this period, its interest will take priority over any other mortgage application for registration which is received by the Land Registry during this period.

The absence of registration will risk loss of priority if a subsequent mortgage is registered, and will create difficulties in enforcing security in that it is usually necessary for registration to be effected in order to convey good title to a third party buyer. However, where a subsequent mortgagee gives notice of a further charge over the same property to a prior mortgagee, the priority of the prior mortgagee only extends to amounts advanced at or before the time such notice is received, unless the prior mortgagee is under a legal obligation to make further advances.

The seller as mortgagee

The sale of the English mortgages by the seller to the mortgages trustee will take effect in equity only. The mortgages trustee will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the mortgages. The consequences of this are explained in "**Risk Factors—There may be risks associated with the fact that the mortgages trustee has no legal title to the loans and their related security, which may adversely affect payments on the notes**" above.

Enforcement of mortgages

If a borrower defaults under an English loan, the English mortgage conditions provide that all monies under the English loan will become immediately due and payable. The seller or its successors or assigns would then be entitled to recover all outstanding principal, interest and fees under the covenant of the borrower contained in the English mortgage conditions to pay or repay those amounts. In addition, the seller or its successors or assigns may enforce its English mortgage in relation to the defaulted loan. Enforcement may occur in a number of ways, including the following:

- The mortgagee may enter into possession of the property. If it does so, it does so in its own right and not as agent of the mortgagor, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.

- The mortgagee may lease the property to third parties.

- The mortgagee may foreclose on the property. Under foreclosure procedures, the mortgagor's title to the property is extinguished so that the mortgagee becomes the owner of the property. The remedy is, because of procedural constraints, rarely used.

- The mortgagee may sell the property, subject to various duties to ensure that the mortgagee exercises proper care in relation to the sale. This power of sale arises under the Law of Property Act 1925. The purchaser of a property sold pursuant to a mortgagee's power of sale becomes the owner of the property.

A court order under section 126 of the CCA is necessary to enforce a land mortgage in certain circumstances as described under "**Risk Factors—Certain Regulatory Considerations—CCA**" and "**—Certain Regulatory Considerations—Mortgage regulation under the FSMA**" above.

Scottish loans

General

A standard security is the only means of creating a fixed charge over heritable or long leasehold property in Scotland. Its form must comply with the requirements of the 1970 Act. There are two parties to a standard security. The first party is the grantor, who is the borrower and homeowner. The grantor grants the standard security over its property (and is generally the only party to execute the standard security). The second party is the grantee of the standard security, who is the lender and is called the heritable creditor. Each Scottish loan will be secured by a standard security which has a first ranking priority over all other standard securities secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent standard security over the relevant property without the consent of the seller. Upon intimation to the seller (in its capacity as trustee for the mortgages trustee pursuant to the relevant Scottish declaration of trust) of any subsequent standard security the prior ranking of the seller's standard security shall be restricted to security for advances made prior to such intimation and advances made subsequent to such intimation which the seller or the mortgages trustee is obliged to advance, and interest and expenses in respect thereof.

The 1970 Act automatically imports a statutory set of Standard Conditions into all standard securities, although the majority of these may be varied by agreement between the parties. The seller, along with most major lenders in the residential mortgage market in Scotland, has elected to vary the Standard Conditions by means of its own set of Scottish mortgage conditions, the terms of which are in turn imported into each standard security. The main provisions of the Standard Conditions which cannot be varied by agreement relate to redemption and enforcement, and in particular the notice and other procedures that are required to be carried out prior to the exercise of the heritable creditor's rights on a default by the borrower.

Nature of property as security

While title to all land in Scotland is registered there are currently two possible forms of registration, namely the Land Register and Sasine Register. Both systems of registration can include both heritable (the Scottish equivalent to freehold) and long leasehold land.

Land Register

This system of registration was established by the Land Registration (Scotland) Act 1979 and now applies to the whole of Scotland. Any sale of land (including a long leasehold interest in land) the title to which has not been registered in the Land Register or the occurrence of certain other events in relation thereto (but not the granting of a standard security alone) trigger its registration in the Land Register, when it is given a unique title number. Title to the land and the existence of a standard security over it are established by the entries on the Land Register relating to that land. Prior to 22 January 2007, the holder of the title received a land certificate containing official copies of the relevant entries on the Land Register. Similarly, the holder of any standard security over the land in question received a charge certificate containing official copies of the entries relating to that security. However, under the terms of the Automated Registration of Title to Land (Electronic Communications) (Scotland) Order 2006 and the Land Registration (Scotland) Rules 2006, with effect from 22 January 2007 such land and charge certificates will only be issued to the relevant title or security holder if so requested at the time of the relevant registration and will otherwise be available in electronic form only. A person whose land is registered in the Land Register owns the land free from all interests other than those entered on the Register, those classified as overriding interests and any other interests implied by law.

The relevant Land Register entries and land certificate (whether in paper or electronic form) will reveal the present owners of the land, together with any standard securities and other interests (other than certain overriding interests and certain interests implied by law) affecting the land. They will

also contain a plan indicating the location and extent of the land. While this plan is not in all circumstances conclusive as to the extent of the land, it cannot be amended if this would be to the prejudice of a proprietor in possession of the land, unless the statutory indemnity in respect of such amendments has been expressly excluded in the relevant Land Register entries and land certificate.

Sasine Register

Title to all land in Scotland where no event has yet occurred to trigger registration in the Land Register is recorded in the General Register of Sasines. Title to such land is proved by establishing a chain of documentary evidence of title going back at least ten years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights (including standard securities) would have to be recorded in the Sasine Register in order to be effective against a subsequent purchaser of the land.

Taking security over land

A heritable creditor must register or record its standard security in the Land Register or the Sasine Register (as applicable) in order to perfect its security and secure priority over any subsequent standard security. Until such registration or recording (as applicable) occurs, a standard security will not be effective against a subsequent purchaser or the heritable creditor under another standard security over the property. Priority of standard securities is (subject to express agreement to the contrary between the security holders) governed by their date of registration rather than their date of execution. There is no equivalent in Scotland to the priority period system which operates in relation to registered land in England and Wales.

The seller as heritable creditor

The sale of the Scottish loans and their related security by the seller to the mortgages trustee has been given effect by a number of Scottish declarations of trust by the seller (and any further sale of Scottish loans and their related security in the future will be given effect by further Scottish declarations of trust), by which the beneficial interest in the Scottish loans and their related security has been or will be transferred to the mortgages trustee. Such beneficial interest (as opposed to the legal title) cannot be registered in the Land Register or Sasine Register. The consequences of this are explained in "**Risk Factors—There may be risks associated with the fact that the mortgages trustee has no legal title to the loans and their related security, which may adversely affect the payments on the notes**" above.

Enforcement of mortgages

If a borrower defaults under a Scottish loan, the Scottish mortgage conditions provide that all monies under that Scottish loan will become immediately due and payable. The seller or its successors or assignees would then be entitled to recover all outstanding principal, interest and fees under the obligation of the borrower contained in the Scottish mortgage conditions to pay or repay those amounts. In addition, the seller or its successors or assignees may enforce its standard security in relation to the defaulted Scottish loan. Under the 2010 Act, the seller or its successors and assignees are obliged to provide the borrower with prescribed information as soon as the borrower is in default and the Seller or its successors or assignees are obliged to take reasonable steps to agree proposals with the borrower. If the 2010 Act obligations are not complied with the Seller or its successors or assignees risk being prevented from enforcing their security by calling up and repossession. Enforcement may occur in a number of ways, including the following (all of which arise under the 1970 Act):

- The heritable creditor may enter into possession of the property. If it does so, it does so in its own right and not as agent of the borrower, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.

- The heritable creditor may grant a lease of the property of up to seven years (or longer with the court's permission) to third parties.

- The heritable creditor may sell the property, subject to various duties to ensure that the sale price is the best that can reasonably be obtained. The purchaser of a property sold pursuant to a heritable creditor's power of sale becomes the owner of the property.

- The heritable creditor may, in the event that a sale cannot be achieved, foreclose on the property. Under foreclosure procedures the borrower's title to the property is extinguished so that the heritable creditor becomes the owner of the property. However, this remedy is rarely used.

In contrast to the position in England and Wales, the heritable creditor has no power to appoint a receiver under the standard security.

A court order under section 126 of the CCA is necessary to enforce a standard security in certain circumstances as described under "**Risk Factors—Certain regulatory considerations—CCA**" and "**—Certain regulatory considerations—Mortgage regulation under the FSMA**" above.

Borrower's right of redemption

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years, subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender, interest thereon and expenses incurred by the lender in relation to that standard security.

Northern Irish loans

General

There are two parties to a mortgage. The first party is the mortgagor, who is the borrower and homeowner. The mortgagor grants the mortgage over its property. The second party is the mortgagee, who is the lender. Each Northern Irish loan will be secured by a Northern Irish mortgage which has a first ranking priority over all other mortgages secured on the property and over all unsecured creditors of the borrower, except in respect of certain statutory rights which are granted statutory priority. Borrowers may create a subsequent mortgage or other secured interest over the relevant property without the consent of the seller, though such other mortgage or interest will rank below the seller's mortgage in priority.

Nature of property as security

There are two forms of title to land in Northern Ireland: registered and unregistered. Both systems of title can include both freehold and leasehold land.

Registered title

Title to registered land is registered at the Land Registry of Northern Ireland. Each parcel of land is given a unique folio number. Title to the land is established by entries on the register relating to that land.

There are four classes of registered title although generally only two of these (absolute and good leasehold) will be acceptable as good for mortgage purposes). A person registered with title absolute owns the land free from all interests other than those entered on the register, those classified as overriding interests, those classified as minor interests (as between the landowner and the beneficiary of those interests only and when the landowner has notice of those interests) and (in the case of good leasehold title) all implied and express covenants, obligations and liabilities incidental to the land.

The land register will reveal the present registered owner of the land, together with any legal charges and other interests affecting the land. The Land Registration Act (Northern Ireland) 1970 provides that some interests in land will bind the land even though they are not capable of registration at the Land Registry of Northern Ireland such as unregistered interests which override first registration and unregistered interests which override registered dispositions. The register will also contain a plan indicating the location of the land. However, this plan is not conclusive as to matters such as the location of boundaries.

Unregistered title

Since 1 May 2003 all land in Northern Ireland is now subject to compulsory registration on the happening of any of a number of trigger events. This does not occur on the granting of a first legal mortgage. However, a large proportion of land in Northern Ireland (typically where the land has been in the same ownership for a number of years) is still unregistered. Title to unregistered land is proved by establishing a chain of documentary evidence to title going back at least 40 years under the provisions of the Vendor and Purchaser Act 1874, although the statutory provision can be reduced by contrary provision in the contract. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration.

Taking security over land

Where land is registered, a mortgagee must register its mortgage at the Land Registry of Northern Ireland in order to secure priority over any subsequent mortgagee. Prior to registration, the mortgage will take effect only as an equitable mortgage or charge. Priority of mortgages over registered land is governed by the date of registration of the mortgage rather than date of creation. However, a prospective mortgagee is able to obtain a priority period within which to register his mortgage. If the mortgagee submits a proper application for registration during this period, its interest will take priority over any other application for registration of any interest which is received by the Land Registry of Northern Ireland during this priority period.

In the system of unregistered land, the mortgagee protects its interest by retaining possession of the title deeds to the property. Without the title deeds to the property, the borrower is unable to establish the necessary chain of ownership, and is therefore effectively prevented from dealing with its land without the consent of the mortgagee. Priority of mortgages over unregistered land is governed first by the possession of title deeds, and in relation to subsequent mortgages by the registration of a mortgage at the Registry of Deeds of Northern Ireland.

The absence of registration will risk loss of priority if a subsequent mortgage is registered, and will create difficulties in enforcing security in that it is usually necessary for registration to be effected in order to convey good title to a third party buyer. However, where a subsequent mortgagee gives notice of a further charge over the same property to a prior mortgagee, the priority of the prior mortgagee only extends to amounts advanced at or before the time such notice is received.

By virtue of Article 51 of the Judgments Enforcement (Northern Ireland) Order 1981, an order charging land (i.e. a judgment mortgage), if founded on a judgment in respect of rates payable in respect of that land, shall have priority over all other charges and encumbrances whatever affecting that land except other debts owing to the Crown.

In the event of there being registered any order charging land in favour of the Department of the Environment for Northern Ireland against any of the Northern Irish Properties and founded on a judgment for rates payable in respect of the land which is the subject of the charge that order charging land shall take priority over all other charges and encumbrances whatever affecting that land pursuant to Article 51 of the Judgments Enforcement (NI) Order 1981.

The seller as mortgagee

The sale of the Northern Irish mortgages by the seller to the mortgages trustee will take effect in equity only. The mortgages trustee will not apply to the Land Registry of Northern Ireland or the Registry of Deeds of Northern Ireland to register or record its equitable interest in the mortgages. The consequences of this are explained in "**Risk Factors—There may be risks associated with the fact that the mortgages trustee has no legal title to the loans and their related security, which may adversely affect payments on the notes**" above.

Enforcement of mortgages

If a borrower defaults under a Northern Irish loan, the Northern Irish mortgage conditions provide that all monies under the Northern Irish loan will become immediately due and payable. The seller or its successors or assigns would then be entitled to recover all outstanding principal, interest and fees under the covenant of the borrower contained in the Northern Irish mortgage conditions to pay or repay those amounts. In addition, the seller or its successors or assigns may enforce its Northern Irish mortgage in relation to the defaulted loan. Enforcement may occur in a number of ways, including the following:

- The mortgagee may enter into possession of the property. If it does so, it does so in its own right and not as agent of the mortgagor, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.

- The mortgagee may lease the property to third parties.

- The mortgagee may foreclose on the property. Under foreclosure procedures, the mortgagor's title to the property is extinguished so that the mortgagee becomes the owner of the property. The remedy is, because of procedural constraints, rarely used.

- The mortgagee may sell the property, subject to various duties to ensure that the mortgagee exercises proper care in relation to the sale. This power of sale arises under the Conveyancing and Law of Property Act 1881. The purchaser of a property sold pursuant to a mortgagee's power of sale becomes the owner of the property.

A court order under section 126 of the CCA is necessary to enforce a land mortgage in certain circumstances as described under "**Risk Factors—Certain regulatory considerations—CCA**" and "**—Certain regulatory considerations—Mortgage regulation under the FSMA**" above.

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 law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of, and the provision of certain information in relation to, payments in respect of the notes. It does not deal with any other United Kingdom taxation implications of acquiring holding or disposing of notes. Prospective noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the notes

1. *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 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. Notes 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 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 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 company reasonably believes (and any person by or through whom interest on the notes is paid reasonably believes) that the beneficial owner is a company within the charge to United Kingdom corporation tax as regards the payment of interest, provided that Her Majesty's Revenue and Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe 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.

Interest on the notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the notes is less than 365 days and the notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the notes that has a United Kingdom source on account of United Kingdom income tax (subject to any other available exemption or relief under a double tax treaty or otherwise) at the basic rate (currently 20%). 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 interest to be paid 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).

Any discount element in respect of the notes that are issued at an issue price of less than 100% of their principal amount will not be subject to United Kingdom withholding tax.

Where notes are issued with a redemption premium (as opposed to being issued at a discount), then any such premium element may constitute a payment of interest which may generally be subject to United Kingdom withholding tax if the payment has a United Kingdom source, subject to any available exemption or relief as outlined above.

HMRC has powers to obtain information and documents relating to the notes, including in relation to issues of and other transactions in the notes, interest, payments treated as interest and other payments derived from the notes. This may include details of the beneficial owners of the notes, of the persons for whom the notes are held and of the persons to whom payments derived from the notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the notes, persons who make, receive or are entitled to receive payments derived from the notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

2. *EU Savings Directive*

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. The Luxembourg Government has abolished the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is 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).

For additional disclosure in relation to the EU Savings Directive in relation to Jersey, see "**Material Jersey (Channel Islands) tax considerations**" below.

References to "interest", "discount" and "premium" above are as understood for the purposes of United Kingdom tax law.

UNITED STATES FEDERAL TAXATION

General

The following is a general summary of certain U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Rule 144A notes. In general, the discussion assumes that a holder acquires the Rule 144A notes at original issuance and holds the Rule 144A notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Rule 144A notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) real estate investment trusts; (vii) persons that will hold the Rule 144A notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10% or more of the voting shares of the issuer; (ix) partnerships, pass-through entities or persons who hold Rule 144A notes through partnerships or other pass-through entities; (x) persons that have a "functional currency" other than the U.S. dollar; and (xi) certain U.S. expatriates and former long-term residents of the United States. This discussion also does not address consequences under the alternative minimum tax or the Medicare contribution tax on net investment income or the indirect effects on the holders of equity interests in a holder of Rule 144A notes, nor does it describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury Regulations promulgated thereunder, and judicial and administrative interpretations thereof, in each case as in effect and available on the effective date of this base prospectus. All of the foregoing are subject to change, and any change may apply retroactively and could affect the tax consequences described below.

As described under "**—Tax status of the issuer, Funding 1, mortgages trustee and mortgages trust**", upon issuance of the Rule 144A notes, Allen & Overy LLP, U.S. federal income tax advisers to the issuer (**U.S. tax counsel**) will deliver an opinion that the mortgages trustee acting as trustee of the mortgages trust, Funding 1 and the issuer will not be subject to U.S. federal income tax as a result of their contemplated activities. As described further under "**—Characterisation of the Rule 144A notes**", upon issuance of the Rule 144A notes, U.S. tax counsel will deliver an opinion that, although there is no authority on the treatment of instruments substantially similar to the Rule 144A notes, the class A Rule 144A notes, the class B Rule 144A notes and the class M Rule 144A notes, when issued, will be treated as debt for U.S. federal income tax purposes and the class C Rule 144A notes, when issued, should be treated as debt for U.S. federal income tax purposes. Unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the class D Rule 144A notes will not be treated as debt for U.S. federal income tax purposes. See "**—Alternative characterisation of the Rule 144A notes**" for the U.S. federal income tax treatment of equity. No class Z Rule 144A notes will be issued.

An opinion of U.S. tax counsel is not binding on the U.S. Internal Revenue Service (the **IRS**) or the courts, and no rulings will be sought from the IRS on any of the issues discussed in this section and there can be no assurance that the IRS or courts will agree with the conclusions expressed herein. **Accordingly, investors are encouraged to consult their own tax advisers as to the personal U.S. federal income tax consequences to the investor of the purchase, ownership and disposition of the Rule 144A notes, including the possible application of state, local, non-U.S. or other tax laws, and other U.S. tax issues affecting the transaction.**

As used in this section, the term **United States holder** means a beneficial owner of Rule 144A notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation (or other entity treated as a corporation), created or organised in or under the laws of

the United States or any state thereof (including the District of Columbia); (iii) any estate, the income of which is subject to U.S. federal income tax regardless of the source of its income; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. A **Non-United States holder** is a beneficial owner of Rule 144A notes that is not a United States holder. If an entity treated as a partnership for U.S. federal income tax purposes holds Rule 144A notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Rule 144A notes are encouraged to consult their own tax advisers regarding the personal tax consequences to them.

Tax status of the issuer, Funding 1, mortgages trustee and mortgages trust

Under the transaction documents, each of the issuer, Funding 1 and the mortgages trustee acting in its capacity as trustee of the mortgages trust covenants not to engage in any activities in the United States (directly or through agents), not to derive any income from sources within the United States as determined under U.S. federal income tax principles and not to hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under U.S. federal income tax principles. Upon issuance of the Rule 144A notes, U.S. tax counsel will deliver an opinion that, assuming compliance with the transaction documents, none of the issuer, Funding 1 or the mortgages trustee acting in its capacity as trustee of the mortgages trust will be subject to U.S. federal income tax. See "—**General**" for further information regarding this opinion. No election will be made to treat the issuer, Funding 1 or the mortgages trustee or any of their assets as a REMIC (a type of securitisation vehicle having a special tax status under the Code).

Characterisation of the Rule 144A notes

Although there is no authority regarding the treatment of instruments that are substantially similar to the Rule 144A notes, upon issuance of the Rule 144A notes, U.S. tax counsel will deliver an opinion that the class A Rule 144A notes, the class B Rule 144A notes and the class M Rule 144A notes, when issued, will be treated as debt for U.S. federal income tax purposes and the class C Rule 144A notes, when issued, should be treated as debt for U.S. federal income tax purposes (see "—**Alternative Characterisation of the Rule 144A notes**" and see "—**General**" for further information regarding this opinion). Unless otherwise specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), the class D Rule 144A notes will not be treated as debt for U.S. federal income tax purposes. The issuer intends to treat the Rule 144A notes (other than notes that will not be treated as debt for U.S. federal income tax purposes as indicated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) as indebtedness of the issuer for all purposes, including U.S. federal income tax purposes.

The Rule 144A notes will not be qualifying real property loans in the hands of domestic savings and loan associations, real estate investment trusts, or REMICs under sections 7701(a)(19)(C), 856(c) or 860G(a)(3) of the Code, respectively.

For purposes of the discussion below, the term **Rule 144A notes** excludes notes that will not be treated as debt for U.S. federal income tax purposes as indicated in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Taxation of United States holders of the Rule 144A notes

Qualified Stated Interest and Original Issue Discount

The issuer intends to treat interest on the Rule 144A notes as "**qualified stated interest**" under U.S. Treasury Regulations relating to original issue discount (hereafter the **OID regulations**). As a consequence, discount on the Rule 144A notes arising from an issuance at less than par will only be required to be accrued under the OID regulations if such discount exceeds a statutorily defined *de*

minimis amount (as discussed below). Qualified stated interest, which generally must be unconditionally payable at least annually, is taxed under a holder's normal method of accounting as ordinary interest income. *De minimis* original issue discount (**OID**) is included in income on a *pro rata* basis as principal payments are made on the Rule 144A notes.

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis United States holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis United States holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years of a United States holder, the part of the period within the taxable year).

Under the second method, the United States holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis United States holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the United States holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States holder, and will be irrevocable without the consent of the IRS.

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Rule 144A note) denominated in, or determined by reference to, a foreign currency, the accrual basis United States holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

It is possible that interest on the Rule 144A notes that are class B notes, class M notes or class C notes (or, if treated as debt for U.S. federal income tax purposes, class D notes) could be treated as OID (and not "qualified stated interest") because such interest is subject to deferral in certain limited circumstances.

A Rule 144A note, other than a Rule 144A note with a term of one year or less, will be treated as issued with OID (a **discount note**) if the excess of the Rule 144A note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Rule 144A note's stated redemption price at maturity multiplied by the number of complete years to its maturity). Generally, the issue price of a Rule 144A note will be the first price at which a substantial amount of Rule 144A notes included in the issue of which the Rule 144A note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Rule 144A note is the total of all payments provided by the Rule 144A note that are not payments of "qualified stated interest". Solely for the purposes of determining whether a Rule 144A note has OID, the issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Rule 144A note, and the United States holder will be deemed to exercise any put option that has the effect of increasing the yield on the Rule 144A note.

A United States holder of a discount note must include OID in income over the term of such note under a constant yield method that takes into account the compounding of interest. The amount of OID includible in income by a United States holder of a discount note issued with OID is the sum of the daily portions of OID with respect to the discount note for each day during the taxable year or portion of the taxable year on which the United States holder holds the discount note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a discount note may be of any length selected by the United States holder and may vary in length over the term of the discount note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the discount note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the period of the discount note's adjusted issue price at the beginning of the accrual period and the discount note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the discount note allocable to the accrual period. The "adjusted issue price" of a discount note at the beginning of any accrual period is the issue price of the discount note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the discount note that were not qualified stated interest payments.

OID for each accrual period on a discount note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as qualified stated interest accrual by an accrual basis United States holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the discount note or a sale or retirement of the discount note), a United States holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Under the Code, OID is calculated and accrued using prepayment assumptions where payments on a debt instrument may be accelerated by reason of prepayments of other obligations securing such debt instrument. Moreover, the legislative history to the provisions provides that the same prepayment assumptions used to price a debt instrument may be used to calculate OID, as well as to accrue market discount and amortise premium. Here, prepayment of the loans is not expected to alter the scheduled principal payments on the Rule 144A notes that are class B notes, class M notes or class C notes (or, if treated as debt for U.S. federal income tax purposes, class D notes) and accordingly, the issuer intends to assume that such Rule 144A notes will have their principal repaid according to the schedule for purposes of accruing any OID. No representation is made that the loans will pay on the basis of such prepayment assumption or in accordance with any other prepayment scenario.

Rule 144A notes with a term of one year or less (**short-term obligations**) will be treated as having been issued with OID. In general, United States holders who report income for U.S. federal income tax purposes under the accrual method are required to accrue OID on short-term obligations on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding). A United States holder who is an individual or other cash method holder is not required to accrue such OID unless such holder elects to do so (but may be required to include any stated interest in income as the interest is received). If such an election is not made, any gain recognised by such holder on the sale or retirement of such short-term obligations will be ordinary income to the extent of the holder's rateable share of OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method), through the date of the sale or retirement. United States holders who are not required and do not elect to accrue OID on short-term obligations will be required to defer deductions for interest on borrowings allocable to short-term obligations in an amount not exceeding the deferred income until the deferred income is realised.

As an alternative to the above treatments, United States holders may elect to include in gross income all interest with respect to the Rule 144A notes, including stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium, using the constant yield method described above. This election generally will apply only to the Rule 144A note with respect to which it is made and may not be revoked without the consent of the IRS.

Interest income on the Rule 144A notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a United States holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and United States holders are encouraged to consult their own tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Sales and retirement

In general, a United States holder of a Rule 144A note will have an adjusted tax basis in such Rule 144A note equal to the cost of the Rule 144A note to such holder, increased by the amount of any OID included in the United States holder's income with respect to such note and reduced by any payments thereon other than payments of qualified stated interest. Upon a sale or retirement of a Rule 144A note, a United States holder will generally recognise gain or loss equal to the difference between the amount realised (less any accrued interest, which would be taxable as such) and the holder's adjusted tax basis in the Rule 144A note. Any gain or loss recognised by a United States holder will generally be U.S. source gain or loss for foreign tax credit limitation purposes. Except to the extent described above under "—Qualified Stated Interest and Original Issue Discount" relating to short-term obligations or attributable to changes in exchange rates (described below), such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the United States holder has held the Rule 144A note for more than one year at the time of disposition. **Prospective investors are encouraged to consult their own tax advisers regarding the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Rule 144A notes for more than one year) and capital losses (the deductibility of which is subject to limitations)**.

A United States holder's adjusted tax basis in a Rule 144A note denominated in, or determined by reference to, a foreign currency will be determined by reference to the U.S. dollar cost of the Rule 144A notes. The U.S. dollar cost of a Rule 144A note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Rule 144A notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis United States holder (or an accrual basis United States holder that so elects), on the settlement date for the purchase. The amount realised on a sale or retirement of a Rule 144A note for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Rule 144A notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis United States holder (or an accrual basis United States holder that so elects), on the settlement date of the sale.

A United States holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Rule 144A note equal to the difference, if any, between the U.S. dollar values of the United States holder's purchase price for the Rule 144A note (i) on the date of sale or retirement and (ii) the date on which the United States holder acquired the Rule 144A note. Any such exchange gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

Alternative characterisation of the Rule 144A notes

The proper characterisation of the arrangement involving the issuer and the holders of the Rule 144A notes is not clear because there is no authority on transactions comparable to that contemplated herein. The issuer intends to treat the Rule 144A notes as debt for all U.S. federal income tax purposes. Prospective investors are encouraged to consult their own tax advisers regarding the personal tax consequences with respect to the potential impact of an alternative characterisation of the Rule 144A notes for U.S. federal income tax purposes.

One possible alternative characterisation is that the IRS could assert that the class C Rule 144A notes or any other class of Rule 144A notes should be treated as equity in the issuer for U.S. federal income tax purposes because the issuer may not have substantial equity. If the class C Rule 144A notes or any other class of Rule 144A notes were treated as equity, United States holders of such notes would be treated as owning equity in a passive foreign investment company (**PFIC**) which, depending on the level of ownership of such United States holders and certain other factors, might also constitute an interest in a controlled foreign corporation (**CFC**) for such United States holder. A Rule 144A note that is treated as an equity interest in a PFIC or CFC rather than a debt instrument for U.S. federal income tax purposes would have certain timing and character consequences to a United States holder and could require certain elections and disclosures that would need to be made shortly after acquisition to avoid potentially adverse U.S. tax consequences. A United States holder of such a Rule 144A note may also be required to file certain information with the IRS.

If a United States holder were treated as owning an equity interest in a PFIC, unless a United States holder makes a **QEF election** or **mark to market election**, a United States holder will be subject to a special tax regime (i) in respect of gains realised on the sale or retirement of the relevant notes, and (ii) in respect of distributions on the relevant notes held for more than one taxable year to the extent those distributions constitute **excess distributions**. Although not free from doubt, the PFIC rules should not apply to gain realised in respect of any notes disposed of during the same taxable year in which such notes are acquired. An excess distribution generally includes dividends or other distributions received from a PFIC in any taxable year to the extent the amount of such distributions exceeds 125% of the average distributions for the three preceding years (or, if shorter, the investor's holding period). With respect to any Rule 144A notes that pay interest at a floating rate, it is possible that a United States holder will receive "**excess distributions**" as a result of fluctuations in the rate of USD-LIBOR over the term of Rule 144A notes. In general, under the PFIC rules, a United States holder will be required to allocate such excess distributions and any gain realised on a sale of its notes to each day during the United States holder's holding period for the Rule 144A notes, and will be taxable at the highest rate of taxation applicable to the notes for the year to which the excess distribution or gain is allocable (without regard to the United States holder's other items of income and loss for such taxable year) (the **deferred tax**). The deferred tax (other than the tax on amounts allocable to the year of disposition or receipt of the distribution) will then be increased by an interest charge computed by reference to the rate generally applicable to underpayments of tax (which interest charge generally will be a non-deductible interest expense for individual taxpayers). The issuer does not intend to provide information that would enable a holder of a note to make a QEF election, and the mark to market election will only be available during any period in which the notes are traded on a qualifying exchange or market and certain other trading requirements are met. The issuer encourages persons considering the purchase or ownership of 10% or more of any class of Rule 144A notes (or combination of classes) that is treated as equity for U.S. federal income tax purposes to consult their own tax advisors regarding the U.S. federal income tax consequences and filing requirements resulting from such an acquisition under the special rules applicable to CFCs under the Code.

Taxation of Non-United States holders of the Rule 144A notes

Subject to the backup withholding rules discussed below, a non-United States holder generally should not be subject to U.S. federal income or U.S. withholding tax on any payments on a Rule 144A note and gain from the sale or retirement of a Rule 144A note unless: (i) that payment and/or gain is

effectively connected with the conduct by that non-United States holder of a trade or business in the United States; (ii) in the case of any gain realised on the sale or exchange of a note by an individual non-United States holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the non-United States holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. **Non-United States holders are encouraged to consult their own tax advisers regarding the U.S. federal income and other tax consequences to them of owning Rule 144A notes.**

Backup withholding and information reporting

Backup withholding and information reporting requirements may apply to certain payments on the Rule 144A notes and proceeds of the sale or redemption of the Rule 144A notes to United States holders. The issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the United States holder fails to furnish the United States holder's taxpayer identification number (usually on IRS Form W-9), to certify that such United States holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain United States holders are not subject to the backup withholding and information reporting requirements. Non-United States holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN) to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding.

Payments of principal or interest made to or through a non-U.S. office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Rule 144A note generally will not be subject to backup withholding. However, if such custodian, nominee or other agent is (i) a United States person (as defined in section 7701(a)(30) of the Code), (ii) a controlled foreign corporation (as defined in section 957(a) of the Code), (iii) a foreign person 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period, or (iv) a foreign partnership if (A) at any time during its tax year, one or more of its partners are United States persons (as defined in applicable Treasury Regulations) who in the aggregate hold more than 50% of the income or capital interest in the partnership or (B) at any time during its taxable year, it is engaged in a U.S. trade or business (each of (i) through (iv), a **U.S. connected holder**), such custodian, nominee or other agent may be subject to certain information reporting requirements with respect to such payment unless it has in its records documentary evidence that the beneficial owner is not a United States holder and certain conditions are met or the beneficial owner otherwise establishes an exemption. Principal and interest paid by the U.S. office of a custodian, nominee or agent will be subject to both backup withholding and information reporting unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption. Payments of proceeds on the sale of a note made to or through a foreign office of a broker will not be subject to backup withholding. However, if such broker is a U.S. connected holder, information reporting will be required unless the broker has in its records documentary evidence that the beneficial owner is not a United States holder and certain conditions are met or the beneficial owner otherwise establishes an exemption. Payments of proceeds on the sale of a note made to or through the U.S. office of a broker will be subject to backup withholding and information reporting unless the beneficial owner certifies, under penalties of perjury, that it is not a U.S. holder or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the United States holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. **Holders of Rule 144A notes are encouraged to consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption**.

Foreign financial asset reporting

U.S. taxpayers that own certain foreign financial assets, including debt of non-U.S. entities, with an aggregate value in excess of $50,000 at the end of the taxable year or $75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Rule 144A notes are expected to constitute foreign financial assets subject to these requirements unless the Rule 144A notes are held in an account at a financial institution (in which case the amount may be reportable if maintained by a non-U.S. financial institution). United States holders should consult with tax advisers regarding the application of the rules relating to foreign financial asset reporting.

IRS disclosure reporting requirements

U.S. Treasury Regulations (the **disclosure regulations**) meant to require the reporting of certain tax shelter transactions (**reportable transactions**) could be interpreted to cover transactions generally not regarded as tax shelters. Under the disclosure regulations it may be possible that certain transactions with respect to the Rule 144A notes may be characterised as reportable transactions requiring a United States holder to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Rule 144A note that results in a loss that exceeds certain thresholds and other specified conditions are met. **Accordingly, investors are encouraged to consult with their own tax advisers to determine the tax return obligations, if any, with respect to an investment in the Rule 144A notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).**

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a "**participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the issuer (a **recalcitrant holder**). The issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to payments of gross proceeds (including principal repayments) from the disposition of property that can produce U.S. source interest or dividends beginning 1 January 2017 and "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

The United States and a number of other jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, it is expected that an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA withholding**) from payments it makes. Under each Model IGA, a reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **US-UK IGA**) based largely on the Model 1 IGA.

If the issuer is treated as a reporting FI pursuant to the US-UK IGA it does not anticipate that it will be obliged to deduct any FATCA withholding on payments it makes. There can be no assurance, however, that the issuer will be treated as a reporting FI, or that it would in the future not be required to deduct FATCA withholding from payments it makes. Accordingly, the issuer and financial institutions through which payments on the notes are made may be required to withhold FATCA withholding if (i) any FFI through or to which payment on such notes is made is not a participating FFI, a reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a recalcitrant holder.

Whilst the notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the **ICSDs**), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the notes by the issuer, any paying agent and the common depositary or common safekeeper, given that each of the entities in the payment chain between the issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the notes. The documentation expressly contemplates the possibility that the notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the issuer and to payments they may receive in connection with the notes.

MATERIAL JERSEY (CHANNEL ISLANDS) TAX CONSIDERATIONS

Tax status of the mortgages trustee and the mortgages trust

It is the opinion of Mourant Ozannes, our Jersey (Channel Islands) tax counsel, that the mortgages trustee is resident in Jersey for taxation purposes and will be liable to income tax in Jersey at a rate of 0% in respect of the profits it makes from acting as trustee of the mortgages trust. The mortgages trustee will not be liable for any income tax in Jersey in respect of any income it receives in its capacity as mortgages trustee on behalf of the beneficiaries of the mortgages trust.

EU Savings Directive

As part of an agreement reached in connection with the EU Savings Directive on the taxation of savings income in the form of interest payments, in line with steps taken by other relevant third countries, Jersey introduced, with effect from 1 July 2005, a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU member state by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU member states of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU member state will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU member state in which the beneficial owner is resident.

ERISA CONSIDERATIONS

Certain Rule 144A notes specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will be eligible for purchase by employee benefit plans and other plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and/or the provisions of section 4975 of the Code and by governmental plans (as defined in section 3(32) of ERISA), church plans (as defined in section 3(33) of ERISA) and non-US plans (as described in section 4(b)(4) of ERISA) that are subject to US or non-US, state, local or federal law or regulation that is substantially similar to ERISA or section 4975 of the Code, subject to consideration of the issues described in this section (**ERISA-eligible notes**). ERISA imposes certain requirements on **employee benefit plans** (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA plans**) and on those persons who are fiduciaries with respect to ERISA plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA plan's investments be made in accordance with the documents governing the plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA plan by taking into account the ERISA plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "**Risk Factors**" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the ERISA-eligible notes.

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of an ERISA plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA plans, the **plans**)) and certain persons (referred to as **parties in interest** or **disqualified persons**) having certain relationships to such plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the plan for any losses realised by the plan or profits realized by such persons and certain other liabilities could result that have a significant adverse effect on such persons.

The seller, the issuer, the servicer, the mortgages trustee, Funding 1 or any other party to the transactions contemplated by the transaction documents may be parties in interest or disqualified persons with respect to many plans. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any of the ERISA-eligible notes is acquired or held by a plan with respect to which the issuer, the servicer, the mortgages trustee, Funding 1 or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of plan fiduciary making the decision to acquire any such notes and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption (**PTCE**) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a **qualified professional asset manager**), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving any such notes.

Each purchaser and subsequent transferee of any ERISA-eligible note will be deemed by such purchase or acquisition of any such note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such note through and including the date on which the purchaser or transferee disposes of such note, either that (A) it is not a plan or an entity whose

underlying assets include the assets of any plan or a governmental, church, non-US or other plan which is subject to any US or non-US, federal, state or local law or regulation that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code or (B) its acquisition, holding and disposition of such note will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-US plan, any substantially similar US or non-US, federal, state or local law or regulation) for which an exemption is not available.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. section 2510.3-101 as modified by section 3(42) of ERISA (the **Plan Asset Regulation**), describing what constitutes the assets of a plan with respect to the plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, and section 4975 of the Code. Under the Plan Asset Regulation, if a plan invests in an **equity interest** of an entity that is neither a **publicly-offered security** nor a security issued by an investment company registered under the United States Investment Company Act of 1940, as amended, the plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in debt form may be considered an **equity interest** if it has **substantial equity features**. If the issuer were deemed under the Plan Asset Regulation to hold plan assets by reason of a plan's investment in any of the ERISA-eligible notes, such plan assets would include an undivided interest in the assets held by the issuer and transactions by the issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant, then the "look-through" rule will not apply to such entity. The term "Benefit Plan Investors" is defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in section 3(3) of ERISA) subject to Title I of ERISA, (2) any plan described in section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include "plan assets" by reason of any such plan's investment in the entity. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee or any affiliates of such persons) is held by Benefit Plan Investors.

There is little pertinent authority in this area and securities may change character from debt to equity over time due to changing circumstances. Fiduciaries of plans considering the purchase of notes should consult their counsel in this regard. The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will determine the characterisation of the notes and whether such notes will be ERISA-eligible. Benefit Plan Investors should consult the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in this regard.

Any insurance company proposing to purchase any of the ERISA-eligible notes using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (12 July 1995), the enactment of section 401(c) of ERISA by the Small Business Job Protection Act of 1996 (including, without limitation, the expiration of any relief granted thereunder) and the Insurance Company General Account Regulations, 65 Fed. Reg. No. 3 (5 January 2000) (codified at 29 C.F.R. pt. 2550) that became generally applicable on 5 July 2001.

Each plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the ERISA-eligible notes should determine whether, under the documents and instruments governing the plan, an investment in such notes is appropriate for the plan, taking into account the overall investment policy of the plan and the composition of the plan's investment portfolio and liquidity needs in view of the plan's benefit obligations. Any plan proposing to invest in such notes (including any governmental, church or non-US plan) should consult with its counsel to confirm that such investment will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-US plan, any substantially similar US or non-US, state, local or federal law or regulation).

The sale of any ERISA-eligible notes to a plan is in no respect a representation by the seller, the issuer, the servicer, the mortgages trustee, Funding 1 or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan.

UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

None of the notes will constitute "**mortgage related securities**" under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterisation of the notes for legal investment purposes, financial institutional regulatory purposes or other purposes or as to the ability of particular investors to purchase the notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisors in determining whether and to what extent the notes constitute legal investments or are subject to investment, capital or other restrictions.

Any money market notes of the issuer (as detailed in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)) will be "Eligible Securities" within the meaning of Rule 2a-7 under the Investment Company Act. Money market notes designated as remarketable notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) will be sold subject to terms and conditions set out in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), which will provide for mandatory transfer on each note mandatory transfer date in respect of the period up to and including the first mandatory transfer date. Thereafter if a remarketing termination event has not occurred, it is expected that the remarketable notes will be "Eligible Securities" within the meaning of Rule 2a-7 in respect of the period up to and including the next following of Rule 2a-7 remain unchanged.

SUBSCRIPTION AND SALE

Any dealers appointed from time to time (together, the **dealers**) in accordance with the programme agreement (as amended from time to time) will be required to agree with the issuer a basis upon which such dealers or any of them may from time to time agree to purchase notes. The issuer may pay the dealers a selling commission and a management and underwriting fee from time to time in connection with the sale of any notes. In the programme agreement, the issuer has agreed to reimburse and indemnify the dealers for certain of their expenses and liabilities in connection with the establishment and any future update of the programme and the issue of the notes under the programme. The dealers will be entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase notes under the programme agreement in certain circumstances prior to the payment to the issuer.

United States

Each dealer appointed under the programme agreement will be required to acknowledge that the notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act. In addition, the notes cannot be resold in the United States or to U.S. persons unless they are subsequently registered or an exemption from registration is available. Each dealer appointed under the programme agreement will be required to agree that with respect to the relevant Reg S notes for which it has subscribed that it will not offer, sell or deliver the Reg S notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Reg S notes and the relevant closing date (the **distribution compliance period**) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A, and that it will have sent to each affiliate, dealer or person receiving a selling commission, fee or other remuneration that purchases Reg S notes from it during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales (or resales) of the Reg S notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The subscription agreement will provide that selected dealers, through their selling agents which are registered broker-dealers in the United States, may sell or resell the Rule 144A notes in the United States to QIBs that are also QPs pursuant to Rule 144A.

The Reg S notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of the distribution compliance period, an offer or sale of the Reg S notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements under the Securities Act.

This base prospectus has been prepared by the issuer for use in connection with the offer and sale of the notes outside the United Sates and the offer and sale of the Rule 144A notes to QIBs that are also QPs in the United States. The issuer and the dealers reserve the right to reject any offer to purchase the notes, in whole or in part, for any reason. This base prospectus does not constitute an offer (under Section 5 of the Securities Act) to any person in the United States or to any U.S. person, other than any QIB within the meaning of Rule 144A that is also a QP within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder to whom an offer has been made directly by one of the dealers or its U.S. broker-dealer affiliate. Distribution of this base prospectus to any U.S. person or to any other person within the United States, other than any QIB that is also a QP and those persons, if any, retained to advise such non-U.S. person or QIB that is

also a QP with respect thereto, is unauthorised and any disclosure without the prior written consent of the issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB that is also a QP and those persons, if any, retained to advise such non-U.S. person or QIB that is also a QP, is prohibited.

Each dealer appointed under the programme agreement will be required to acknowledge that the Reg S notes and any Rule 144A notes that are not ERISA-eligible notes are not designed for, and may not be purchased or held by, any "employee benefit plan" as defined in section 3(3) of ERISA, which is subject thereto, or any "plan" as defined in section 4975 of the Code, or by any person any of the assets of which are, or are deemed for purposes of ERISA or section 4975 of the Code to be, assets of such an "employee benefit plan" or "plan," or by any governmental, church, non-US or other plan which is subject to any US or non-US, federal, state or local law or regulation that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code, and/or law or regulation that provides that the assets of the issuer should be deemed to include "plan assets" of such plan, and each purchaser of such note will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds such note will not be, such an "employee benefit plan", "plan," person, or governmental, church or non-US plan.

United Kingdom

Each dealer appointed under the programme agreement will represent and agree that:

- in relation to any notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the notes would otherwise constitute a contravention of section 19 of the FSMA by the issuer;

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a **relevant member state**), each dealer has represented and agreed, and each further dealer appointed under the programme agreement will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the **relevant implementation date**) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this base prospectus as completed by the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) in relation thereto to the public in that relevant member state except that it may, with effect from and including the relevant implementation date, make an offer of such notes to the public in that relevant member state:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to in (a) to (c) above shall require the issuer or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state and the **expression 2010 PD Amending Directive** means Directive 2010/73/EU.

Republic of Italy

The offering of the notes has not been registered with the Commissione Nazionale per le Società e la Borsa (**CONSOB**) pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this base prospectus or of any other document relating to the notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34–ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 (the **CONSOB Regulation**), all as amended; or

(b) in other circumstances where an express exemption from compliance with the restrictions on offers to the public applies pursuant to Article 100 of the Financial Services Act and Article 34-ter of the CONSOB Regulation.

Any offer, sale or delivery of the notes or distribution of copies of this base prospectus or any other document relating to the notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or other Italian authority.

General

Each dealer appointed under the programme agreement has represented and agreed, and each further dealer appointed under the programme agreement will be required to represent and agree, that it has complied and will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers notes or possesses them or distribute the base prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the issuer shall have no responsibility for them. Furthermore, each dealer will represent and agree that it will not directly or indirectly offer, sell or deliver any notes or distribute or publish the base prospectus, any supplement to base prospectus, form of application, offering circular, advertisement or other offering material 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, sales and deliveries of notes by it will be made on the same terms.

The issuer does not represent and each dealer appointed under the programme agreement will not represent that notes may at any time lawfully be sold in compliance with any application, registration or other requirements in any jurisdiction (other than as described above), or pursuant to any exemption available thereunder, or assume any responsibility for facilitating such sale.

Each dealer appointed under the programme agreement will agree that it will, unless prohibited by applicable law, furnish to each person to whom it offers or sells notes a copy of the base prospectus and the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), in each case as then amended or supplemented or, unless delivery of the base prospectus or the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) is required by applicable law, inform each such person that a copy will be made available upon request. The dealers are not and will not be authorised to give any information or to make any representation other than those contained in or consistent with those contained in the base prospectus or the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) or the information approved in writing and provided by the issuer, Funding 1, the mortgages trustee or Nationwide in connection with the offer and sale of notes to which the base prospectus relates.

This base prospectus may be used by the dealers for offers and sales related to market making transactions in the notes. All or any one of the dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the dealers has any obligation to make a market in the notes, and any market making may be discontinued at any time without notice.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and sales by the initial purchasers

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 in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an effective registration statement or in accordance with an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. Accordingly, the notes (and any interests therein) are being offered and sold (i) in the case of the Rule 144A notes, in the United States only to QIBs that are also QPs in transactions exempt from the registration requirements of the Securities Act pursuant to Rule 144A and in accordance with any state securities law and (ii) in the case of the Reg S notes, outside the United States to non-U.S. persons in compliance with Regulation S.

The Reg S global notes may be transferred only to another common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Rule 144A global notes held through DTC may be transferred only to another custodian for DTC or DTC's nominee. Rule 144A global notes held through Euroclear and Clearstream, Luxembourg may be transferred only to another common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg.

On or prior to the end of the distribution compliance period, ownership of interests in a Regulation S global note will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg and any sale or transfer of such interests to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below.

Investors' representations and restrictions on resale

Each purchaser of the notes (which term for the purposes of this section will be deemed to include any purchaser of beneficial interests in the notes, including interests represented by a global note and book-entry interests) will be deemed to have represented and agreed as follows:

(1) it is either (A) a QIB that is also a QP that (i) was not formed for the purpose of investing in the notes or the issuer, (ii) is not a broker dealer which owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers, (iii) is not a participant-directed employee plan such as a 401(k) plan, and is acquiring such notes for its own account or as a fiduciary or agent for others (which others must also be QIBs that are also QPs) for investment purposes and not for distribution in violation of the Securities Act, and it is able to bear the economic risk of an investment in the notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the notes and it is aware, and each beneficial owner of the notes has been advised, that the sale of such notes is being made in reliance on Rule 144A; or (B) not a U.S person or on affiliate of the issuer or a person acting on behalf of such an affiliate and is acquiring such notes for its own account or as a fiduciary or agent for other non-U.S. persons in an offshore transaction (as defined in Regulation S, an **offshore transaction**) pursuant to an exemption provided by Regulation S;

(2) it understands that the notes are being offered only in a transaction that does not require registration under the Securities Act and, if it decides to resell or otherwise transfer Rule 144A notes, then it agrees that it will resell or transfer such notes only: (A) so long as such notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB that is also a QP acquiring the Rule 144A notes for its own account or as a fiduciary or agent for others (which others must also be QIBs that are also QPs) to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A; (B) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if

available); (C) to a non-U.S. person 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 (D) 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;

(3) each purchaser and subsequent transferee of any ERISA-eligible note will be deemed by such purchase or acquisition of any such ERISA-eligible note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such ERISA-eligible note through and including the date on which the purchaser or transferee disposes of such ERISA-eligible note, either that (A) it is not a benefit plan investor (as defined in "**ERISA Considerations**") or a governmental, church, non-US or other plan which is subject to any US or non-US, federal, state or local law or regulation that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code, and/or law or regulation that provide that the assets of the issuer could be deemed to include "plan assets" of such plan, or (B) its acquisition, holding and disposition of such ERISA-eligible note will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-US plan, any substantially similar US or non-US, federal, state or local law) for which an exemption is not available;

(4) each purchaser and subsequent transferee of any Reg S note or any Rule 144A note that is not an ERISA-eligible note will be deemed by such purchase or acquisition of any such note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such note through and including the date on which the purchaser or transferee disposes of such note, that it is not and will not be a benefit plan investor (as defined in "**ERISA Considerations**") or a governmental, church, non-US or other plan which is subject to any US or non-US, federal, state or local law or regulation that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code, and/or law or regulation that provide that the assets of the issuer could be deemed to include "plan assets" of such plan, and that in purchasing and holding such note is not and will not be acting on behalf of, or using assets of, a benefit plan investor or any such governmental, church, non-US or other plan;

(5) it understands that the issuer, the registrar, the dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any notes for the account of one or more QIBs that are also QPs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(6) it understands that the notes offered in reliance on Rule 144A will be represented by the Rule 144A global notes. Before any interest in the Rule 144A global note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Reg S global note, it will be required to provide a transfer agent with a written certification (in the form provided in the note trust deed) as to compliance with applicable securities laws;

(7) it also understands that the notes offered in reliance on Reg S will be represented by the Reg S global notes. Prior to the expiration of the distribution compliance period, before any interest in the Reg S global note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A global note, it will be required to provide a transfer agent with a written certification (in the form provided in the note trust deed) as to compliance with applicable securities laws; and

(8) if it is a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A, it owns and invests on a discretionary basis not less than $10,000,000 in securities of issuers that are not affiliated with it.

The Reg S global notes that represent interests sold outside the United States to purchasers that are not U.S. persons in compliance with Regulation S will bear a legend to the following effect:

"THE NOTE REPRESENTED HEREBY 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 OF THE UNITED STATES AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING DATE, 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) 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. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER AND THE RELEVANT DEALERS THAT NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED."

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A global note. Additional copies of such notice may be obtained from the principal paying agent, the registrar or the transfer agent.

"THE NOTE REPRESENTED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH STATE LAWS. THIS NOTE MAY BE TRANSFERRED ONLY IN INITIAL PRINCIPAL AMOUNTS OF $[100,000] AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF (OR ITS EQUIVALENT IN ANY OTHER CURRENCY AS AT THE DATE OF ISSUE OF SUCH NOTES). THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS OF THE OFFERING OF THE NOTES OUTSIDE THE UNITED STATES THAT IT WILL OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE, ONLY (A) (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A (A **QUALIFIED INSTITUTIONAL BUYER**) THAT IS ALSO A QUALIFIED PURCHASER (A **QUALIFIED PURCHASER**) WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES AND REGULATIONS THEREUNDER, THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST BE QUALIFIED INSTITUTIONAL BUYERS THAT ARE ALSO QUALIFIED PURCHASERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (3) TO A NON-U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), IN AN OFFSHORE TRANSACTION IN

ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND (B) WITH RESPECT TO THE NOTES SPECIFIED IN THE APPLICABLE FINAL TERMS TO BE ERISA ELIGIBLE, TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA, AS DEFINED BELOW), OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), OR ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH AN EMPLOYEE BENEFIT PLAN OR PLAN, OR A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA OR NON-US PLAN (AS DESCRIBED IN SECTION 4(b)(4) OF ERISA SUBJECT TO FEDERAL, STATE, LOCAL OR NON-US LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE SUCH NOTE CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH AN EMPLOYEE BENEFIT PLAN OR PLAN, OR GOVERNMENTAL, CHURCH OR NON-US PLAN IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-US PLAN A VIOLATION OF ANY SUBSTANTIALLY SIMILAR US OR NON-US, FEDERAL, STATE OR LOCAL LAW). IF THE NOTE REPRESENTED HEREBY IS NOT SPECIFIED IN THE APPLICABLE FINAL TERMS AS ERISA-ELIGIBLE, THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER AND THE RELEVANT DEALERS THAT NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA, OR SECTION 4975 OF THE CODE, OR ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH AN EMPLOYEE BENEFIT PLAN OR PLAN, OR A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OR RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER. NO REPRESENTATION CAN BE MADE AS

TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE."

EACH PERSON WHO PURCHASES OR OTHERWISE ACQUIRES THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, BY PURCHASING SUCH INTEREST, IS ALSO DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE FOR THE BENEFIT OF THE ISSUER THAT IT, AND EACH PERSON FOR WHICH IT IS ACTING, (i) IS A QIB THAT IS A QP, (ii) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THE NOTES, (iii) IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (iv) IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, (v) IS ACTING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP, (vi) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS THE NOTES, WILL HOLD AND TRANSFER BENEFICIAL INTERESTS IN THE NOTES IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN U.S.$[100,000], AND (vii) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB AND A QP.

Prospective purchasers are hereby notified that sellers of the notes may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

Because of the foregoing restrictions, purchasers of notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of any note.

CERTAIN RELATIONSHIPS

There are no business relationships, agreements, arrangements, transactions or understandings that are entered into outside the ordinary course of business or are on terms other than would be obtained in an arm's length transaction with an unrelated third party between, Funding 1 or the issuer on the one hand and the servicer, the note trustee, the issuer security trustee, the Funding 1 security trustee, the mortgages trustee, the seller, the Funding 1 swap provider, any issuer swap provider or any affiliates of such parties, that currently exist or that existed during the past two years and that would be material to the notes.

Pursuant to the transaction documents, there are numerous relationships involving or relating to the notes or the portfolio between the seller, the servicer, the cash manager, Funding 1 or the issuer on the one hand and the servicer, the note trustee, the issuer security trustee, the Funding 1 security trustee, the mortgages trustee, the Funding 1 swap provider, each issuer swap provider, the cash manager, the account banks or any affiliates of such parties on the other hand that currently exists or that existed during the past two years and that would be material to the notes.

For the material terms of the relationship with the servicer, see "**The servicing agreement**", with the issuer security trustee, see "**Security for the issuer's obligations—Appointment, powers, responsibilities and liabilities of the issuer security trustee**", with the Funding 1 security trustee, see "**Security for Funding 1's obligations—Appointment, powers, responsibilities and liabilities of the Funding 1 security trustee**", with the mortgages trustee, see "**The mortgages trust** ", with the seller, see "**The mortgage sale agreement—Sale of loans and their related security to the mortgages trustee**", with the Funding 1 swap provider, see "**The swap agreements—The Funding 1 swaps**", with each issuer swap provider, see "**The swap agreements—The issuer swaps**", with the cash manager, see "**The cash management agreements—The cash management agreement—Cash management services provided in relation to the mortgages trust**", and "**The cash management agreements—The issuer cash management agreement—Cash management services to be provided to the issuer and, following enforcement of the issuer security, the issuer security trustee**" and with the account banks, see "**The bank account agreements**". See "**Fees**" for a summary of fee amounts relating to the foregoing relationships.

LISTING AND GENERAL INFORMATION

Authorisation

The establishment and update of the programme and the issue of each series of notes from time to time has been authorised by resolution of the board of directors of the issuer passed on 14 July 2008.

Listing of notes

Application has been made to the FCA in its capacity as competent authority under the FSMA (the **UK Listing Authority**) for the rated notes issued during the period of 12 months from the date of this base prospectus to be admitted to the official list of the UK Listing Authority (the **Official List**). Application will also be made to the London Stock Exchange for each class of the rated notes to be admitted to trading on the regulated market of the London Stock Exchange. Admission to the Official List together with admission to the London Stock Exchange's regulated market (being a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC)) constitute official listing on the London Stock Exchange.

It is expected that each series and class (or sub-class) of rated notes which is to be admitted to the Official List and to trading on the regulated market of the London Stock Exchange will be admitted separately, as and when issued, subject only to the issue of a global note representing the notes of each series and class (or sub-class) and to making the applicable final terms relating to the rated notes available to the public in accordance with the Prospectus Directive and associated UK and EU implementing legislation. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.

This base prospectus has been prepared in compliance with the prospectus rules made under Part VI of the FSMA.

The issuer accepts responsibility for the information contained in this base prospectus. To the best of the knowledge of the issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this base prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The issuer accepts responsibility accordingly.

Clearing and settlement

Transactions in respect of the Rule 144A notes will normally be effected for settlement in U.S. dollars and for delivery on the third working day after the date of the transaction. Prior to listing, however, dealings will be permitted by the London Stock Exchange plc in accordance with its rules.

The rated notes have been accepted for clearance through DTC, Clearstream, Luxembourg and/or Euroclear. The appropriate CUSIP numbers, common codes and/or ISINs for each series and class (or sub-class) of notes will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Litigation

There are no, and have not been, any governmental, legal or arbitration proceedings or enforcement proceedings which may have or have had in the recent past a significant effect upon the financial position or profitability of the issuer, Funding 1, Holdings, the post-enforcement call option holder or the mortgages trustee (as the case may be) nor, so far as the issuer, Funding 1, Holdings, the post-enforcement call option holder or the mortgages trustee, respectively, is aware, are any such governmental, legal or arbitration proceedings pending or threatened.

There are currently no legal or arbitration proceedings pending (or known by Nationwide to be contemplated by governmental authorities) against Nationwide or of which any property of Nationwide is the subject that is material to holders of the notes.

Accounts

Statutory accounts within the meaning of the Companies Act 2006 in respect of the financial years ended on 4 April 2009, 4 April 2010, 4 April 2011, 4 April 2012, 4 April 2013 and 4 April 2014 have been prepared by the issuer. So long as the rated notes are listed on the Official List of the UK Listing Authority and are trading on the London Stock Exchange, 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.

Since the date of its incorporation, neither the issuer nor Funding 1 has entered into any contracts or arrangements not being in the ordinary course of business.

Significant or material change

Since 5 June 2008 (the date of incorporation of the post-enforcement call option holder and Holdings), there has been (1) no material adverse change in the financial position or prospects of the post-enforcement call option holder or Holdings and (2) no significant change in the financial or trading position of the post-enforcement call option holder or Holdings.

Since 5 June 2008 (the date of incorporation of the mortgages trustee), there has been (1) no material adverse change in the financial position or prospects of the mortgages trustee and (2) no significant change in the financial or trading position of the mortgages trustee.

Since the date of Funding 1's last published statutory accounts for the period ended 4 April 2014, there has been (1) no material adverse change in the financial position or prospects of Funding 1 and (2) no significant change in the financial or trading position of Funding 1.

Since the date of the issuer's last published statutory accounts for the period ended 4 April 2014, there has been (1) no material adverse change in the financial position or prospects of the issuer and (2) no significant change in the financial or trading position of the issuer.

Valuations

The applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) for a series of notes will show the outstanding principal balances over the range of LTV ratios, which express the outstanding principal balance of the aggregate of loans (excluding further lending, capitalised arrears, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the date of the origination of the loans divided by the value of the property securing the loans at the date of the first advance. The seller is not expected to revalue any of the mortgaged properties between the date of origination of the related loan and the sale of such loan to the mortgages trust other than, for instance, where an additional lending is applied for or advanced on an account after origination, in which case the original valuation may be updated with a more recent valuation. Where this is the case, the revised valuation will be used in formulating the LTV stratifications at origination for the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement).

Documents available

From the date of this base prospectus and for so long as any series and class (or sub-class) of rated notes issued by the issuer remain outstanding (including during the period while the base prospectus is valid and the notes are admitted to the Official List), copies of the following documents may, when

published, be inspected at the registered office of the issuer and from the specified office of the principal paying agent during usual business hours, on any weekday (public holidays excepted):

(A) the memorandum and articles of association of each of the issuer, Funding 1, Holdings, the mortgages trustee and the post-enforcement call option holder;

(B) a copy of the base prospectus and the applicable final terms;

(C) any future offering circulars, prospectuses, final terms, information memoranda and supplement including final terms (as applicable) (save that any pricing supplement relating to exempt notes will be available for inspection only by the dealers or underwriters, as applicable, as specified in the applicable pricing supplement or, upon proof satisfactory to the principal paying agent or the registrar, as the case may be, as to the identity of the holder of any note to which the applicable pricing supplement relates) to the base prospectus and any other documents incorporated therein or therein by reference; and

(D) each of the following documents:

- the programme agreement;
- each subscription agreement;
- each intercompany loan agreement;
- the mortgages trust deed;
- the controlling beneficiary deed;
- the mortgage sale agreement;
- the issuer deed of charge;
- each deed of accession to the issuer deed of charge;
- each Scottish declaration of trust;
- the Funding 1 deed of charge;
- each deed of accession to the Funding 1 deed of charge;
- the Funding 1 swap agreement;
- each issuer swap agreement and any related swap guarantees;
- the note trust deed;
- the paying agent and agent bank agreement;
- the servicing agreement;
- the cash management agreement;
- the issuer cash management agreement;
- the post-enforcement call option agreement;
- any mortgages trustee bank account agreement;
- any mortgages trustee collateral agreement;
- any Funding 1 bank account agreement;
- any Funding 1 collateral agreement;
- any issuer bank account agreement;
- the master definitions and construction schedule;
- the issuer master definitions and construction schedule;
- each start-up loan agreement;
- the second start-up loan agreement
- the mortgages trustee corporate services agreement;
- the Funding 1 corporate services agreement;
- the issuer corporate services agreement;
- the post-enforcement call option holder corporate services agreement;
- the Holdings corporate services agreement;
- any other deeds of accession or supplemental deeds relating to any such documents;
- each maturity purchase deed;

- any eligible custody agreement; and
- any other transaction document entered into from time to time.

Issuer confirmation

The issuer confirms that the mortgage loans and their related security backing each issue of notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the notes. However, investors are advised that this confirmation is based on the information available to the issuer on the date of this base prospectus and may be affected by the future performance of such mortgage loans backing the issue of the notes. Consequently, in relation to any series of notes, investors are advised to review carefully any disclosure in this base prospectus and the applicable final terms together with any amendments and supplements thereto.

Monthly reports

The issuer will provide post-issuance transaction information from the date of this base prospectus as long as any series and class (or sub-class) of notes issued by the issuer remains outstanding (including during the period while the base prospectus is valid and the notes are admitted to the Official List). Monthly reports, which will include information on the loans and payments in arrears and which are prepared by the issuer cash manager in relation to the issuer, will be published on the Nationwide website (http://www.nationwide.co.uk/investorrelations). Such reports may be issued more frequently at the discretion of the issuer cash manager. Such reports are not incorporated by reference into this base prospectus.

All defined terms used in the monthly investor reports have the meanings given to them in the glossary set out in this base prospectus, unless otherwise defined in such monthly investor reports.

Bank of England information

In order to comply with the Bank of England's Market Notice dated 30 November 2010 in respect of its eligibility requirements for residential mortgage backed securities, the following information in respect of the programme is made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed at: http://www.nationwide.co.uk/investorrelations):

- anonymised loan-level data (provided at least quarterly);
- transaction summary listing key features of the programme;
- a link to all material transaction documents; and
- a liability only cash flow model.

The information listed above is, from the date of this base prospectus and as long as any series and class (or sub-class) of notes remain outstanding (including during the period while the prospectus is valid and the notes are admitted to the Official List, made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed via: http://www.nationwide.co.uk/investorrelations). For the avoidance of doubt, such information will be made available, in each case, prior to or shortly after the closing date of a series and class (or sub-class) of notes issued after the date of this base prospectus and, once made available, such information will be updated on a periodic basis.

GLOSSARY

$, US$, U.S. dollars and dollars	the lawful currency for the time being of the United States of America
€, euro and Euro	the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time
£, pound and sterling	the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland
1999 Regulations	the Unfair Terms in Consumer Contracts Regulations 1999, as amended
A PDL (revenue shortfall) percentage	the percentage specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) which may be subject to change
A principal deficiency sub-ledger	a sub-ledger on the principal deficiency ledger of Funding 1 which specifically records any principal deficiency in respect of any term A advances
AA PDL (revenue shortfall) percentage	the percentage specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) which may be subject to change
AA principal deficiency sub-ledger	a sub-ledger on the principal deficiency ledger of Funding 1 which specifically records any principal deficiency in respect of any term AA advances
AAA principal deficiency sub-ledger	a sub-ledger on the principal deficiency ledger of Funding 1 which specifically records any principal deficiency in respect of any term AAA advances
account banks	the issuer account bank, any Funding 1 account bank and the mortgages trustee account bank, as applicable
accrual period	the meaning given to that term on page 367
accrued interest	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 payment date immediately preceding the relevant date to (but excluding) the relevant date
additional loan advance	a further drawing (including, but not limited to, further advances, re-draws and further draws) in respect of loans sold by the seller to the mortgages trustee
adjusted general reserve fund level	the sum of: (a) the amount standing to the credit of the general reserve fund;

	(b) the amount (if any) then to be credited in accordance with item (a) of the relevant Funding 1 pre-enforcement principal priority of payments; and (c) the amount (if any) then to be credited or debited in accordance with the relevant Funding 1 pre-enforcement revenue priority of payments
agent account bank	the eligible bank with which Funding 1 opens the Funding 1 eligible bank GIC account pursuant to the Funding 1 bank account agreement
agent bank	Citibank N.A., London Branch in its capacity as agent bank and any successor thereto
annualised CPR	the result of the calculation 1–((1–M)^(12)) where M is expressed as a percentage and determined as at the most recent trust calculation date as indicated in the definition of "Funding 1 anticipated cash accumulation period" (see "**The mortgages trust—Cash management of trust property—principal receipts**")
applicable final terms	the meaning given to that term on page viii
applicable pricing supplement	the meaning given to that term on page viii
arranger	Nationwide
arrears of interest	as at any date in respect of any loan, interest (other than capitalised arrears or accrued interest) on that loan which is currently due and payable and unpaid on that date
asset trigger event	an asset trigger event will occur when an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 or the equivalent sub-ledger of any further funding company
authorised investments	(a) money market funds that meet the European Securities and Markets Authority (**ESMA**) Short-Term Money Market Fund definition, set out in Guideline reference 10-049 of the Committee for European Securities Regulators, and indicated within the prospectus that they are defined as such (provided, for the avoidance of doubt, that any such fund must hold an AAAm money market fund rating from S&P and an Aaa-mf money market fund rating from Moody's), or money market funds that hold AAAm and Aaa-mf money market fund ratings from S&P and Moody's, respectively, and, if rated by Fitch, an AAAmmf money market fund rating from Fitch; (b) Sterling gilt-edged securities; and (c) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper);

provided that with respect to money market funds, securities and deposit investments specified under items (a), (b) and (c) above, such investments mature on or before the next following interest payment date for the notes (in relation to any issuer bank account), Funding 1 payment date (in relation to any Funding 1 bank account) or distribution date (in relation to any mortgages trustee bank account); and

provided that with respect to securities and deposit investments specified under items (b) and (c) above:

(i) with respect to investments with a maturity date of less than 30 days, the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) has (A) short-term, unsecured, unguaranteed and unsubordinated debt obligations of at least A-1 by S&P, (B) "Issuer Default Ratings" of at least F1 short-term or A long-term by Fitch, and (C) short-term unsecured, unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least (in relation to any issuer bank account or mortgages trustee bank Account) A2 or (in relation to any Funding 1 bank account) A1 by Moody's; and

(ii) with respect to investments with a maturity date of greater than or equal to 30 days but less than 60 days, the issuing or guaranteeing entity or the entity with which the demand or (in relation to issuer bank accounts and mortgages trustee bank accounts only) time deposits are made (being an authorised person under the FSMA) has (A) short-term, unsecured, unguaranteed and unsubordinated debt obligations of at least A-1 by S&P, (B) "Issuer Default Ratings" of at least F1+ short-term or AA- long-term by Fitch, and (C) short-term unsecured, unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least (in relation to any issuer bank account or mortgages trustee bank account) A2 or (in relation to any Funding 1 bank account) A1 by Moody's; and

(iii) with respect to investments with a maturity date of greater than or equal to 60 days but less than three months, the issuing or guaranteeing entity or the entity with which the demand or (in relation to issuer bank accounts and mortgages trustee bank accounts only) time deposits are made (being an authorised person under the FSMA) has (A) short-term or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least A-1+ or AA- (respectively) by S&P, (B) "Issuer Default Ratings" of at least F1+ short-term or AA- long-term by Fitch, and (C) short-term unsecured,

unguaranteed and unsubordinated debt obligations of at least P-1 by Moody's or long-term unsecured, unguaranteed and unsubordinated debt obligations of at least (in relation to any issuer bank account or mortgages trustee bank account) A2 or (in relation to any Funding 1 bank account) A1 by Moody's; or

(iv) in each case, which are otherwise acceptable to the rating agencies to maintain the then current ratings of the rated notes

authorised underpayment — a payment made by a borrower in an amount less than the monthly payment then due on the loan such deficit amount being an amount not exceeding the aggregate of any previous overpayments

automated valuation model (or AVM) — a property valuation using a statistical model which computes property data to generate an estimate of the market value for an individual property

BACS — Bankers Automated Clearing Service as amended from time to time or any scheme replacing the same

bank account agreements — the issuer bank account agreement, the Funding 1 bank account agreement and the mortgages trustee bank account agreement

Bank of England base rate — the Bank of England's official dealing rate (the repo rate) as set by the UK Monetary Policy Committee and, in the event that this rate ceases to exist or becomes inappropriate as an index for the SVMR, such alternative rate or index which is not controlled by the seller, that the seller considers to be the most appropriate in the circumstances

basic terms modification — the modification of terms, including altering the amount, rate or timing of payments on the notes, the currency of payment, the priority of payments or the quorum or majority required in relation to these terms

BB PDL (revenue shortfall) percentage — the percentage specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), which may be subject to change

BB principal deficiency sub-ledger — a sub-ledger on the principal deficiency ledger of Funding 1 which specifically records any principal deficiency in respect of any term BB advances

BBB PDL (revenue shortfall) percentage — the percentage specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), which may be subject to change

BBB principal deficiency sub-ledger — a sub-ledger on the principal deficiency ledger of Funding 1 which specifically records any principal deficiency in respect of any term BBB advances

beneficiaries — Funding 1, any further funding company and the seller as beneficiaries of the mortgages trust, and beneficiary means any one of them

BMR loans	those loans to the extent that and for such time that the interest rate payable on such loan varies in accordance with the seller's "Base Mortgage Rate" (and shall, for the avoidance of doubt, exclude loans during the period that are fixed rate loans, SMR loans or tracker rate loans
book-entry interest	a record of the beneficial interests in the global notes maintained by each of DTC, Euroclear and Clearstream, Luxembourg as the case may be
booking fee	a fee payable by the borrower in respect of applications for certain types of loans
borrower	in relation to a loan, the individual or individuals specified as such in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such loan or any part of it
broken amount	the meaning given to that term on page 403
Building Societies Act	Building Societies Act 1986, as amended
buildings insurance policy	the buildings insurance cover provided to Nationwide as amended, replaced and/or supplemented from time to time
bullet accumulation liability	on any Funding 1 payment date prior to any payment under item (h) of the priority of payments described in "**Cashflows—Distribution of Funding 1 available principal receipts—Repayment of term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**" the aggregate of each relevant accumulation amount at that time of each bullet term advance which is within a cash accumulation period
BMR	the base mortgage rate of the seller which is capped at 2% above Bank of England base rate
bullet accumulation shortfall	at any time the amount by which the cash accumulation ledger amount is less than the bullet accumulation liability
bullet redemption date	the single date upon which a bullet redemption note is redeemable, as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
bullet redemption note	a note that is redeemable in full on the bullet redemption date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
bullet term advance	the meaning given to that term on pages 177 and 199
business day	in respect of a series or class (or sub-class) of notes, a day that is a London business day and any other day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any additional business centre

	specified in the final terms (or, in the case of exempt notes, the applicable pricing supplement) for any series or class (or sub-class) of notes
buy-to-let loan	any loan provided to a borrower whose primary purpose of obtaining such loan is to purchase a property the borrower intends to let out to tenants
calendar year	a year from the beginning of 1 January to the end of 31 December
Capital Requirements Directive	Directive 2006/48/EC (as amended)
capitalised	in respect of a fee or other amount, added to the outstanding principal balance of a loan
capitalised arrears	for any loan at any date, interest or other amounts which are overdue in respect of that loan and which as at that date have been added to the outstanding principal balance and the true balance of the loan in accordance with the mortgage conditions or otherwise by arrangement with the relevant borrower
capped term advances	the meaning given to that term on page 301
cash accumulation advance	a bullet term advance and/or scheduled amortisation instalment which is within a cash accumulation period
cash accumulation ledger	a ledger maintained by the cash manager to record the amount accumulated by Funding 1 from time to time to pay the relevant accumulation amounts
cash accumulation ledger amount	at any time the amount standing to the credit of the cash accumulation ledger at that time (immediately prior to any drawing to be applied on that Funding 1 payment date and prior to any payment under item (i) of the priority of payments described in "**Cashflows—Distribution of Funding 1 available principal receipts—Repayment of all term advances before a trigger event and before intercompany loan acceleration or acceleration of all notes**")
cash accumulation liability	on any Funding 1 payment date prior to any payment under item (i) of the Funding 1 pre-trigger event pre-enforcement principal priority of payments, the sum of: • the bullet accumulation liability at that time; and • the aggregate of each relevant accumulation amount at that time for each scheduled amortisation instalment made to Funding 1 which is within a cash accumulation period
cash accumulation period	the meaning given to that term on page 199
cash accumulation requirement	the meaning given to that term on page 199

cash accumulation shortfall	the cash accumulation ledger amount, being less than the cash accumulation liability
cash management agreement	the cash management agreement entered into on the programme closing date as amended from time to time, between the cash manager, the mortgages trustee, Funding 1 and the Funding 1 security trustee, as described further in "**Cash management agreements—Cash management agreement**"
cash manager	Nationwide acting, pursuant to the cash management agreement, as agent for the mortgages trustee, Funding 1 and the Funding 1 security trustee, among others, to manage all cash transactions and maintain certain ledgers on behalf of the mortgages trustee, Funding 1 and the Funding 1 security trustee and any successor thereto
cash re-draws	cash re-draws to which a borrower is entitled under a flexible loan as a result of overpayments that the borrower has made on that flexible loan or otherwise
CCA	the Consumer Credit Act 1974, as amended
CCA 2006	the Consumer Credit Act 2006, as may be amended from time to time
certificate of title	a solicitor's, licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the seller in respect of each property substantially in the form of the pro-forma set out in the standard documentation
CFC	controlled foreign corporation
class	each single class (or sub-class) of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes
class A available subordinated amount	the meaning given to that term on page 153
class A note acceleration notice	the meaning given to that term in condition 9.1
class A noteholders	the holders of the class A notes
class A notes	the notes of a series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
class A required subordinated amount	the meaning given to that term on page 153

class A required subordination percentage	on any date, the percentage specified as such in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for the class A notes of any series (whether or not such notes are then outstanding)
class B available subordinated amount	the meaning given to that term on page 154
class B note acceleration notice	the meaning given to that term in condition 9.2
class B noteholders	the holders of the class B notes
class B notes	the notes of a series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
class B required subordinated amount	the meaning given to that term on page 154
class B required subordination percentage	on any date, the percentage specified as such in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for the class B notes of any series (whether or not such notes are then outstanding)
class C available subordinated amount	the meaning given to that term on page 155
class C note acceleration notice	the meaning given to that term in condition 9.4
class C noteholders	the holders of the class C notes
class C notes	the notes of a series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
class C required subordinated amount	the meaning given to that term on page 155
class C required subordination percentage	on any date, the percentage specified as such in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for the class C notes of any series (whether or not such notes are then outstanding)
class D available subordinated amount	the meaning given to that term on page 156
class D note acceleration notice	the meaning given to that term in condition 9.5
class D noteholders	the holders of the class D notes
class D notes	the notes of a series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)

class D required subordinated amount	the meaning given to that term on page 156
class D required subordination percentage	on any date, the percentage specified as such in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for the class D notes of any series (whether or not such notes are then outstanding)
class M available subordinated amount	the meaning given to that term on page 155
class M note acceleration notice	the meaning given to that term in condition 9.3
class M noteholders	the holders of the class M notes
class M notes	the notes of a series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
class M required subordinated amount	the meaning given to that term on page 154
class M required subordination percentage	on any date, the percentage specified as such in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement) for the class M notes of any series (whether or not such notes are then outstanding)
class Z GIC collateral notes	the notes issued by the issuer and which are designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
class Z note acceleration notice	the meaning given to that term in condition 9.6
class Z noteholders	the holders of the class Z notes
class Z notes	the notes of a series designated as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
clearing agency	an agency registered under the provisions of section 17A of the United States Securities Exchange Act of 1934, as amended
clearing corporation	a corporation within the meaning of the New York Uniform Commercial Code
clearing systems	together, Euroclear, Clearstream, Luxembourg or DTC
Clearstream, Luxembourg	Clearstream Banking, société anonyme and any successor entity thereto
closing date	the date on which any series of notes are issued pursuant to this base prospectus, other than the initial closing date

CML	Council of Mortgage Lenders and any successor organisation thereto
Code	United States Internal Revenue Code of 1986, as amended
collateral agreement	the Funding 1 collateral agreement or the mortgages trustee collateral agreement, as applicable
collection account	the account, in the name of the servicer, into which payments by borrowers and any recoveries made in respect of the loans in the portfolio will be paid initially and from which such amounts will be swept into the mortgages trustee GIC account on a regular basis but in any event in the case of direct debits no later than the next London business day after they are deposited in the collection account
common depositary	Citibank, N.A. in its capacity as common depositary and any successor thereto
conditional purchase agreement	the meaning given to that term on page 145
conditional purchaser	the meaning given to that term on page 145
conditional purchaser confirmation	the meaning given to that term on page 260
Consumer Credit Directive	Directive 2008/48/EC of the European Parliament and the Council adopted in April 2008
controlling beneficiary deed	the beneficiary deed entered into on the programme closing date, as amended from time to time, between Funding 1, the seller and the mortgages trustee
corporate services agreements	each of the corporate services agreements in respect of the mortgages trustee, Funding 1, Holdings, the post-enforcement call option holder and the issuer, and/or any corporate services agreement entered into between other programme issuers and/or further funding companies, as applicable, and the relevant corporate services provider
corporate services providers	the UK corporate services providers and the mortgages trustee corporate services provider and any other corporate services provider pursuant to any corporate services agreement
CPR	on any trust calculation date, the annualised principal repayment rate of all the loans comprised in the trust property during the previous trust calculation period calculated as follows: 1 – ((1 – R) ^ 12) where "R'' equals the result (expressed as a percentage) of the total principal receipts received during the previous trust calculation period divided by the aggregate outstanding principal balance of the loans comprised in the trust property as at the first day of that period

crystallise	when a floating charge becomes a fixed charge
day count fraction	the meaning given to that term on pages 367 and 370.
dealers	the entities (if any) appointed as dealers from time to time in accordance with the programme agreement
deed of postponement	a deed or agreement whereby a mortgagee of or the heritable creditor in relation to a property agrees with the seller to postpone its mortgage or standard security (as appropriate) over the property so that the sums secured by it will rank for repayment after the sums secured by the relevant mortgage
deferred distribution	a distribution from mortgages trust available revenue receipts representing that portion of the purchase price paid by the mortgages trustee to the seller in respect of the sale of loans to the mortgages trustee which was not paid to the seller on the relevant closing date
deferred tax	the meaning given to that term on page 470
deferred transfer date	the meaning given to that term in condition 5.8(g)
definitive notes	notes in definitive registered form
designated account	the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a designated bank and identified as such in the register
designated bank	(in the case of payment in a specified currency other than euro) a bank in the principal financial centre of the country of such specified currency (which, if the specified currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro
determination date	in respect of a series and class (or sub-class) of notes, the date(s) specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
determination period	the meaning given to that term on page 367 and in condition 4.1
diligence	the process (under Scots law) by which a creditor attaches the property of a debtor to implement or secure a court decree or judgment
disclosure regulations	U.S. Treasury regulations requiring the reporting of certain tax shelter transactions (reportable transactions)
distribution date	the 19th day of each month or, if not a London business day, the next succeeding London business day, being the date that the mortgages trustee will distribute principal and revenue receipts to Funding 1, any further funding company and the seller

DTC	The Depository Trust Company and any successor thereto
DTC notice to purchase	a notice given by the issuer to a holder of any maturity purchase note(s) held in DTC in accordance with condition 5.8(c)
DTC tender agent	any party designated or appointed by the issuer to coordinate delivery of a DTC notice to purchase and related DTC matters in relation to the purchase of any maturity purchase notes by the maturity purchaser in accordance with condition 5.8(c)
early repayment charge	any fee which a borrower is required to pay in the event that all or any part of the relevant loan becomes repayable or is repaid before a specified date
EC/CS notice to purchase	a notice given by the issuer to a holder of any maturity purchase note(s) held in Euroclear or Clearstream, Luxembourg in accordance with condition 5.8(c)
eligible bank	a bank that is (i) an authorised financial institution under FSMA with a Part IV permission to accept deposits whose (1) short-term and long-term unsubordinated unguaranteed and unsecured debt obligations are rated at least P1 and A2 (respectively) by Moody's, (2) A-l short-term and A long-term (or, if not rated at least A-1 short-term, at least A+ long-term) by S&P and (3) short-term and long-term "Issuer Default Ratings" are at least F1 and A (respectively) by Fitch and, in each case, not subject to any reduction, qualification or withdrawal of such ratings, (ii) an entity whose appointment will not trigger any of the termination events applicable to the agent account bank under clause 10.1 of the Funding 1 bank account agreement, (iii) an entity which has entered into an eligible bank account agreement with the agent account bank, (iv) an institution incorporated in the United Kingdom or that is the United Kingdom branch of a foreign bank, and (v) that makes all deposits under the panel bank guidelines in pounds sterling (GBP)
eligible bank account agreement	a bank account agreement entered into pursuant to clause 9.3 of the Funding 1 bank account agreement
eligible bank ledger	a ledger established and maintained by the cash manager in the books of Funding 1 for the purpose of recording amounts deposited with eligible banks from time to time
eligible collateral	has the meaning given to that term in the relevant collateral agreement
eligible custody arrangement	a custody arrangement satisfactory to the cash manager which (i) is entered into by, amongst others, the mortgages trustee and, as applicable, Funding 1 and the Funding 1 security trustee, with an eligible GIC custodian, (ii) requires such eligible GIC custodian to liquidate the related collateral no earlier than 5 business days (unless no loss would result from such sale), and no later than 30 calendar days, following the occurrence of an insolvency event with respect to Nationwide through a best-efforts sale process, (iii) provides that the eligible collateral will be ringfenced from the

	other collateral held by the custodian, (iv) provides that Funding 1 and the mortgages trustee, as applicable, have free access to the eligible collateral held in the related GIC collateral custody account to the extent amounts standing to the credit of the Funding 1 collateralised GIC account or the mortgages trustee GIC account, as applicable, are unavailable, (v) requires the receipt of a satisfactory legal opinion from a law firm of international repute that the custody agreement is a legal valid binding obligation of the custodian and as to such other matters as the issuer and the security trustee may reasonably require, and (vi) following prior notice of such arrangement, no rating agency has indicated such arrangement would result in the downgrade, withdrawal or qualification of the then current ratings of the rated notes
eligible GIC custodian	a third party custodian that is not the cash manager or Nationwide
EMIR	Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012
English loan	a loan which is secured by an English mortgage
English mortgage	a mortgage secured over a property in England or Wales
equity release loan	means a residential mortgage loan where borrowers have monetised their properties for either a lump sum of cash or regular periodic income (e.g. as a retirement plan)
ERISA	the U.S. Employee Retirement Income Security Act of 1974, as amended
ERISA-eligible notes	the meaning given to that term on page 476
ERISA plans	the meaning given to that term on page 476
EURIBOR	the euro-zone interbank offered rate as determined by the agent bank in accordance with the terms and conditions of the relevant notes and the paying agent and agent bank agreement
Euroclear	Euroclear Bank S.A./N.V.
excess swap collateral	an amount equal to the value of the collateral (or the applicable part of any collateral) provided by an issuer swap provider to the issuer in respect of that issuer swap provider's obligations to transfer collateral to the issuer under an issuer swap agreement which is in excess of that issuer swap provider's liability under such issuer swap agreement as at the date of termination of such issuer swap agreement or which it is otherwise entitled to have returned to it under the terms of such issuer swap agreement
Exchange Act	the United States Securities Exchange Act of 1934, as amended
exchange rate agent	Citibank, N.A., London Branch in its capacity as exchange rate agent at its specified office or such other person for the time being acting as exchange rate agent under the paying agent and agent bank agreement

expected maturity date	in respect of any series and class of maturity purchase notes, the bullet redemption date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
facility fee	the meaning given to that term on page 175
FATCA	Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended
FCA	the Financial Conduct Authority of the United Kingdom (known as the Financial Services Authority until 1 April 2013)
FCA rules	the rules made by the FCA under the FSMA
final maturity date	in respect of any series and class of notes, the final legal maturity date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
final repayment date	in relation to a term advance, the date specified as such in the related intercompany loan confirmation for such term advance
final terms	the meaning given to that term on page ii
Fitch	Fitch Ratings Limited and any successor to its ratings business
Fitch conditions	the meaning given to that term on page 161
fixed interest period	the period from and including an interest payment date (or the interest commencement date) to, but excluding the next (or the first) interest payment date
fixed rate loans	means those loans to the extent that and for such time that the interest rate payable by the borrower on all or part of the outstanding principal balance does not vary and is fixed for a certain period of time by the seller
fixed rate note	a note, the interest basis of which is specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as being fixed rate
fixed rate re-fixes	an adjustment to the fixed rate of interest a borrower pays on a loan after the lapse of a certain amount of time
fixed security	a form of security which means that the chargor is not allowed to deal with the assets subject to the charge without the consent of the chargee
flexible advance	a loan for unrestricted purposes (which may be CCA regulated) offered to borrowers with existing loans (other than a flexible advance) from the seller which is secured on the same property which secures the borrower's existing loan. Some flexible advances permit the borrower to make further draws up to the fixed credit limit extended under the mortgage conditions at the inception of the flexible advance

flexible loan	a type of loan product that typically incorporates features that give the borrower options (which may be subject to certain conditions) to, among other things, make further drawings on the loan account and/or to overpay or underpay interest and principal in a given month and/or take a payment holiday
floating charge	a form of charge which is not attached to specific assets but which "floats" over a class of them and which allows the chargor to deal with those assets in the everyday course of its business, up until the point that the floating security is enforced, at which point it crystallises into fixed security
floating interest period	in relation to any fixed rate notes, the meaning given to that term on page 368
floating rate note	a note, the interest basis of which is specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as being floating rate
FSA	the Financial Services Authority
FSCS limit	the current applicable limit established by the Financial Services Compensation Scheme
FSMA	the Financial Services and Markets Act 2000, as amended
Funding 1	Silverstone Funding (No. 1) Limited
Funding 1 account bank	Nationwide in its capacity as Funding 1 account bank and any successor thereto
Funding 1 account bank required ratings	the meaning given to that term on page 186
Funding 1 cash accumulation period	the meaning given to that term on page 200
Funding 1 anticipated cash accumulation period	the anticipated number of months required to accumulate sufficient principal receipts to pay the relevant accumulation amount, as described further in "**The mortgages trust—Cash management of trust property—Principal receipts**"
Funding 1 available principal receipts	the meaning given to that term on page 288
Funding 1 available revenue receipts	the meaning given to that term on page 273
Funding 1 bank account agreement	the agreement entered into on the programme closing date between the Funding 1 account bank, Funding 1, the cash manager and the Funding 1 security trustee as amended, restated, supplemented, replaced or novated from time to time and any other bank account agreements entered into by Funding 1 in respect of the Funding 1 bank accounts

Funding 1 bank accounts	the Funding 1 GIC account, the Funding 1 transaction account, the Funding 1 collateralised GIC account, the Funding 1 eligible bank GIC account, the Funding 1 swap collateral cash account, the Funding 1 GIC collateral custody account and any additional Funding 1 bank account and any additional or replacement bank accounts opened in the name of Funding 1 from time to time
Funding 1 calculation date	means the date falling four London business days prior to each Funding 1 payment date
Funding 1 collateral agreement	the collateral agreement to be entered into by Funding 1 and Nationwide, as the Funding 1 account bank that maintains the Funding 1 collateralised GIC account, pursuant to clause 4.10 of the cash management agreement substantially in the form attached as schedule 4 to the cash management agreement
Funding 1 collateralised GIC account	an account in the name of Funding 1 held at Nationwide in its capacity as Funding 1 account bank and maintained subject to the terms of the Funding 1 bank account agreement and the Funding 1 deed of charge and/or such additional or replacement account as may for the time being be in place with the prior consent of the Funding 1 security trustee
Funding 1 collection period	the period from, and including, a Funding 1 collection period start date to, but excluding, the next Funding 1 collection period start date, except that the final Funding 1 collection period shall end on, but exclude, the date on which the amount outstanding under the intercompany loans is reduced to zero. Each reference to a Funding 1 collection period relating to a Funding 1 interest period shall be construed so as to refer to each Funding 1 collection period ending on or after the first London business day of the month in which that Funding 1 interest period commences and before the first London business day of the month in which that Funding 1 interest period ends
Funding 1 collection period start date	The first London business day of each month and any other day on which Funding 1 acquires a further interest in the trust property
Funding 1 corporate services agreement	an agreement entered into on the programme closing date, as amended from time to time, between Funding 1, the Funding 1 corporate services provider and the Funding 1 security trustee, which governs the provision of corporate services by the Funding 1 corporate services provider to Funding 1
Funding 1 corporate services provider	Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, with registered number 02548079 and any successor thereto
Funding 1 custody collateral	at any time, the amount of collateral posted pursuant to the Funding 1 collateral agreement which may be applied at that time in satisfaction of Nationwide's obligation to Funding 1 under the terms of the Funding 1 collateral agreement

Funding 1 deed of charge	the deed of charge entered into on the programme closing date between (among others) Funding 1, the Funding 1 security trustee and the Funding 1 secured creditors, as described further in "**Security for Funding 1's obligations**", as amended from time to time, including any deeds of accession or supplements thereto in connection with the issuance of a series
Funding 1 deposit non-reserved amounts	as at any date of determination, Funding 1 available revenue receipts, Funding 1 available principal receipts and any other amounts whatsoever received by or on behalf of Funding 1 after the initial closing date (and not otherwise paid to any party) other than the sum of (i) amounts allocated to the general reserve fund and the Funding 1 liquidity reserve fund, (ii) any amounts required to pay items (a) to (f) (inclusive), (h), (j), (l) and (n) of the Funding 1 pre-enforcement revenue priority of payments on the next interest payment date, and (iii) any principal amounts due and payable on any class of notes with a final maturity date within two years of the relevant date of determination (including, for the avoidance of doubt, any relevant accumulation amounts with respect to any money market notes)
Funding 1 designated collateral amount	as at any date of determination, the aggregate amount of deposits in the Funding 1 collateralised GIC account designated by the cash manager as being collateralised by posting under the Funding 1 collateral agreement pursuant to clause 4.10 of the cash management agreement
Funding 1 designated term NR GIC collateral advance amount	as at any date of determination, the aggregate amount of deposits in the Funding 1 collateralised GIC account designated by the cash manager as being collateralised by term NR GIC collateral advances pursuant to clause 4.10 of the cash management agreement
Funding 1 eligible bank GIC account	a sterling account opened pursuant to Clause 4.4 of the Funding 1 bank account agreement in the name of Funding 1 and to be held with the agent account bank in accordance with the Funding 1 bank account agreement or such other bank account agreement entered into by Funding 1 with the agent account bank pursuant to clause 4.4 of the Funding 1 bank account agreement
Funding 1 GIC account	an account in the name of Funding 1 held at Nationwide in its capacity as Funding 1 account bank and maintained subject to the terms of the Funding 1 bank account agreement and the Funding 1 deed of charge and/or such additional or replacement account as may for the time being be in place with the prior consent of the Funding 1 security trustee
Funding 1 GIC collateral custody account	a custody account opened by Funding 1 with a third party pursuant to an eligible custody arrangement for the purposes of holding collateral posted by Nationwide pursuant to the Funding 1 collateral agreement
Funding 1 interest period	the period from (and including) the initial closing date to (but excluding) the first Funding 1 payment date and thereafter each period from (and including) a Funding 1 payment date to (but

	excluding) the next Funding 1 payment date, except that the final Funding 1 interest period shall end on (but exclude) the date on which the amount outstanding under all the intercompany loans is reduced to zero
Funding 1 interest period swap provider amount	the meaning given to that term on page 251
Funding 1 liquidity reserve fund	a liquidity reserve fund established on the occurrence of certain ratings downgrades of the seller to meet interest and principal shortfalls (in limited circumstances) on the notes
Funding 1 liquidity reserve fund rating event	the seller's long-term, unsecured, unsubordinated and unguaranteed debt obligations are rated below A3 by Moody's (unless advance notice in writing of such rating has been provided to Moody's and there being no reduction, qualification or withdrawal by Moody's of the then current ratings of the rated notes as a consequence thereof)
Funding 1 liquidity reserve fund required amount	the meaning given to that term on page 271
Funding 1 liquidity reserve ledger	a ledger maintained by the cash manager to record the withdrawals and deposits in respect of the Funding 1 liquidity reserve fund
Funding 1 payment date	the date which is the 21st day of each month or, if not a London business day, the next London business day
Funding 1 post-enforcement priority of payments	the order in which, following service of an intercompany loan acceleration notice, the Funding 1 security trustee will apply the amounts received following enforcement of the Funding 1 security, as set out in "**Security for Funding 1's obligations**" and "**Cashflows—Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**"
Funding 1 pre-enforcement principal priority of payments	the order in which, prior to service of an intercompany loan acceleration notice, the cash manager will apply the Funding 1 available principal receipts as set out in "**Security for Funding 1's obligations**" and "**Cashflows—Distribution of Funding 1 available principal receipts**"
Funding 1 pre-enforcement revenue priority of payments	the order in which, prior to service of an intercompany loan acceleration notice, the cash manager will apply the Funding 1 available revenue receipts as set out in "**Security for Funding 1's obligations" and "Cashflows—Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**"
Funding 1 principal funds	the meaning given to that term on page 300
Funding 1 principal ledger	a ledger maintained by the cash manager to record the amount of principal receipts received by Funding 1 from the mortgages trustee on each distribution date

Funding 1 principal receipts — the principal receipts paid by the mortgages trustee to Funding 1 on each distribution date

Funding 1 priority of payments — as the context requires, any of the Funding 1 pre-enforcement revenue priority of payments, the Funding 1 pre-enforcement principal priority of payments or the Funding 1 post-enforcement priority of payments

Funding 1 profit amount — the meaning given to that term on page 283

Funding 1 proportion — on a distribution date, sale date, further contribution date or Funding 1 payment date, an amount equal to:

$$\frac{A}{C}$$

where:

A = The Funding 1 share as determined for the immediately preceding trust calculation period; and

C = The aggregate of the shares of each funding company as determined for the immediately preceding trust calculation period

Funding 1 reserve principal payment — the meaning given to that term on page 265

Funding 1 reserve required amount — the amount specified as such in the most recent final terms (or, in the case of exempt notes, the applicable pricing supplement)

Funding 1 revenue deficit amount — the meaning given to that term on page 274

Funding 1 revenue ledger — a ledger maintained by the cash manager to record all amounts received by Funding 1 from the mortgages trustee on each distribution date other than principal receipts, together with interest received by Funding 1 on its authorised investments or pursuant to the Funding 1 bank account agreement

Funding 1 secured creditors — the Funding 1 security trustee, the Funding 1 swap provider, the cash manager, the Funding 1 account bank, the mortgages trustee account bank, the seller, the Funding 1 corporate services provider, the Holdings corporate services provider, each start-up loan provider, the issuer and any other entity that accedes to the terms of the Funding 1 deed of charge from time to time

Funding 1 security — the security created under the Funding 1 deed of charge

Funding 1 security trustee — Citicorp Trustee Company Limited in its capacity as Funding 1 security trustee, and any successor thereto

Funding 1 share — the Funding 1 share of the trust property from time to time, as calculated on each trust calculation date

Funding 1 share percentage — the Funding 1 share percentage of the trust property from time to time as calculated on each trust calculation date

Funding 1 swap agreement — the ISDA master agreement and schedule thereto entered into on or about the programme closing date between Funding 1, the Funding 1 swap provider and the Funding 1 security trustee and any confirmation documented thereunder from time to time between Funding 1, the Funding 1 swap provider and the Funding 1 security trustee (as amended from time to time)

Funding 1 swap excluded termination amount — in relation to the Funding 1 swap agreement an amount equal to:

(a) the amount of any termination payment due and payable to the Funding 1 swap provider as a result of a Funding 1 swap provider default or following a Funding 1 swap provider downgrade termination event;

Less

(b) the amount, if any, received by Funding 1 from a replacement swap provider upon entry by Funding 1 into an agreement with such replacement swap provider to replace the Funding 1 swap agreement which has terminated as a result of such Funding 1 swap provider default or following the occurrence of such Funding 1 swap provider downgrade termination event

Funding 1 swap provider — Nationwide, pursuant to the Funding 1 swap agreement and any successor thereto

Funding 1 swap provider default — an event of default (as defined in the Funding 1 swap agreement) where the Funding 1 swap provider is the defaulting party (as defined in the Funding 1 swap agreement)

Funding 1 swap provider downgrade termination event — a termination event following the failure by the Funding 1 swap provider to comply with the requirements of the ratings downgrade provisions set out in the Funding 1 swap agreement

Funding 1 swaps — each of the swap transactions documented under the Funding 1 swap agreement which enables Funding 1 to hedge against the possible variance between the variable rate payable on the standard variable mortgage rate loans or the fixed rates of interest payable on the fixed rate loans and a LIBOR-based rate for three-month sterling deposits (and/or one-month sterling deposits if such becomes applicable pursuant to the terms of the relevant term advance under the intercompany loan agreement), as described further in "**The swap agreements—The Funding 1 swaps**"

Funding 1 transaction account — the sterling day-to-day bank account of Funding 1, held with the Funding 1 account bank pursuant to the terms of the Funding 1 bank account agreement to which amounts standing to the credit of the Funding 1 GIC account are transferred on each Funding 1 payment date and out of which monies are paid on each relevant Funding 1 payment date pursuant to the relevant Funding 1 priority of payments

funding companies	Funding 1 and any further funding company that may be established from time to time
funding company calculation date	a Funding 1 calculation date or, as applicable, the calculation date applicable to a further funding company
funding company payment date	a Funding 1 payment date or, as applicable, a further funding company payment date
funding company revenue deficit amount	means the revenue deficit amount as set out in the definition of Funding 1 revenue deficit amount, calculated for each further funding company
funding security trustee	Funding 1 security trustee and the security trustees with respect to the further funding companies
further advance	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, excluding the amount of any retention in respect of the initial advance and excluding any re-draw in respect of any flexible loan or further draw in respect of any flexible advance
further contribution	the consideration in the form of cash payable by any beneficiary to the mortgages trustee to increase the Funding 1 share, or, as the case may be, the seller share of the trust property, pursuant to the terms of the mortgages trust deed, but excluding any initial contribution, refinancing contribution or deferred contribution paid by Funding 1
further draw	additional amounts borrowers are permitted to draw under flexible advances (in aggregate up to the fixed credit limit as set out in the relevant mortgage conditions)
further funding company	means a company (excluding the seller and Funding 1) that has complied with the conditions precedent to becoming a beneficiary and subsequently acquires a share in the trust property
further funding company payment date	the meaning given in the new intercompany loan agreement with respect to any applicable further funding company
further funding company proportion	for a further funding company, in respect of any distribution date, an amount equal to: $$\frac{B}{C}$$ in each case where: B = the further funding company share of that further funding company as determined for the immediately preceding trust calculation period; and C = the aggregate of the shares of each funding company as determined for the immediately preceding trust calculation period

further funding company share	the amount of trust property beneficially owned by the relevant further funding company from time to time, as determined in accordance with clause 11.5 of the mortgages trust deed
general reserve fund	at any time, the amount standing to the credit of the general reserve ledger at that time, which may be used in certain circumstances by Funding 1 to meet any deficit in revenue or to repay amounts of principal, as described further in "**Credit structure—General reserve fund**"
general reserve ledger	a ledger maintained by the cash manager to record the amount credited to the general reserve fund from the proceeds of a portion of each start-up loan and other withdrawals and deposits in respect of the general reserve fund
GIC collateral custody account	the Funding 1 GIC collateral custody account or the mortgages trustee GIC collateral custody account, as applicable
global notes	the Reg S global notes and the Rule 144A global notes
HMRC	Her Majesty's Revenue and Customs
holder of a note	the person in whose name such note is for the time being registered in the register (or, in the case of a joint holding, the first named thereof)
Holdings	Silverstone Securitisation Holdings Limited
Holdings corporate services agreement	an agreement entered into on the programme closing date, as amended from time to time, between Holdings, the Holdings corporate services provider, Funding 1 and the Funding 1 security trustee, which governs the provision of corporate services by the Holdings corporate services provider to Holdings
Holdings corporate services provider	Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, with registered number 02548079 and any successor thereto
Housing Indices	together, the Nationwide House Price Index and Halifax House Price Index, used to measure UK residential property prices
ICSD	The relevant international central securities depository, being either of operators of Euroclear System and Clearstream Banking, *société anonyme*.
IFRS	International Financial Reporting Standards
in arrears	in respect of a loan, when one or more monthly payments in respect of a loan have become due and payable but have not been paid by a borrower within one month of their becoming so due and payable
increase amount	has the meaning given to it in condition 5.9(a)(i)

increase date has the meaning given to it in condition 5.9

industry CPR a constant prepayment rate which is calculated by dividing the amount of scheduled and unscheduled repayments of mortgages repaid in a quarter by the quarterly balance of mortgages outstanding for banks and building societies in the United Kingdom

initial advance in respect of any loan, the original principal amount advanced by the seller to the relevant borrower

initial closing date 16 September 2008, being the date of the first issuance of notes by Silverstone Master Issuer PLC

initial contribution the consideration in the form of cash paid by Funding 1 to the mortgages trustee in respect of the Funding 1 share of the trust property pursuant to and in accordance with the mortgages trust deed, which contribution is to fund the payment to Nationwide in its capacity as seller by the mortgages trustee of the initial purchase price in respect of loans

initial purchase price that portion of the purchase price paid by the mortgages trustee to Nationwide in its capacity as seller on the date loans are sold to the mortgages trustee in consideration for the sale to the mortgages trustee of loans pursuant to the terms of the mortgage sale agreement

Insolvency Act the Insolvency Act 1986, as amended from time to time

insolvency event in respect of Nationwide (acting in any of its capacities under the transaction documents), only if any of the following events shall occur and be continuing shall an insolvency event have occurred:

(a) Nationwide becomes insolvent or is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as amended) or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or building society liquidator or building society special administrator or similar officer of itself over the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business (except in any case in connection with a Nationwide substitution); or

(b) if Nationwide ceases to carry on its business or substantially the whole of its business (except in any case in connection with a Nationwide substitution); or

(c) an order is made, an effective resolution is passed or the necessary consent of Nationwide's members is given for the winding up or dissolution of Nationwide or the authorisation or registration of Nationwide is or is proposed to be cancelled, suspended or revoked or anything analogous or similar to any of the foregoing occurs (except in any case in connection with a Nationwide substitution)

in respect of a party other than Nationwide (for the purposes of this definition, a relevant entity) means the occurrence of any of the following:

(i) an order is made or an effective resolution passed for the winding up of the relevant entity;

(ii) the relevant entity ceases or threatens to cease to carry on its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as amended) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or

(iii) proceedings (including, but not limited to, presentation of an application 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) are initiated against the relevant entity under any applicable liquidation, administration reorganisation (other than a reorganisation where the relevant entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or any substantial part of the undertaking or assets of the relevant entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of the undertaking or assets of the relevant entity and in any of the foregoing cases it is not discharged within 15 London business days; or if the relevant entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness

Insolvency (Northern Ireland) Order The Insolvency (Northern Ireland) Order 1989, as amended by the Insolvency (Northern Ireland) Order 2005

insurance policies	Each of: (a) the properties in possession policies; and (b) buildings insurance policies arranged for borrowers by the seller
intercompany loan	all the term advances made by the issuer to Funding 1 under the intercompany loan agreement
intercompany loan acceleration notice	an acceleration notice served by the issuer security trustee on Funding 1 following an intercompany loan event of default
intercompany loan agreement	the intercompany loan agreement entered into on the programme closing date, as amended from time to time, between Funding 1, the issuer, the issuer security trustee and the Funding 1 security trustee as amended from time to time and comprising all intercompany loan confirmations entered into from time to time
intercompany loan confirmation	in relation to any term advance, the document between, amongst others, Funding 1 and the issuer recording the principal terms of such term advance and incorporating the intercompany loan terms and conditions
intercompany loan event of default	an event of default under the intercompany loan agreement
intercompany loan ledger	a ledger maintained by the cash manager to record payments of interest and repayments of principal made on each of the term advances under the intercompany loan
intercompany loan terms and conditions	the terms and conditions signed on the programme closing date by the issuer, Funding 1, the issuer security trustee, the Funding 1 security trustee and the agent bank for the purposes of identification, as amended from time to time
interest commencement date	(a) in relation to a series and class (or sub-class) of notes, the closing date of such notes or such other date as may be specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); and (b) in respect of a term advance, the closing date of the related series and class (or sub-class) of notes or such other date as may be specified as such in the applicable intercompany loan confirmation
interest payment date	(a) in relation to a series and class (or sub-class) of notes, the interest payment date as specified in the relevant notes, subject to the appropriate business day convention, if any, specified (in relation to a series and class (or sub-class) of notes) in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement); and (b) in respect of term advances, a term advance interest

payment date

interest period

(a) in relation to a series and class (or sub-class) of notes (i) with respect to the first interest payment date, the period from (and including) the applicable interest commencement date to (but excluding) such first interest payment date, and (ii) thereafter, with respect to each interest payment date, the period from (and including) the preceding interest payment date to (but excluding) the current interest payment date;

(b) in respect of term advances,

(i) with respect to the first term advance interest payment date in respect of such term advance, the period from (and including) the applicable interest commencement date to (but excluding) such first term advance interest payment date in respect of such term advance, and

(ii) thereafter, with respect to each term advance interest payment date in respect of such term advance, the period from (and including) the preceding term advance interest payment date in respect of such term advance to (but excluding) the next following term advance interest payment date in respect of such term advance

interest period Funding 1 amount — the meaning given to that term on page 251

interim trust calculation date — a sale date and a further contribution date occurring during a trust calculation period

interim trust calculation period — has the meaning given to it on page 186

Investment Company Act — the United States Investment Company Act of 1940, as amended

IRS — the U.S. Internal Revenue Service

ISDA definitions — either (i) the 2000 ISDA Definitions or (ii) the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated from time to time, depending on which set of definitions (the 2000 Definitions or the 2006 Definitions) are specified to apply in the relevant ISDA documentation

issuance tests — the tests set out in "**the issuance of the notes**"

issuer — Silverstone Master Issuer PLC

issuer account bank — Nationwide, in its capacity as issuer account bank, and any successor thereto

issuer bank account agreement — the agreement entered into on the programme closing date between the issuer account bank, the issuer, the issuer cash manager and the issuer security trustee, as amended from time to time, which governs the operation of the issuer bank accounts

issuer bank accounts	the issuer transaction account and any other account opened and maintained by the issuer with the issuer account bank pursuant to the transaction documents
issuer basis swap	the basis swap which enables the issuer to receive interest amounts under the intercompany loan at a different rate of interest to that which is paid on amounts under the sterling denominated notes, as described further in "**The swap agreements—The issuer swaps—The issuer basis swaps**"
issuer basis swap agreement	in respect of a series and class (or sub-class) of notes, the ISDA master agreements, schedules thereto and confirmations thereunder, and any credit support annexes or other credit support documents, relating to the issuer basis swaps to be entered into on or before the relevant closing date in respect of such series between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended from time to time)
issuer basis swap providers	the institutions identified in respect of each issuer basis swap agreement in a supplementary prospectus
issuer calculation date	four London business days prior to each issuer payment date
issuer calculation period	the period from (and including) the initial closing date or the closing date of each subsequent series or class (or sub-class) of notes under the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) to (but excluding) the first issuer payment date and thereafter each period from (and including) an issuer payment date to (but excluding) the next issuer payment date, except that the final issuer calculation period shall end on (but exclude) the date on which the principal amount outstanding under all the relevant notes is reduced to zero
issuer cash management agreement	the issuer cash management agreement entered into on the programme closing date between the issuer cash manager, the issuer and the issuer security trustee, as amended from time to time, as described further in "**Cash management agreements—the issuer cash management agreement**"
issuer cash manager	Nationwide, appointed, pursuant to the issuer cash management agreement, as agent of the issuer and the issuer security trustee to manage all cash transactions and maintain certain ledgers on behalf of the issuer, and any successor thereto
issuer charged assets	has the meaning given to that term on page 388
issuer corporate services agreement	an agreement entered into on the programme closing date, as amended from time to time, between issuer, the issuer corporate services provider and the issuer security trustee, which governs the provision of corporate services by the issuer corporate services provider to issuer
issuer corporate services provider	Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, with registered number 02548079 and any successor thereto

issuer currency swap	in respect of a series and class (or sub-class) of notes, the issuer euro currency swap or the issuer dollar currency swap, or such other foreign currency swap as the case may be, identified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
issuer currency swap agreements	the issuer euro currency swap agreement, the issuer dollar currency swap agreement and such other foreign currency swap agreement (as applicable)
issuer currency swap providers	the institutions identified in respect of each issuer currency swap agreement in a supplementary prospectus
issuer deed of charge	the deed of charge entered into on the programme closing date, as amended from time to time, between, among others, the issuer, the issuer security trustee and the issuer secured creditors, including any deeds of accession or supplements thereto in connection with the issuance of a series as described further in "**Security for the issuer's obligations**"
issuer dollar currency swap agreements	in respect of a series and class (or sub-class) of notes, the ISDA master agreements, schedules thereto and confirmation thereunder, and any credit support annex or other credit support document, relating to the issuer dollar currency swaps to be entered into on or before the relevant closing date in respect of such series between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended from time to time)
issuer dollar currency swaps	the sterling-dollar currency swaps which enable the issuer to receive and pay amounts under the intercompany loan in sterling and to receive and pay amounts under the dollar denominated notes, as described further in "**The swap agreements—The issuer currency swaps**"
issuer euro currency swap agreements	in respect of a series and class (or sub-class) of notes, the ISDA master agreements, schedule thereto and confirmation thereunder, and any credit support annex or other credit support document, relating to the issuer euro currency swaps to be entered into on or before the relevant closing date in respect of such series between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended from time to time)
issuer euro currency swaps	the sterling-euro currency swaps which enable the issuer to receive and pay amounts under the intercompany loan in sterling and to receive and pay amounts under the euro denominated notes, as described further in "**The swap agreements—The issuer currency swaps**"
issuer interest rate swap	the fixed floating interest rate swap which enables the issuer to receive interest amounts under the intercompany loan at a different rate of interest to that which is paid on amounts under the fixed rate notes, as described further in "**The swap agreements—The issuer interest rate swaps**"

issuer interest rate swap agreement	in respect of a series and class (or sub-class) of notes, the ISDA master agreements, schedules thereto and confirmations thereunder, and any credit support annexes or other credit support documents, relating to the issuer interest rate swaps to be entered into on or before the relevant closing date in respect of such series between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended from time to time)
issuer interest rate swap providers	the institutions identified in respect of each issuer interest rate swap agreement in a supplementary prospectus
issuer payment date	the date which is the 21st day of each month or, if not a London business day, the next London business day
issuer post-enforcement priority of payments	the order in which, following enforcement of the issuer security, the issuer security trustee will apply the amounts received following service of a note acceleration notice, as set out in "**Security for the issuer's obligations**" and "**Cashflows—Distribution of issuer principal receipts and issuer revenue receipts following note acceleration**"
issuer pre-enforcement principal priority of payments	the order in which, prior to service of a note acceleration notice, the issuer cash manager will apply the issuer principal receipts on each interest payment date, as set out in "**Cashflows—Distribution of issuer principal receipts before note acceleration**"
issuer pre-enforcement revenue priority of payments	the order in which, prior to service of a note acceleration notice, the issuer cash manager will apply the issuer revenue receipts on each interest payment date, as set out in "**Cashflows—Distribution of issuer revenue receipts before note acceleration**"
issuer principal receipts	the meaning given to that term on pages 106 and 308
issuer priority of payments	the issuer pre-enforcement revenue priority of payments, the issuer pre-enforcement principal priority of payments or the issuer post-enforcement priority of payments, as the case may be
issuer profit amount	the meaning given to that term on page 175
issuer revenue receipts	the meaning give to that term on pages 105 and 283
issuer secured creditors	the issuer security trustee, noteholders, the issuer swap providers, the note trustee, the issuer account bank, the paying agents, the registrar, the transfer agent, the exchange rate agent, the agent bank, the issuer corporate services provider, the post-enforcement option holder corporate service provider, the issuer cash manager and any new issuer secured creditor who accedes to the issuer deed of charge from time to time under a deed of accession or a supplemental deed

issuer security	security created by the issuer pursuant to the issuer deed of charge in favour of the issuer security trustee on trust for the issuer secured creditors
issuer security trustee	Citicorp Trustee Company Limited in its capacity as issuer security trustee, and any successor thereto
issuer swap agreements	the issuer basis swap agreements, the issuer currency swap agreements and the issuer interest rate swap agreements
issuer swap excluded termination amount	in relation to an issuer swap agreement an amount equal to: (a) the amount of any termination payment due and payable to the relevant issuer swap provider as a result of an issuer swap provider default or following a issuer swap provider downgrade termination event, less (b) the amount, if any, received by the issuer from a replacement swap provider upon entry by the issuer into an agreement with such replacement swap provider to replace such issuer swap agreement which has been terminated as a result of such issuer swap provider default or following the occurrence of such issuer swap provider downgrade termination event
issuer swap provider default	as the context may require, the occurrence of an event of default (as defined in the relevant issuer swap agreement) where the relevant issuer swap provider is the defaulting party (as defined in the relevant issuer swap agreement)
issuer swap provider downgrade termination event	a termination event following the failure by a issuer swap provider to comply with the requirements of the ratings downgrade provisions set out in the relevant issuer swap agreement
issuer swap providers	the issuer currency swap providers, the issuer basis swap providers and the issuer interest rate swap providers
issuer swaps	the issuer dollar currency swaps and the issuer euro currency swaps and each issuer interest rate swap, issuer basis swap and any other issuer currency swaps (as may be detailed in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement))
issuer transaction account	the sterling day-to-day bank account of the issuer, held with the issuer account bank pursuant to the terms of the issuer bank account agreement
Jersey share trustee	Pavilion Trustees Limited, a private limited company incorporated under the laws of Jersey, Channel Islands, with registered number 18478, and any successor thereto
landlord	has the meaning given to that term on page 336

lending criteria	the criteria applicable to the granting of an offer of a mortgage to a borrower, as may be amended from time to time and as further described in "**The loans—Characteristics of the loans—Lending criteria**"
LIBOR or sterling LIBOR	the London interbank offered rate for deposits in the relevant currency, as determined by the agent bank in accordance with the terms and conditions of the notes and the paying agent and agent bank agreement
listed notes	the meaning given to that term on page vi
loan	means each loan which is, or is to be, sold, assigned and transferred by the seller to the mortgages trustee from time to time under the terms of the mortgage sale agreement (including, without limitation, all flexible loans, product switches and additional loan advances which are, or are to be, sold, assigned and transferred by the seller to the mortgages trustee under the terms of the mortgage sale agreement and further including any loans which are CCA mortgages and, for the avoidance of doubt, any Scottish loan and any Northern Irish loan but excluding any loan which constitutes an equity release loan or a self-certified loan) and referenced by its loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that loan under the relevant mortgage conditions and loan conditions by a borrower on the security of a mortgage from time to time outstanding or, as the context may require, the borrower's obligations in respect of the same
loan account	as the context requires, either (a) all loans secured on the same property or (b) an account maintained by the servicer in respect of a particular loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof
loan without independent valuation	a loan which was not the subject of a valuation report by reason of the relevant loan-to-value ratio being less than 40% or an additional loan advance where an updated valuation report was not obtained in relation to an additional loan advance
London business day	a day (other than a Saturday or Sunday) on which banks are generally open for business in London
London Stock Exchange	London Stock Exchange plc
loss calculation date	in respect of any series and class of maturity purchase notes, the date specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
losses	the realised losses experienced on the loans in the portfolio and, in the event that amounts cannot be withdrawn from the mortgages trustee GIC account while such amounts are collateralised pursuant to clause 4.10 of the cash management agreement (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts), the sum of

	(1) any shortfall between the relevant mortgages trustee designated collateral amount and the amount received upon realisation of the mortgages trustee custody collateral and (2) the relevant mortgages trustee designated term NR GIC collateral advance amount
losses ledger	the ledger of such name created and maintained by the cash manager pursuant to the cash management agreement to record the losses on the portfolio
LTV ratio or loan-to-value ratio	the ratio of the outstanding principal balance of a loan to the value of the property securing that loan
LTV test	a test which assigns a credit enhancement value to each loan in the portfolio based on its current loan-to-value ratio and the amount of mortgage indemnity cover on that loan, pursuant to which the weighted average credit enhancement value for the portfolio is then determined
mandatory transfer	the meaning given to that term on page 145
mandatory transfer date	the meaning given to that term on page 145
mandatory transfer price	the meaning given to that term on page 145
mandatory transfer termination event	the meaning given to that term on page 260
mark to market election	the meaning given to that term on page 470
Markets in Financial Instruments Directive	Directive 2004/39/EC
master definitions and construction schedule	the master definitions and construction schedule signed on the programme closing date, as amended from time to time, containing definitions used in the transaction documents
maturity purchase deed	any maturity purchase deed entered into in connection with the issuance of any series and class of maturity purchase notes between, among others, the issuer, the issuer cash manager, the maturity purchaser, the note trustee and the principal paying agent as amended and restated from time to time
maturity purchase notes	any series and class of notes identified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
maturity purchase price	in respect of any series and class of maturity purchase notes, the principal amount outstanding of the maturity purchase notes on the expected maturity date for such notes (plus any interest accrued from and including the expected maturity date to but excluding the transfer date for such notes at the rate of interest applicable to such notes on the basis that the rate of interest shall not be subject to any downward adjustment (including any reduction to the margin scheduled to apply on any step-up date) on or following the expected maturity date until (and including) the transfer date) after

	taking into account any principal repayments made by the issuer on or after the expected maturity date to (and including) the transfer date minus the principal deficiency losses for such notes
maturity purchaser	in respect of any series and class of maturity purchase notes, the maturity purchaser specified in a drawdown prospectus
MCOB	the FCA Mortgages and Home Finance: Conduct of Business sourcebook
minimum seller share	the meaning given to that term on pages 90 and 194.
minimum trust size	an amount as specified in the most recent final terms
minimum yield	the yield as specified in the final terms applicable to the first issuance of notes from Silverstone Master Issuer PLC, and as may be amended from time to time thereafter
money market notes	bullet redemption notes or scheduled redemption notes, the final maturity date of which will be less than 397 days from the closing date on which such notes are issued
monthly CPR	on any trust calculation date, the total principal receipts received during the immediately preceding trust calculation period divided by the aggregate true balance of the loans comprised in the trust property as at the immediately preceding trust calculation date
monthly notes	the meaning given to that term on page 139
monthly term A advances	a term advance made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of a series of class M notes is in respect of which interest is due and payable on a monthly basis
monthly term AA advances	term advance made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of a series of class B notes is in respect of which interest is due and payable on a monthly basis
monthly term AAA advances	a term advance made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of a series of class A notes is in respect of which interest is due and payable on a monthly basis
monthly term BB advances	a term advance made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of a series of class D notes is in respect of which interest is due and payable on a monthly basis
monthly term BBB advances	a term advance made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of a series of class C notes is in respect of which interest is due and payable on a monthly basis

Moody's	Moody's Investors Service Limited and any successor to its ratings business
Moody's portfolio variation test	the calculation methodology provided by Moody's to the servicer from time to time for the purpose of calculating the Moody's portfolio variation test value
Moody's portfolio variation test value	a certain percentage resulting from the application of the Moody's portfolio variation test
mortgage	means (a) in respect of any loan other than any Flexible Advance related to a loan entered into before 1 September 2002, each first charge by way of legal mortgage (in relation to an English loan), each first legal charge or mortgage (in relation to a Northern Irish loan) and each first ranking standard security (in relation to a Scottish loan), sold by the seller to the mortgages trustee pursuant to the mortgage sale agreement, in either case which secures the repayment of the relevant loan including the mortgage conditions applicable to it and (b) in respect of any flexible advance related to a loan entered into before 1 September 2002, the second or later ranking legal charge or mortgage over the English properties or Northern Irish properties, or the second or later ranking standard security over the Scottish properties, in either case which secures the repayment of the relevant flexible advance including the mortgage conditions applicable to it
Mortgage Code	the Mortgage Code issued by the Council of Mortgage Lenders
mortgage collateral required credit enhancement	16.69 per cent. or such other percentage specified in the most recent final terms
mortgage conditions	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 mortgage terms and the relevant mortgage deed
Mortgage Credit Directive	Directive 2014/17/EU
mortgage deed	in respect of any mortgage, the deed (or, in respect of a Scottish mortgage, the document) creating that mortgage
mortgage related securities	as defined in the U.S. Secondary Mortgage Markets Enhancement Act 1984, as amended
mortgage sale agreement	the mortgage sale agreement entered into on the programme closing date, as amended from time to time, among the seller, the mortgages trustee, Funding 1 and the Funding 1 security trustee in relation to the sale of loans to the mortgages trustee from time to time, as further described in "**The mortgage sale agreement**"
mortgage terms	all the terms and conditions applicable to a loan, including without limitation, the applicable mortgage conditions and offer conditions

mortgages trust	the bare trust of the trust property held by the mortgages trustee as to both capital and income on trust absolutely for Funding 1 (as to the Funding 1 share), any further funding company (as to such funding company's share) and the seller (as to the seller share), so that each has an undivided beneficial interest in the trust property
mortgages trust available principal receipts	the amount standing to the credit of the principal ledger on each trust calculation date; provided that principal amounts which cannot be withdrawn from the mortgages trustee GIC account while such amounts are collateralised pursuant to clause 4.10 of the cash management agreement (including, without limitation, in the event of a moratorium on insolvency, bank insolvency, administration or bank administration of Nationwide or it being unable to pay these amounts) shall cease to constitute mortgages trust available principal receipts; provided further, that any amounts subsequently recovered in respect of such principal amounts from realisation of the related eligible collateral shall constitute mortgages trust available principal receipts. Amounts subsequently recovered in respect of such principal amounts from the mortgages trustee GIC account will not constitute mortgages trust available principal receipts but will instead constitute mortgages trust available revenue receipts
mortgages trust available revenue receipts	the meaning given to that term on page 196
mortgages trust deed	the mortgages trust deed entered into on the programme closing date, as amended from time to time, between, among others, the mortgages trustee, Funding 1 and the seller as further described in "**The mortgages trust**"
mortgages trustee	Silverstone Finance Trustee Limited
mortgages trustee account bank	Nationwide acting in its capacity as mortgages trustee account bank pursuant to the terms of the mortgages trustee bank account agreement and any other person from time to time acting as account bank under a mortgages trustee bank account agreement
mortgages trustee account bank required ratings	the meaning given to that term on page 236
mortgages trustee bank account agreement	the bank account agreement entered into on or about the programme closing date between the mortgages trustee account bank, the mortgages trustee, the cash manager and the Funding 1 security trustee as the same may be amended, restated, supplemented, replaced or novated from time to time and any other bank account agreements entered into by the mortgages trustee and others in respect of the mortgages trustee bank accounts
mortgages trustee bank accounts	the mortgages trustee transaction account, the mortgages trustee GIC account, the standby mortgages trustee GIC account, the mortgages trustee GIC collateral custody account and, as applicable, any additional or replacement bank accounts opened in the name of the mortgages trustee from time to time

mortgages trustee collateral agreement	the collateral agreement to be entered into by the mortgages trustee and Nationwide, as the mortgages trustee account bank that maintains the mortgages trustee GIC account, pursuant to clause 4.10 of the cash management agreement substantially in the form attached as schedule 4 to the cash management agreement;
mortgages trustee corporate services agreement	an agreement entered into on or about the programme closing date, as amended from time to time, between the mortgages trustee, the mortgages trustee corporate services provider and the Funding 1 security trustee, which governs the provision of corporate services by the mortgages trustee corporate services provider to the mortgages trustee
mortgages trustee corporate services provider	Sanne Corporate Services Limited or any successor thereto
mortgages trustee custody collateral	at any time, the amount of collateral posted pursuant to the mortgages trustee collateral agreement which may be applied at that time in satisfaction of Nationwide's obligation to the mortgages trustee under the terms of the mortgages trustee collateral agreement
mortgages trustee designated collateral amount	as at any date of determination, the aggregate amount of deposits in the mortgages trustee GIC account designated by the cash manager as being collateralised by posting under the mortgages trustee collateral agreement pursuant to clause 4.10 of the cash management agreement
mortgages trustee designated term NR GIC collateral advance amount	as at any date of determination, the aggregate amount of deposits in the mortgages trustee GIC account designated by the cash manager as being collateralised by drawdowns on the term NR GIC collateral advance pursuant to clause 4.10 of the cash management agreement
mortgages trustee GIC account	the account in the name of the mortgages trustee maintained with the mortgages trustee account bank amounts deposited to the credit of which will receive a guaranteed rate of interest determined in accordance with the Funding 1 bank account agreement, pursuant to the terms of the mortgages trustee bank account agreement or such additional or replacement account as may for the time being be in place
mortgages trustee GIC collateral custody account	a custody account opened by mortgages trustee with a third party pursuant to an eligible custody arrangement for the purposes of holding collateral posted by Nationwide pursuant to the mortgages trustee collateral agreement
mortgages trustee transaction account	the account designated as such and maintained by the mortgages trustee with the mortgages trustee account bank pursuant to the mortgages trustee bank account agreement
MPPI	mortgage payment protection insurance
N(m)	the meaning given to that term on page 42

Nationwide	Nationwide Building Society and any successor to the business thereof. See "**Nationwide Building Society**"
Nationwide group	Nationwide, any building society which has been acquired by, or has been merged with, Nationwide and its and their subsidiary undertakings
Nationwide substitution	a substitution of Nationwide (acting in any of its capacities under the transaction documents) by a successor in business
new Funding 1 swap	a swap entered into by Funding 1 in connection with any new term advance
new intercompany loan	a loan made by a new issuer to Funding 1 or, as applicable, to a further funding company
new intercompany loan agreement	a loan agreement pursuant to which a new issuer advances a new intercompany loan to Funding 1 or, as applicable, a further funding company
new issuer	an entity established to issue debt securities in connection with the mortgages trust, other than the issuer
new loan types	means on any date a type of loan that has not previously been comprised in the mortgages trust
new note	except where the context requires otherwise, a debt security issued by a new issuer in connection with the mortgages trust
new rated notes	any new notes that have been rated by a rating agency
new term advance	a tranche under a new intercompany loan agreement
non-asset trigger event	the meaning given to that term on pages 132 and 201
non-cash re-draws	authorised underpayments or payment holidays under flexible loans included in the portfolio, which will result in the seller being required to pay to the mortgages trustee an amount equal to the unpaid interest associated with that authorised underpayment or payment holiday
non-monthly note	a note in respect of which prior to the occurrence of a pass-through trigger event, the occurrence of a step-up date or such other date specified in relation thereto in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) the interest payment dates do not fall on each consecutive issuer payment date
non-monthly pass-through term A advance	a term A advance which is a pass-through term advance but is not a monthly term A advance
non-monthly pass-through term AA advance	a term AA advance which is a pass-through term advance but is not a monthly term AA advance
non-monthly pass-through	a term AAA advance which is a pass-through term advance but is

term AAA advance	not a monthly term AAA advance
non-monthly pass-through term BB advance	a term BB advance which is a pass-through term advance but is not a monthly term BB advance
non-monthly pass-through term BBB advance	a term BBB advance which is a pass-through term advance but is not a monthly term BBB advance
non-monthly pass-through term NR advance	a term NR advance which is a pass-through term advance but is not a monthly term NR advance
non-monthly term A advance principal ledger	the ledger of such name maintained in respect of a non-monthly term A advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards principal (if any) due in respect of such non-monthly term A advance on the next following interest payment date for such non-monthly term A advance under item (e) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments
non-monthly term A advance revenue ledger	the ledger of such name maintained in respect of a non-monthly term A advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term A advance on the next following interest payment date for such non-monthly term A advance under item (j) of the Funding 1 pre-enforcement revenue priority of payments
non-monthly term A advance	a term A advance which is not a monthly term A advance
non-monthly term AA advance principal ledger	the ledger of such name maintained in respect of a non-monthly term AA advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards principal (if any) due in respect of such non-monthly term AA advance on the next following interest payment date for such non-monthly term AA advance under item (d) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments
non-monthly term AA advance revenue ledger	the ledger of such name maintained in respect of a non-monthly term AA advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards interest (and, if applicable, step-up amount) due in respect of such non-monthly term AA advance on the next following interest payment date for such non-monthly term AA advance under item (h) of the Funding 1 pre-enforcement revenue priority of payments
non-monthly term AA advance	a term AA advance which is not a monthly term AA advance
non-monthly term AAA advance principal ledger	the ledger of such name maintained in respect of a non-monthly term AAA advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each

	Funding 1 payment date the amount allocated towards principal (if any) due in respect of such non-monthly term AAA advance on the next following interest payment date for such non-monthly term AAA advance under item (c) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments
non-monthly term AAA advance revenue ledger	the ledger of such name maintained in respect of a non-monthly term AAA advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards interest (and, if applicable, step-up amount) due and payable in respect of such non-monthly term AAA advance on the next following interest payment date for such non-monthly term AAA advance under item (f) of the Funding 1 pre-enforcement revenue priority of payments
non-monthly term AAA advance	a term AAA advance which is not a monthly term AAA advance
non-monthly term advance	a term advance which is not a monthly term advance
non-monthly term advance ledger	a non-monthly term advance revenue ledger or non-monthly term advance principal ledger in respect of a term advance
non-monthly term advance principal ledgers	each of the non-monthly term AAA advance principal ledgers, the non-monthly term AA advance principal ledger, the non-monthly term A advance principal ledger, the non-monthly term BBB advance principal ledger or the non-monthly term BB advance principal ledger, and **non-monthly term advance principal ledger** means any one of them
non-monthly term advance revenue ledger	each of the non-monthly term AAA advance revenue ledgers, the non-monthly term AA advance revenue ledger, the non-monthly term A advance revenue ledger, the non-monthly term BBB advance revenue ledger or the non-monthly term BB advance revenue ledger, and **non-monthly term advance revenue ledger** means any one of them
non-monthly term BB advance principal ledger	the ledger of such name maintained in respect of a non-monthly term BB advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards principal (if any) due in respect of such non-monthly term BB advance on the next following interest payment date for such non-monthly term BB advance under item (g) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments
non-monthly term BB advance revenue ledger	the ledger of such name maintained in respect of a non-monthly term BB advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards interest (and, if applicable, step-up amount) due in respect of such non-monthly term BB advance on the next following interest payment date for such non-monthly term BB advance under item (n) of the Funding 1 pre-enforcement revenue priority of payments

non-monthly term BB advance	a term BB advance which is not a monthly term BB advance
non-monthly term BBB advance principal ledger	the ledger of such name maintained in respect of a non-monthly term BBB advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards principal (if any) due in respect of such non-monthly term BBB advance on the next following interest payment date for such non-monthly term BBB advance under item (f) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments
non-monthly term BBB advance revenue ledger	the ledger of such name maintained in respect of a non-monthly term BBB advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards interest (and, if applicable, step-up amount) due in respect of such non-monthly term BBB advance on the next following interest payment date for such non-monthly term BBB advance under item (l) of the Funding 1 pre-enforcement revenue priority of payments
non-monthly term BBB advance	a term BBB advance which is not a monthly term BBB advance
non-monthly term NR advance	a term NR advance which is not a monthly term NR advance
non-monthly term NR advance principal ledger	the ledger of such name maintained in respect of a non-monthly term NR advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards principal (if any) due in respect of such non-monthly term NR advance on the next following interest payment date for such non-monthly term NR advance under item (h) of the Funding 1 pre-trigger event, pre-enforcement principal priority of payments
non-monthly term NR advance revenue ledger	the ledger of such name maintained in respect of a non-monthly term NR advance by the cash manager on behalf of Funding 1 pursuant to the cash management agreement to record on each Funding 1 payment date the amount allocated towards interest (and, if applicable, step-up amount) due in respect of such non-monthly term NR advance on the next following interest payment date for such non-monthly term NR advance under item (t) of the Funding 1 pre-enforcement revenue priority of payments
non-monthly pass-through term advance	a pass-through term advance which is not a monthly pass-through term advance
non-United States holder	a beneficial owner of U.S. notes that is not a United States holder.
non-U.S. person	a person who is not a U.S. person
Northern Irish loan	a loan secured by a Northern Irish mortgage

Northern Irish mortgage	a mortgage secured over a property in Northern Ireland
note acceleration notice	in relation to the issuer, has the meaning given to that term in the issuer master definitions and construction schedule and, in relation to any other programme issuer, means a notice upon service of which such programme notes shall become immediately due and payable as set out in the terms and conditions applicable to such programme notes
note event of default	an event of default under the provisions of condition 9 of the notes
noteholders	the holders of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series
note principal payment	the amount of each principal payment payable on each note
notes	unless stated otherwise, all notes issued by the issuer including all of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series
note trust deed	the principal agreement entered into on the programme closing date, as amended from time to time, governing the notes
note trustee	Citicorp Trustee Company Limited and any successor thereto
NR principal deficiency sub-ledger	a sub-ledger on the principal deficiency ledger of Funding 1 which specifically records any principal deficiency in respect of any pass-through term advances
offer conditions	the terms and conditions applicable to a specific loan as set out in the relevant mortgage loan agreement
Official List	the official list of the UKLA as defined on page vi
offset loan	A loan which allows a borrower to keep amounts in separate accounts, but, for the purposes of calculating interest, all amounts are aggregated
OFT	the Office of Fair Trading
OID	original issue discount
OID regulations	U.S. Treasury regulations relating to original issue discount
original bullet term advance	a term advance which at any time has been a bullet term advance (even if such bullet term advance has subsequently become a pass-through term advance)
original non-monthly pass-through term A advance	a term A advance which, at any time, has been a non-monthly pass-through term advance (even if such term advance has subsequently become a monthly pass-through term advance)
original non-monthly pass-through term AA advance	a term AA advance which, at any time, has been a non-monthly pass-through term advance (even if such term advance has subsequently become a monthly pass-through term advance)

original non-monthly pass-through term AAA advance	a term AAA advance which, at any time, has been a non-monthly pass-through term advance (even if such term advance has subsequently become a monthly pass-through term advance)
original non-monthly pass-through term BB advance	a term BB advance which, at any time, has been a non-monthly pass-through term advance (even if such term advance has subsequently become a monthly pass-through term advance)
original non-monthly pass-through term BBB advance	a term BBB advance which, at any time, has been a non-monthly pass-through term advance (even if such term advance has subsequently become a monthly pass-through term advance)
original non-monthly pass-through term NR advance	a term NR advance which, at any time, has been a non-monthly pass-through term advance (even if such term advance has subsequently become a monthly pass-through term advance)
original pass-through term advance	a term advance which at the time it was advanced was a pass-through term advance
original scheduled amortisation term advance	a term advance which at any time has been a scheduled amortisation term advance (even if such term advance has subsequently become a pass-through term advance)
outstanding principal amount	in relation to a term advance or new term advance (other than a term NR GIC collateral advance) the original principal amount thereof on the date that it is made to Funding 1 less any payments of principal in respect thereof, except if and to the extent that any such payment has been improperly withheld or refused, and in relation to a term NR GIC collateral advance, the original principal amount thereof on the date that it is made to Funding 1 plus any Increase Amounts less any payments of principal in respect thereof, except if and to the extent that any such payment has been improperly withheld or refused
outstanding principal balance	means for any loan as at any given date, the aggregate (but avoiding double counting) of: (a) the original principal amount advanced to the relevant borrower and any further amount advanced on or before the given date to the relevant borrower secured or intended to be secured by the related mortgage; and (b) the amount of any re-draw made under any flexible loan or of any further draw made under a flexible advance secured or intended to be secured by the related mortgage; and (c) 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 that loan (including interest capitalised on any re-draw under a flexible loan),

	as at the end of the London business day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the London business day immediately preceding that given date and excluding any retentions made but not released and any additional loan advances committed to be made but not made by the end of the London business day immediately preceding that given date
overpayment	a payment by a borrower in an amount greater than the amount due on a payment date which (a) is permitted by the terms of such loan or by agreement with the borrower and (b) reduces the outstanding principal balance and the true balance of such loan
panel bank guidelines	guidelines set out from time to time by the cash manager for the purpose of depositing amounts standing to the credit of the Funding 1 bank accounts with eligible banks subject to and in accordance with the terms of the cash management agreement
pass-through note	a note which is redeemable in full on the final maturity date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), but which may be redeemed prior to such date subject to the pass-through payments restrictions
pass-through repayment restrictions	the meaning given to that term on page 299
pass-through requirement	the principal amount required to be paid or credited to the non-monthly term advance principal ledger on a Funding 1 payment date in respect of a pass-through term advance
pass-through term advance	a term advance which has no scheduled repayment date other than the final repayment date, namely those term advances designated as "pass-through" term advances in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as more particularly defined on pages 177 and 202
pass-through trigger event	the meaning given to that term on page 409
paying agent and agent bank agreement	the agreement entered into on or about the programme closing date, as amended from time to time, which sets out the appointment of the paying agents, the registrar, the transfer agent, the exchange rate agent and the agent bank for the notes
paying agents	the principal paying agent, the U.S. paying agent and any other paying agents from time to time pursuant to the paying agent and agent bank agreement
payment holiday	a period during which a borrower may suspend payments under a loan without breach
permitted product switch	the meaning given to that term on page 170

permitted redemption dates	in respect of a series and class (or sub-class) of notes, the interest payment date specified in the final terms (or, in the case of exempt notes, the applicable pricing supplement) on which those notes may be redeemed by the issuer, subject to the terms and conditions of the notes
PFIC	passive foreign investment company
portfolio	at any time, the loans and their related security sold to the mortgages trustee and held by the mortgages trustee on trust for the beneficiaries
post-enforcement call option	the call option granted to Silverstone PECOH Limited in respect of the notes under the post-enforcement call option agreement
post-enforcement call option agreement	the agreement entered into on or about the programme closing date, as amended from time to time, under which the note trustee agrees, on behalf of the holders of the notes, that following enforcement of the issuer security, the post-enforcement call option holder may call for the notes to be transferred to it
post-enforcement call option holder	Silverstone PECOH Limited
post-enforcement call option holder corporate services agreement	an agreement entered into on or about the programme closing date, as amended from time to time, between the post-enforcement call option provider, the post-enforcement call option provider corporate services provider and the issuer security trustee, which governs the provision of corporate services by the post-enforcement call option holder corporate services provider to the post-enforcement call option holder
post-enforcement call option holder corporate services provider	Wilmington Trust SP Services (London) Limited, a private limited company incorporated in England and Wales, with registered number 02548079 and any successor thereto
principal amount outstanding	the meaning given to that term on page 374 and in condition 5.3
principal deficiency ledger	the ledger of such name maintained by the cash manager, comprising, as at the initial closing date, six sub-ledgers, the AAA principal deficiency sub-ledger, the AA principal deficiency sub-ledger, the A principal deficiency sub-ledger, the BBB principal deficiency sub-ledger, the BB principal deficiency sub-ledger and NR principal deficiency sub-ledger and which records any deficiency of principal (following a loss on a loan or the application of principal receipts to meet any deficiency in Funding 1 available revenue receipts) in respect of payments due under the intercompany loan
principal deficiency losses	in respect of any series and class of maturity purchase notes, the outstanding balance on the principal deficiency ledger attributable, on a *pro rata* basis according to the principal amount outstanding of all notes of such class then outstanding, to such maturity purchase notes on the relevant loss calculation date

principal ledger	the ledger of such name maintained by the cash manager on behalf of the mortgages trustee pursuant to the cash management agreement to record principal receipts on the loans and payments of principal from the mortgages trustee GIC account to Funding 1, any further funding company and the seller on each distribution date. Together the principal ledger and the revenue ledger reflect the aggregate of all amounts of cash standing to the credit of the mortgages trustee bank accounts
principal paying agent	Citibank, N.A., London Branch and any successor thereto
principal receipts	all principal amounts received from borrowers in respect of the loans or otherwise paid or recovered in respect of the loans and their related security representing monthly repayments of principal, prepayments of principal, redemption proceeds and amounts recovered on enforcement representing principal and prepayments on the loans made by borrowers (but excluding principal received or treated as received in respect of a loan subsequent to the completion of enforcement procedures and certain early repayment charges)
product period	the period where an interest rate is offered for a predetermined period, usually between 2 and 10 years, at the commencement of the loan
product switch	the meaning given to that term on page 169
programme	the residential mortgage backed note programme of the issuer, described in this base prospectus
programme agreement	the agreement entered into on the programme closing date, as amended from time to time between, amongst others, the issuer, Funding 1 and the dealers named therein (or deemed named therein)
programme closing date	25 July 2008
programme resolution	the meaning given to that term on page 392
properties in possession policies	the properties in possession policy written by Churchill Insurance Company Limited in favour of the seller and any endorsements or extensions thereto as issued from time to time, or any such similar alternative or replacement properties in possession policy or policies as may be effected from time to time to cover a seller in respect of loans and their related security, such other properties in possession policy or policies to provide such level of cover as would be acceptable to a reasonable, prudent mortgage lender at the date of such other policy or policies
property	a freehold or leasehold property (or in Scotland a heritable property or a property held under a long lease or in Northern Ireland a freehold or fee farm grant or long leasehold property) which is subject to a mortgage

Prospectus Directive	Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading
Prospectus Rules	prospectus rules made pursuant to Part VI of the FSMA
PTCE	Prohibited Transaction Class Exemption
QEF election	the meaning given to that term on page 470
QIBs	qualified institutional buyers, as defined in Rule 144A under the Securities Act
QPs	Qualified purchasers within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder
qualified stated interest	the meaning given to that term on page 466
quarterly CPR	on any date, the average of the three most recent CPRs, where CPR is, on any trust calculation date, the annualised principal repayment rate of all the loans comprised in the trust property during the immediately preceding trust calculation period calculated as follows: 1 – ((1 – R) ^ 12) where R equals the result (expressed as a percentage) of the total principal receipts received during the immediately preceding trust calculation period divided by the aggregate outstanding principal balance of the loans comprised in the trust property as at the first day of that trust calculation period
quarterly trust calculation date	the 12th day of each January, April, July and October or, if such date is not a London business day, the next succeeding London business day and the day on which the mortgages trust is terminated
rated notes	unless stated otherwise, all of the class A notes, the class B notes, the class M notes, the class C notes and the class D notes of any series issued by the issuer
rating	rating assigned by the rating agencies to the notes or, as applicable, any new notes
rating agencies	each of Moody's, Standard & Poor's and Fitch, and any further or replacement rating agency appointed by the issuer with the approval of the note trustee to give a credit rating to the notes of any series
rating agency confirmation	a confirmation in writing by S&P that the then current ratings of the rated notes will not be adversely affected by or withdrawn as a result of the relevant event or matter

reasonable, prudent mortgage lender	a reasonably prudent prime residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital
receiver	a receiver appointed by the issuer security trustee or the Funding 1 security trustee pursuant to the issuer deed of charge or, as applicable, the Funding 1 deed of charge
record date	the meaning given to that term on page 382 and in condition 6.7
re-draw	either a cash re-draw or a non-cash re-draw
reference lenders	The Banks and Building Societies specified as the reference lenders in the master definitions and construction schedule
refinancing distribution	the meaning given to that term on pages 175 and 210
Registers of Northern Ireland	the Land Registry of Northern Ireland and/or the Registry of Deeds of Northern Ireland
registrar	Citibank, N.A and any successor thereto
Reg S notes	the meaning given to that term on pages i and 410
regulated mortgage contract	the meaning given to that term on page 42
Regulation S	the meaning given to that term on pages i and 409
Reg S global note	has the meaning given to that term on pages 350 and 410
reinstatement	in relation to a property that has been damaged, repairing or rebuilding that property to the condition that it was in prior to the occurrence of the damage
related security	in relation to a loan, the security for the repayment of that loan including the relevant mortgage and all other matters applicable thereto acquired as part of the portfolio sold to the mortgages trustee
relevant accumulation amount	the amount of funds to be accumulated over a cash accumulation period in order to repay a bullet term advance or a scheduled amortisation instalment on its scheduled repayment date whether or not actually repaid on that scheduled repayment date
relevant closing date	in respect of a series and class (or sub-class) of notes, the closing date specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
relevant interim trust calculation period	has the meaning given to that term on page 188
relevant rate	has the meaning given to that term in the related confirmation documented under the Funding 1 swap agreement

remarketing agent	the meaning given to that term on page 145
remarketing agreement	the meaning given to that term on page 259
repayment tests	Rules 1 and 2 under "**Cashflows—Distribution of Funding 1 available principal receipts**"
reserve funds	the general reserve fund and the Funding 1 liquidity reserve fund
reset margin	the meaning given to that term on page 260
revenue ledger	the ledger(s) of such name created and maintained by the cash manager on behalf of the mortgages trustee pursuant to the cash management agreement to record revenue receipts on the loans and interest from the mortgages trustee bank accounts and payments of revenue receipts from the mortgages trustee transaction account to Funding 1, any further funding company and the seller on each distribution date. The revenue ledger and the principal ledger together reflect the aggregate of all amounts of cash standing to the credit of the mortgages trustee bank accounts
revenue receipts	amounts received by the mortgages trustee in the mortgages trustee GIC account or the standby mortgages trustee GIC account in respect of the loans other than principal receipts and third party amounts
right to buy loan	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 (a) section 156 of the Housing Act 1985 excluding however such loan in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired or (b) section 61 of the Housing (Scotland) Act 1987 excluding however such loan in respect of which the period during which the seller's standard security referred to in section 72 of that Act is of effect has expired or (c) Article 4 of the Housing (NI) Order 1983 (as amended), excluding each loan in respect of which the discount covenant charge referred to in that legislation has expired
RTB disposal period	the meaning given to that term on page 336
Rule 144A	the meaning given to that term on pages i, 410 and 486
Rule 144A global notes	the meaning given to that term on page 410
Rule 144A notes	the meaning given to that term on pages i, 350 and 410
S&P methodology	the meaning given to that term on page 160
sale date	the date on which any loans are sold to the mortgages trustee in accordance with the mortgage sale agreement

scheduled amortisation instalment	in respect of each term advance that is a scheduled amortisation term advance and in respect of the corresponding series and class (or sub-class) of scheduled redemption notes, the instalment amounts specified as applying to such term advance and related series and class (or sub-class) of notes in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
scheduled amortisation repayment restrictions	the meaning given to that term on page 300
scheduled amortisation term advance	any term advance that is scheduled to be repaid in instalments on one or more Funding 1 payment dates, namely those term advances designated as a "scheduled amortisation" term advances in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as more particularly defined on page 203
scheduled redemption dates	in respect of a series and class (or sub-class) of notes, the interest payment dates, if any, specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), for the payment of principal, subject to the terms and conditions of the notes
scheduled redemption note	a note which is redeemable on scheduled redemption dates in one or more scheduled amortisation instalments, the dates and amounts of which will be specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
scheduled repayment dates	in respect of a term advance, the date(s) specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement), for the repayment of principal
scheduled transfer date	in respect of any series and class of maturity purchase notes, the date specified as such in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
Scottish declarations of trust	the declarations of trust to be granted by the seller in favour of the mortgages trustee pursuant to the mortgage sale agreement transferring the beneficial interest in Scottish loans and their related security to the mortgages trustee
Scottish Land Register	the Land Register of Scotland and The General Register of Sasines.
Scottish loan	a loan secured by a Scottish mortgage
Scottish mortgage	a mortgage secured over a property in Scotland
second start-up loan	the loan made by the second start-up loan provider under the second start-up loan agreement
second start-up loan agreement	a loan entered into by Funding 1, Nationwide and the Funding 1 security trustee on 13 September 2011.

Securities Act	United States Securities Act of 1933, as amended
self-certified loan	means a mortgage loan marketed and underwritten on the premise that the applicants and/or intermediaries representing them were made aware prior to the seller's underwriting assessment that income could be self-certified
seller	Nationwide
seller's policy	the originating, underwriting, administration, arrears and enforcement policy applied by or on behalf of the seller from time to time to the loans and their related security owned solely by the seller
seller share	the seller's share of the trust property from time to time as calculated on each trust calculation date
seller share percentage	the seller share as expressed as a percentage of the trust property from time to time as calculated on each trust calculation date
senior expenses	amounts ranking in priority to interest due on the term advances
series	in relation to the notes, all notes (of any class) issued and designated as such
servicer	Nationwide or such other person as may from time to time be appointed as servicer of the portfolio pursuant to the servicing agreement
servicer termination event	an event upon which the mortgages trustee and/or any funding company (in respect of Funding 1, with the prior written consent of the Funding 1 security trustee) may, by written notice to the servicer, terminate the servicer's rights and obligations immediately. See pages 77 and 216 for details of such events.
servicing agreement	the agreement entered into on the programme closing date (as amended from time to time) between the servicer, the mortgages trustee, the seller, the Funding 1 security trustee and Funding 1 under which the servicer agrees to administer the loans and their related security comprised in the portfolio, as described further in "**The servicing agreement**"
shortfall	the deficiency of Funding 1 available income receipts on a Funding 1 payment date over the amounts due by Funding 1 under the Funding 1 pre-enforcement revenue priority of payments
SMR	the seller's standard mortgage rate which was introduced in April 2009 and does not have an interest rate cap
SMR loans	those loans to the extent that and for such time that the interest rate payable on such loan varies in accordance with the seller's "Standard Mortgage Rate" (and shall, for the avoidance of doubt, exclude loans during the period that are fixed rate loans, BMR loans or tracker rate loans)

special distribution	the meaning given to that term on pages 175 and 210
staff loan	any loan provided by Nationwide Building Society directly to an employee of Nationwide Building Society or any of its subsidiaries
Standard & Poor's or S&P	Standard & Poor's Credit Market Services Europe Limited and any successor to its ratings business
standard documentation	the standard documentation, annexed to the relevant exhibit of the mortgage sale agreement or any update or replacement therefor as the seller may from time to time introduce acting in accordance with the standards of a reasonable, prudent mortgage lender
standby mortgages trustee GIC account	the account opened by the mortgages trustee with a standby mortgages trustee account bank pursuant to the mortgages trustee bank account agreement
start-up loan agreements	the start-up loan agreement entered into on the programme closing date, as amended from time to time, and any other start-up loan agreement entered into in connection with the issuance of notes on any other closing date and the second start-up loan agreement
start-up loan provider	Nationwide, in its capacity as provider of each start-up loan
start-up loans	each loan made by the start-up loan provider under a start-up loan agreement in connection with the issuance of notes on any closing date and the second start-up loan.
step-up coupon	the meaning given to that term on page 142
step-up date	(i) in relation to a term advance, the Funding 1 payment date on which the interest rate on the relevant term advance under the intercompany loan increases or decreases by a pre-determined amount and (ii) in relation to the notes, the interest payment date on which the interest rate on the relevant notes increases or decreases by a pre-determined amount as specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement)
stressed excess spread	the meaning given on page 157
sub-class	any sub-class of a series and class of notes
subscription agreement	an agreement supplemental to the programme agreement in or substantially in the form set out in the programme agreement or such other form as may be agreed between the issuer and the relevant dealers
subsidiary	any company which is for the time being a subsidiary (as defined under section 1159 of the Companies Act 2006)
subsidiary undertaking	any undertaking which is for the time being a subsidiary undertaking (within the meaning of Section 1162 of the Companies Act 2006)

successor in business	if Nationwide (acting in any of its capacities under the transaction documents) shall merge or amalgamate with or otherwise transfer all or substantially all of its engagements or business to another entity (including, without limitation, by an amalgamation under Section 93 of the Building Societies Act, a transfer of engagements under Section 94 of the Building Societies Act, a transfer business under Section 97 of the Building Societies Act or a transfer of business to a subsidiary of a mutual society pursuant to any order made in the future by HM Treasury under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007), the entity resulting from such merger, amalgamation or transfer, provided that Nationwide has received confirmation in writing from S&P that the current ratings of the rated notes immediately prior to such merger, amalgamation or transfer are not anticipated to be adversely affected by or withdrawn as a result of such merger, amalgamation or transfer (and advance notice in writing of such merger, amalgamation or transfer 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)
SVMR	the seller's standard variable mortgage rates being either the SMR or the BMR
SVR capped rate	the meaning given to that term on page 214
swap agreements	the Funding 1 swap agreement and the issuer swap agreements and a swap agreement means any one of them
swap collateral	means an amount equal to the value of the collateral (or the applicable part of any collateral) provided by a issuer swap provider to the issuer in respect of that issuer swap provider's obligations to transfer collateral to the issuer under the relevant issuer swap agreement which is equal to that issuer swap provider's liability under the relevant issuer swap agreement as at the date of termination of the relevant issuer swap agreement or which it is otherwise entitled to have returned to it under the terms of the relevant issuer swap agreement
swap early termination event	an event where a swap agreement may be terminated in certain circumstances prior to its scheduled termination date as detailed on page 256
swap providers	the Funding 1 swap provider and the issuer swap providers and a swap provider means any one of them
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 a swap provider to the issuer
TARGET2	means the Trans-European Automated Real-Time Gross Settlement Express Transfer System

tender agent	the meaning given to that term on page 259
tender instruction	the meaning given to that term on pages 147 and 379
term A advances	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class M notes
term AA advances	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class B notes
term AAA advances	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class A notes
term advances	means the term AAA advances, the term AA advances, the term A advances, the term BBB advances, the term BB advances and the term NR advances being the advances made by the issuer to Funding 1 pursuant to the intercompany loan agreement, each term advance being funded from proceeds received by the issuer from the issue of a series and class (or sub-class) of notes
term advance interest payment date	in respect of a term advance, the interest payment date as specified in the relevant intercompany loan confirmation, subject to the appropriate business day convention, if any, specified in such intercompany loan confirmation
term BB advances	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class D notes
term BBB advances	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class C notes
term NR advances	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class Z notes, including a term NR GIC collateral advance
term NR GIC collateral advance	the term advances made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of and further drawings on the class Z GIC collateral note
third party amounts	the meaning given to that term on page 197
tracker rate loan	those loans to the extent that and for such time that the interest rate payable by the borrower is linked to a variable rate other than the SMR or the BMR (and shall, for the avoidance of doubt, exclude loans during the period that they are fixed rate loans, BMR loans or SMR loans). The interest rate on tracker rate loans is currently set at a margin by reference to rates set by the Bank of England
transaction documents	the documents listed in paragraph (D) in "**Listing and general information—Documents available**" and any additional

	documents entered into in connection therewith
transfer agent	Citibank, N.A., London Branch and any successor thereto
transfer date	in respect of any series and class of maturity purchase notes, the later of the scheduled transfer date and the deferred transfer date
trigger event	an asset trigger event and/or a non-asset trigger event
true balance	for any loan as at any given date, the aggregate (but avoiding double counting) of: (a) the original principal amount advanced to the relevant borrower and any further amount advanced on or before the given date to the relevant borrower secured by the related mortgage; and (b) the amount of any re-draw made under any flexible loan or of any further draw made under a flexible advance secured by the related mortgage; and (c) 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 by that loan (including interest capitalised on any re-draw under a flexible loan); and (d) 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 by that loan, as at the end of the London business day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the London business day immediately preceding that given date and excluding any retentions made but not released and any additional loan advances committed to be made but not made by the end of the London business day immediately preceding that given date
trust calculation date	the 12th day of each month or, if not a London business day, the next succeeding London business day and the day on which the mortgages trust is terminated
trust calculation period	the meaning given to that term on page 186
trust property	the meaning given to that term on page 182
UK corporate services	the issuer corporate services provider, the post-enforcement call option holder corporate services provider, the Funding 1 corporate

providers	services provider and Holdings corporate services provider
UK GAAP	UK Financial Reporting Standards reflecting International Financial Reporting Standards
UK Listing Authority	the FCA in its capacity as competent authority under Part VI of the FSMA
UK share trustee	Wilmington Trust SP Services (London) Limited, a private limited company incorporated under the laws of England and Wales with registered number 02548079
underpayment	a payment made by a borrower in an amount less than the monthly payment then due on the loan such deficit amount being an amount not exceeding the aggregate of any previous overpayments
underwriters	the underwriters for the Rule 144A notes specified in the final terms (or, in the case of exempt notes, the pricing supplement) relating to any series and class (or sub-class) of notes offered thereunder
United States holder	a beneficial owner of Rule 144A notes who is for U.S. federal income tax purposes: (a) a citizen or resident of the United States; (b) a corporation (or other entity treated as a corporation) or partnership created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (c) any estate, the income of which is subject to U.S. federal income tax regardless of the source of its income; or (d) any trust if: (i) a court within the United States is able to exercise primary supervision over the administration of the trust; and (ii) one or more U.S. persons have the authority to control all substantial decisions of the trust
U.S. connected holder	the meaning given to that term on page 471
U.S. notes	any series of class A notes, class B notes, class M notes, class C notes or class D notes registered in the United States under the Securities Act offered under this base prospectus
U.S. paying agent	Citibank, N.A. or any successor thereto
U.S. person	the meaning given to that term on page i
UTCCR	the Unfair Terms in Consumer Contracts Regulations 1999 as amended and the Unfair Terms in Consumer Contracts Regulations 1994

valuation	a determination of the value of a property which would meet the standards of a reasonable, prudent mortgage lender (as referred to under "**The servicing agreement—Undertakings by the servicer**")
valuation fee	a fee incurred by borrowers as a result of the seller obtaining a valuation of the property
valuation report	the valuation report or reports for mortgage purposes, in the form of one of the pro-forma contained in the standard documentation, obtained by the seller from a valuer in respect of each property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a reasonable, prudent mortgage lender and which has been approved by the relevant officers of the seller or a valuation done by way of automated valuation model
valuer	an Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time either a member of a firm which was on the list of valuers approved by or on behalf of the seller from time to time or an Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by the seller acting for the seller in respect of the valuation of a property
variable base rates	the seller's or the mortgages trustee's SVMR, as applicable
variable mortgage rate	the rate of interest which determines the amount of interest payable each month on a variable rate loan
variable rate loan	a loan where the interest rate payable by the borrower varies in accordance with a variable base rate
VAT	value added tax
WAFF	weighted average foreclosure frequency
WALS	weighted average loss severity
weighted average Funding 1 proportion	has the meaning given to it on page 206
weighted average further funding company proportion	has the meaning given to it on page 206
zero coupon note	a note, the interest basis of which is specified in the applicable final terms (or, in the case of exempt notes, the applicable pricing supplement) as being zero coupon

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