IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED BELOW) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES OF THE ISSUER FOR SALE OR THE SOLICITATION OF AN OFFER TO BUY 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 NOR HAS THE ISSUER BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "**INVESTMENT COMPANY ACT**") IN RELIANCE ON THE EXCLUSION PROVIDED BY SECTION 3(c)(5)(C) OF THAT ACT. THE SECURITIES ARE BEING SOLD ONLY TO (A) NON–U.S. PERSONS (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE ("**MEMBER STATE**") OF THE EUROPEAN ECONOMIC AREA ("**EEA**"), QUALIFIED INVESTORS) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND (B) TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") THAT ARE ALSO "QUALIFIED PURCHASERS" ("**QPs**"), AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT IN TRANSACTIONS COMPLYING WITH THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") OR ANOTHER AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE SECURITIES ARE NOT TRANSFERABLE EXCEPT UPON SATISFACTION OF CERTAIN CONDITIONS AS DESCRIBED UNDER "TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS" HEREIN.

THE FOLLOWING 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 Prospectus has been delivered to you on the basis that you are a person into whose possession the 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 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 dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of the Issuer in such jurisdiction.

By accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) 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" (within the meaning of Rule 144A under the Securities Act) who is a "qualified purchaser" (within the meaning of Section 2(a)(51) of the Investment Company Act 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.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Gosforth Funding 2018-1 plc (the "**Issuer**"), Virgin Money plc, Lloyds Bank Corporate Markets Plc, Merrill Lynch International ("**BofA Merrill Lynch**"), Lloyds Securities Inc., Citigroup Global Markets Limited and BNP Paribas, London Branch or any of their respective subsidiaries or any director, officer, employee or agent of, any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Lloyds Bank Corporate Markets Plc, Merrill Lynch International, Lloyds Securities Inc., Citigroup Global Markets Limited and BNP Paribas, London Branch.

Gosforth Funding 2018-1 plc

(*incorporated with limited liability in England and Wales under number11444253)*

Notes	Initial Principal Amount	Issue Price	Interest Reference Rate	Relevant Margin[1]	Step-Up Date	Pre-enforcement Redemption Profile	Final Redemption Date	Expected Ratings (Fitch/Moody's)
Class A1	US$557,895,000	100%	3 month US$ LIBOR	0.45% per annum	Payment Date falling in August 2023	Prior to Pass-Through Trigger Event, scheduled amortisation, and pass through amortisation thereafter	Payment Date falling in August 2060	AAAsf/Aaa(sf)
Class A2	£409,935,000	100%	3 month GBP LIBOR	0.58% per annum	Payment Date falling in August 2023	Prior to Pass-Through Trigger Event, scheduled amortisation, and pass through amortisation thereafter	Payment Date falling in August 2060	AAAsf/Aaa(sf)
Class A3	£441,684,000	100%	3 month GBP LIBOR	0.70% per annum	Payment Date falling in August 2023	pass through amortisation	Payment Date falling in August 2060	AAAsf/Aaa(sf)
Class M	£49,956,000	100%	3 month GBP LIBOR	1.20% per annum	Payment Date falling in August 2023	pass through amortisation	Payment Date falling in August 2060	AA+sf/Aa2(sf)
Class Z	£99,911,000	100%	Fixed Rate	N/A	N/A	pass through amortisation	Payment Date falling in August 2060	Unrated

[1] The margin for each Class of Notes (excluding the Class Z Notes) doubles with effect from the relevant Step-Up Date for such Class of Notes.

Issue Date	The Issuer will issue the Notes in the Classes set out above on 24 September 2018 or such other date as the Issuer and the Joint Lead Managers may agree (such date, the "**Closing Date**").
Stand-alone/programme issuance	Stand-alone issuance. Apart from the Issuance of the Notes on the Closing Date, no further issuances by the Issuer are anticipated.
Underlying Assets	The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue on a portfolio comprising mortgage loans originated by Landmark Mortgages Limited (formerly NRAM plc and Northern Rock (Asset Management) plc) (and subsequently transferred to Virgin Money plc) and originated by Virgin Money plc (respectively the "**NRAM Originator**" and the "**VM Originator**" and together, the "**Originators**") and secured over residential properties located in England & Wales and Scotland which will be sold by the Seller to the Mortgages Trustee on the Closing Date or on a Transfer Date. Please refer to the section entitled "*The Mortgage Loans*" for further information.
The Notes	The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction nor has the Issuer been registered under the United States Investment Company Act of 1940 (the "**Investment Company Act**") in reliance on the exclusion provided by Section 3(c)(5)(C) of that Act. The Notes are being sold only to (A) non-U.S. persons (and if investors are resident in a Member State of the EEA, qualified investors as defined in Directive 2003/71/EC (the "**Prospectus Directive**")) in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**") and (B) to qualified institutional buyers ("**QIBs**") that are also qualified purchasers ("**QPs**"), as defined in Section 2(a)(51) of the Investment Company Act, in transactions complying with the requirements of Rule 144A under the Securities Act ("**Rule 144A**") or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. The Notes are not transferable except upon satisfaction of certain conditions as described under "*Transfer Restrictions and Investor Representations*".
Credit Enhancement	**Credit Enhancement Features for the Class A Notes**

	• Subordination of the Class M Notes and the Class Z Notes; and • Excess Issuer Available Revenue Receipts.
Liquidity Support	**Liquidity Support Features for any or all of the Rated Notes** • Liquidity Reserve Fund; and • Issuer Available Principal Receipts applied to make up Revenue Shortfall. Please refer to the section entitled "*Credit Structure*" for further information.
Redemption Provisions	Information on any optional and mandatory redemption of the Notes is summarised on page 48 ("*Overview of the Terms and Conditions of the Notes*") and is set out in full in Condition 5 (*Redemption and Cancellation*).
Rating Agencies	Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**" and together with Moody's, the "**Rating Agencies**"). As at the date of this Prospectus, each of the Rating Agencies is established in the European Union and is registered under Regulation 462/2013 (EU) which amends Regulation (EC) 1060/2009 on Credit Rating Agencies (together, "**CRA3**").
Ratings	All ratings of the Rated Notes set out in this Prospectus are issued by either Moody's or Fitch. Ratings are expected to be assigned to the Rated Notes by the Rating Agencies as set out above on or before the Closing Date. The ratings reflect the views of the Rating Agencies and are based on the Mortgage Loans, the Related Security and the Mortgaged Properties and the structural features of the transaction, including, *inter alia*, the ratings of the Swap Providers. The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders (i) of interest due on each Payment Date and (ii) of principal on a date that is not later than the Final Redemption Date. The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the Class of Notes held by the Noteholder by the Final Redemption Date. In Moody's opinion, the structure allows for timely payment of interest and principal at par on the Final Redemption Date. The assignment of ratings to the Rated Notes is not a recommendation to invest in the Notes and may be revised or withdrawn at any time. Any credit rating assigned to the Rated Notes may be revised, suspended or withdrawn at any time. Certain nationally recognised statistical rating organisations ("**NRSROs**"), as defined in Section 3(a)(62) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), that were not hired by the Issuer may use information they receive pursuant to Rule 17g-5 under the Exchange Act ("**Rule 17g-5**") to rate the Notes. No assurance can be given as to what ratings a non-hired NRSRO would assign. The Rating Agencies have informed the Issuer that the "sf" designation in the ratings represents an identifier of structured finance product ratings and was implemented by the Rating Agencies for ratings of structured finance products as of August 2010.
Listings	This document comprises a prospectus (the "**Prospectus**") for the purpose of the Prospectus Directive. An application has been made to the Financial Conduct Authority (the "**FCA**") as competent authority under the Prospectus Directive in order for the Prospectus to be approved. An application has been made to the FCA in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and the London Stock Exchange plc (the "**London Stock Exchange**") and for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Regulated Market**"). The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (the "**Markets in Financial Instruments Directive**" or "**MiFID II**").
Benchmarks	Interest payable under the Notes may be calculated by reference to LIBOR, provided by ICE Benchmark Administration Limited. At the date of this Prospectus, ICE Benchmark Administration Limited appears on the public register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") in accordance with article 36 of the Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).
Eurosystem eligibility	On 6 September 2012 the European Central Bank (the "**ECB**") announced the temporary expansion of the list of assets eligible as collateral in Eurosystem credit operations and, pursuant to this, the Eurosystem will accept, on a temporary basis, marketable debt instruments denominated in pounds sterling and US dollars (among other currencies) as foreign currency-denominated collateral. The Class A Notes (excluding the Class A1 Notes represented by the US$ Rule 144A Global Note) are intended to be held in a manner which would allow Eurosystem eligibility; that is, in a manner which would allow such Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either

	upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and potential investors in the Notes should reach their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem eligible collateral. See "*Risk Factors – Eurosystem eligibility*" for further information.
Obligations	The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of any entity other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of the Arrangers or the Joint Lead Managers.
EU Retention undertaking	Virgin Money, as originator, will undertake to the Issuer that it will retain a material net economic interest of at least five per cent. in accordance with each of Article 405 of Regulation (EU) No.575/2013 (the Capital Requirements Regulation (the "**CRR**")), Article 51 of Regulation (EU) No 231/2013 as it is interpreted and applied on the Closing Date, referred to as the Alternative Investment Fund Managers Regulation ("**AIFMR**") and Article 254 of Regulation (EU) 2015/35 as it is interpreted and applied on the Closing Date (the "**Solvency II Regulation**") (which, in each case, does not take into account any corresponding national measures) (together, the "**EU Risk Retention Requirements**"). As at the Closing Date, such interest will comprise an interest in the Class Z Notes, in accordance with the EU Risk Retention Requirements. Any change to the manner in which such interest is held will be notified to investors. See the Section entitled "*Certain EU Regulatory Disclosures*" for further information.
US Risk Retention Requirements	Virgin Money as "sponsor" for the purposes of Section 15G of the Exchange Act (the "**US Risk Retention Requirements**"), is required to acquire and retain (as described in the Section entitled "*Certain US Regulatory Disclosures*") an economic interest in the credit risk of the Mortgage Loans sold by the Seller to the Mortgages Trustee on the Closing Date or on a Transfer Date. Virgin Money intends to satisfy the US Risk Retention Requirements by acquiring and retaining (as described in the Section entitled "*Certain US Regulatory Disclosures*") an eligible vertical interest (an "**EVI**") equal to five per cent. in each Class of Notes and at least five per cent. in all amounts owing under the Subordinated Loan Agreement and (through the Mortgages Trustee) all Deferred Contribution. For a description of the Notes, see "*Overview of the Terms and Conditions of the Notes*".
Significant Investor	Virgin Money, will, on the Closing Date, purchase 5 per cent. of the Class A1 Notes, 8.52 per cent. of the Class A2 Notes, 100 per cent. of the Class A3 Notes, 100 per cent. of the Class M Notes and 100 per cent. of the Class Z Notes. Please refer to the section entitled "*Subscription and Sale*" for further information.

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

Arrangers

Lloyds Bank Corporate Markets Plc **BofA Merrill Lynch**

Joint Lead Managers

Lloyds Bank Corporate Markets Plc **BofA Merrill Lynch**
Lloyds Securities Inc. **Citigroup**
BNP PARIBAS

The date of this Prospectus is 19 September 2018.

IMPORTANT NOTICE

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 NOR HAS THE ISSUER BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "**INVESTMENT COMPANY ACT**") IN RELIANCE ON THE EXCLUSION PROVIDED BY SECTION 3(c)(5)(C) OF THAT ACT. THE SECURITIES ARE BEING SOLD ONLY TO (A) NON–U.S. PERSONS (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE ("**MEMBER STATE**") OF THE EUROPEAN ECONOMIC AREA ("**EEA**"), QUALIFIED INVESTORS) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND (B) TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") THAT ARE ALSO "QUALIFIED PURCHASERS" ("**QPs**"), AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT IN TRANSACTIONS COMPLYING WITH THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") OR ANOTHER AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE SECURITIES ARE NOT TRANSFERABLE EXCEPT UPON SATISFACTION OF CERTAIN CONDITIONS AS DESCRIBED UNDER "TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS" HEREIN.

This Prospectus has been prepared by the Issuer solely for use in connection with the issue of the Notes. In the United States, this Prospectus is personal to each person or entity to whom the Issuer, each Joint Lead Manager or an affiliate thereof has delivered it. Distribution in the United States of this Prospectus to any person other than such persons or entities and those persons or entities, if any, retained to advise such persons or entities with respect thereto, is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Prospectus, agrees to the foregoing and not to reproduce all or any part of this Prospectus. Each purchaser of the Notes will be deemed to have made the representations, warranties, acknowledgements and agreements that are described in this Prospectus in the section entitled "*Transfer Restrictions and Investor Representations*".

The Notes have not been and will not be registered under the Securities Act or any state securities law and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

For further information on certain further restrictions on resale or transfer of the Notes, see the sections entitled "*Description of the Notes*" and "*Transfer Restrictions and Investor Representations*".

Offers and sales of the Notes in the United States will be made by each Joint Lead Manager through affiliates that are registered broker–dealers under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act for resale of "restricted securities" within the meaning of Rule 144(a)(3), the Issuer will make available upon request to a holder of such Note and a prospective purchaser designated by such holder 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 Exchange Act and is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

INFORMATION AS TO PLACEMENT WITHIN THE UNITED STATES

The Notes of each Class that are initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S (the "**Regulation S Notes**") will be represented on issue by beneficial interests in one or more global notes of such Class, in fully registered form without coupons or talons attached (each, a "**Regulation S Global Note**"), which will be deposited with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") except in the case of the Regulation S Global Notes

representing the Class M Notes and/or the Class Z Notes, which will be deposited with the common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"), and registered in the name of such Common Safekeeper (or its nominee) or Common Depositary (or its nominee) (as applicable) on the Closing Date.

The Notes of each Class that are initially offered and sold in reliance on Rule 144A (the "**Rule 144A Notes**") will be represented on issue by beneficial interests in one or more global notes of such Class, in fully registered form without coupons or talons (each, a "**Rule 144A Global Note**" and, together with the Regulation S Global Notes, the "**Global Notes**"), which will be either (a) in respect of the Rule 144A Global Notes representing the Class A1 Notes (the "**US$ Rule 144A Global Note**"), be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"); or (b) in respect of each other Rule 144A Global Note representing the Class A Notes (other than the Class A1 Notes), be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg, or, in the case of the Rule 144A Global Notes representing the Class M Notes and/or Class Z Notes, the Common Depositary, and registered in the name of a nominee of such Common Safekeeper or Common Depositary, in each case, on the Closing Date.

Section 13 of the Bank Holding Company Act of 1956, as amended, and Regulation VV (12 C.F.R. Section 248) promulgated thereunder by the Board of Governors of the Federal Reserve System (such statutory provision together with such implementing regulations, the "**Volcker Rule**") generally prohibit "banking entities" (which term is broadly defined to include any U.S. bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation, any company that controls any such bank or savings association, any foreign bank treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978, as amended, and any affiliate or subsidiary of any of the foregoing entities) from (i) engaging in proprietary trading as defined in the Volcker Rule, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 21 July 2012, and final regulations implementing the Volcker Rule were adopted on 10 December 2013 and became effective on 1 April 2014. Conformance with the Volcker Rule and its implementing regulations has been required since 21 July 2017. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than those contained in Sections 3(c)(1) and 3(c)(7) of the Investment Company Act.

The Issuer is not, and after giving effect to any offering and sale of Notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of the Volcker Rule. In reaching this conclusion, the Issuer has determined that (i) the Issuer may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5)(C) thereof and (ii) the Issuer will not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act. Although the Issuer has conducted careful analysis to determine the availability of the exemption provided by Section 3(c)(5)(C) of the Investment Company Act, there is no assurance that the U.S. Securities and Exchange Commission will not take a contrary position.

The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

ENFORCEABILITY OF JUDGEMENTS

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 directors of the Issuer is a resident 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.

RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in this Prospectus) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

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

Citibank, N.A., London Branch accepts responsibility for the information set out in the section headed "*The Issuer Account Banks and The Mortgages Trustee Account Banks - The First Issuer Account Bank and the First Mortgages Trustee Account Bank*". To the best of the knowledge and belief of Citibank, N.A., London Branch (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Citibank, N.A., London Branch as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to in this paragraph) or any other information supplied in connection with the Notes or their distribution.

Elavon Financial Services DAC, UK Branch accepts responsibility for the information set out in the section headed "*The Issuer Account Banks and The Mortgages Trustee Account Banks - The Second Issuer Account Bank and the Second Mortgages Trustee Account Bank*". To the best of the knowledge and belief of Elavon Financial Services DAC, UK Branch (having taken all reasonable care to ensure that such is the case), the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Elavon Financial Services DAC, UK Branch as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to in this paragraph) or any other information supplied in connection with the Notes or their distribution.

RESTRICTIONS ON DISTRIBUTION AND SALES OF THE NOTES

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by any party to a Transaction Document or by Lloyds Bank Corporate Markets Plc and Merrill Lynch International (together as the "**Arrangers**" and, together with Lloyds Securities Inc., Citigroup Global Markets Limited and BNP Paribas, London Branch, the "**Joint Lead Managers**") that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any

such distribution or offering. In particular, save for obtaining the approval of this Prospectus as a prospectus for the purposes of the Prospectus Directive by the UK Listing Authority, no action has been or will be taken by any Transaction Party or by the Arrangers or Joint Lead Managers which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Arrangers and the Joint Lead Managers to inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof), see the section entitled "*Subscription and Sale*" below.

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

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

None of the Issuer, the Joint Lead Managers, the Arrangers, the Note Trustee or the Security Trustee makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

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

None of the Arrangers nor the Joint Lead Managers shall be responsible for, any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in the Notes or any Issuer Transaction Documents, or any other agreement or document relating to the Notes or any Issuer Transaction Document, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. Each person receiving this Prospectus acknowledges that such person has not relied on the Arrangers or the Joint Lead Managers or on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

In connection with this new issue of the Notes as described in this Prospectus (the "**Transaction**"), the Arrangers and the Joint Lead Managers are acting exclusively for the Issuer and no one else. Accordingly, in connection with the Transaction, the Arrangers and the Joint Lead Managers will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients or for the giving of advice in relation to the Transaction. The Arrangers and the Joint Lead Managers will be paid a fee by the Issuer in respect of the placement of the Notes.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus or any part hereof and any offering of the Notes in certain jurisdictions

may be restricted by law. No action has been taken by the Issuer, the Joint Lead Managers or the Arrangers other than as set out in the paragraph headed "*Listings*" on the third page of this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other Prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

PRIIPS REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTOR AND ECP ONLY TARGET MARKET

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

CERTAIN DEFINED TERMS

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

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

References in this Prospectus to "**US$ Notes**" are to the Class A1 Notes.

References in this Prospectus to "**Sterling Notes**" are to, as the context may require, any or all of the Class A2 Notes, the Class A3 Notes, the Class M Notes and the Class Z Notes.

References in this Prospectus to "**Rated Notes**" are to, as the context may require, any or all of the Class A1 Notes, the Class A2 Notes, the Class A3 Notes and the Class M Notes.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and involve known and unknown risks, uncertainties and other important factors that could cause the actual results and performance of the Notes, the Issuer, the Seller or the UK residential mortgage industry to differ materially from any future results or performance expressed or implied in the forward-looking statements.

In addition, even if the results and performance of the Notes, the Issuer, the Seller or the UK residential mortgage industry, are consistent with the forward-looking statements set out in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Many factors could cause the results and performance of the Notes, the Issuer, the Seller or the UK residential mortgage industry to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements including, but not limited to, those described under the heading "*Risk Factors*".

Any forward-looking statements which are made in this Prospectus speak only as of the date of such statements and are not guarantees of future performance. The Issuer does not intend or undertake any obligation, to revise the forward-looking statements included in this Prospectus to reflect any future events or circumstances. Actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those discussed under "*Risk Factors*" in this Prospectus. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements in the Prospectus.

STATISTICAL INFORMATION

This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**") which have been prepared in reliance on information provided by the Issuer. Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Issuer, the Joint Lead Managers or the Arrangers has attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements or Statistical Information. None of the Issuer, the Joint Lead Managers or the Arrangers assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

STABILISATION

In connection with the issue of the Notes, Lloyds Bank Corporate Markets plc as the Stabilising Manager (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Closing Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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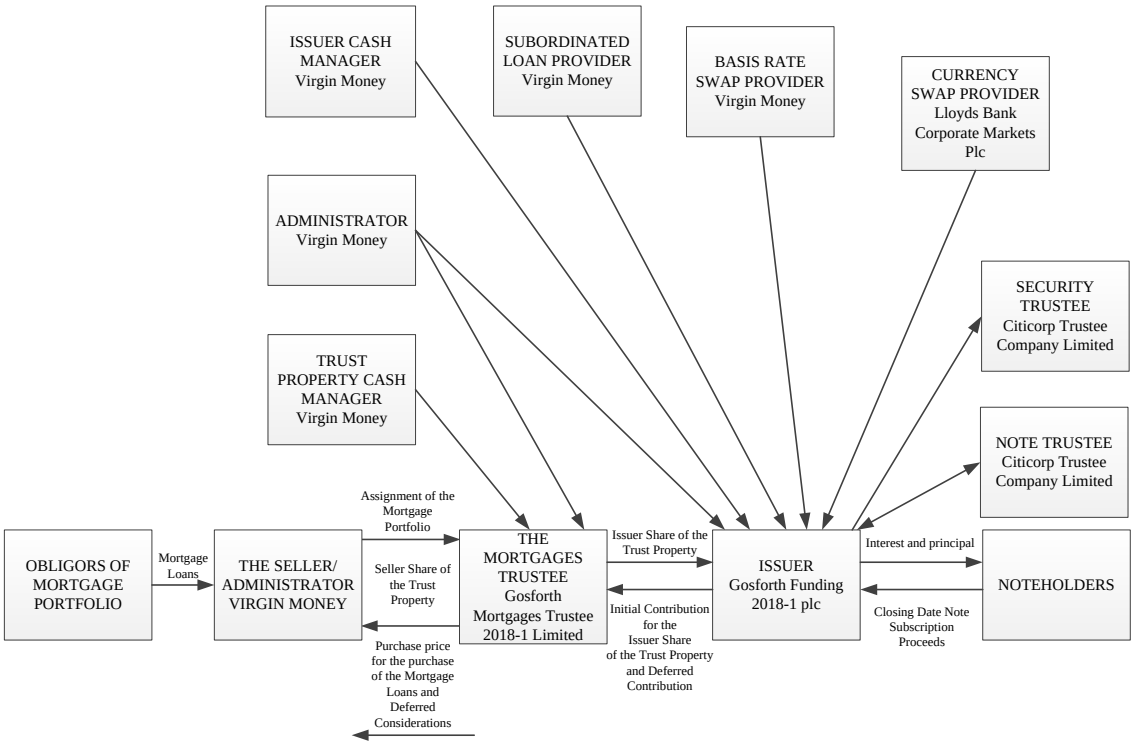
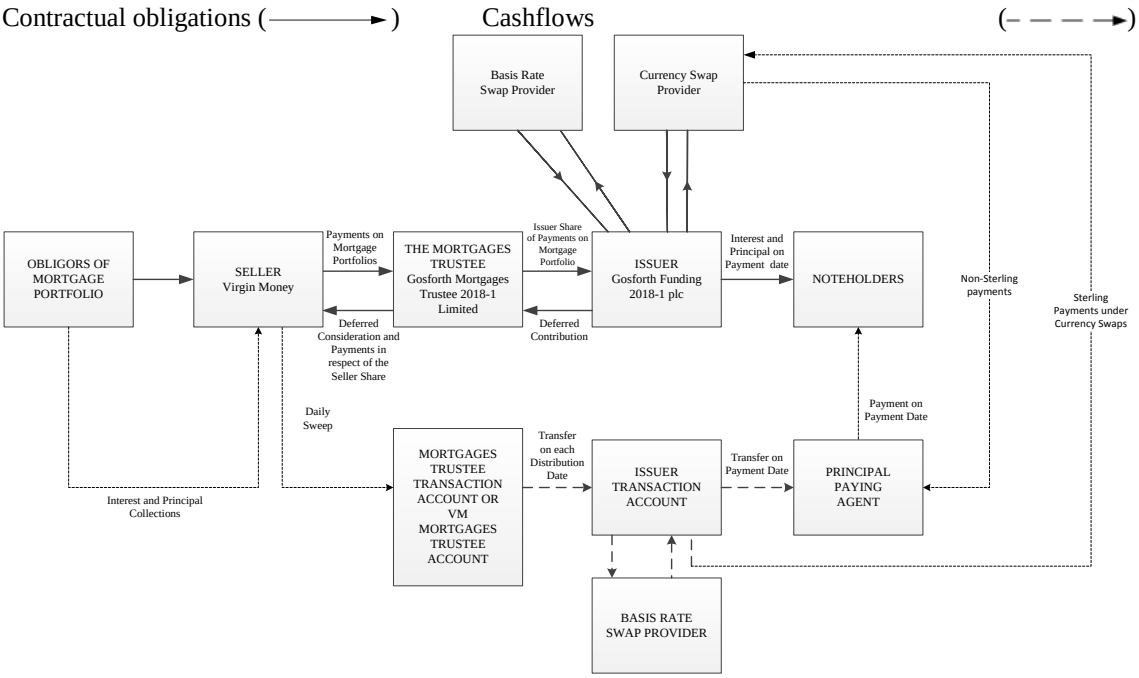
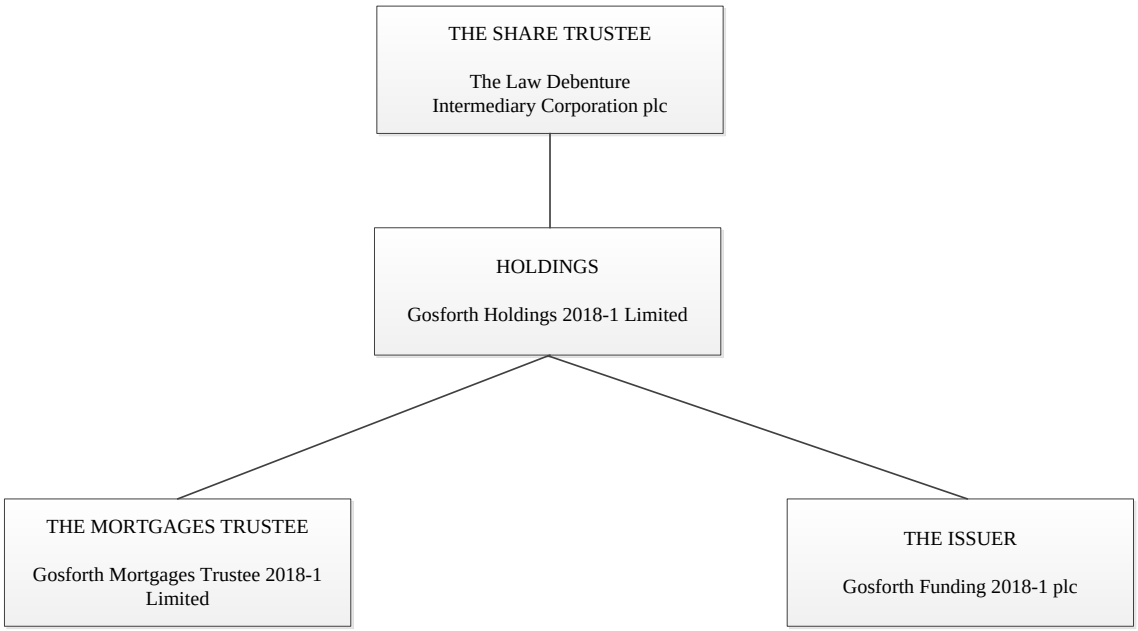
DIAGRAMMATIC OVERVIEW OF TRANSACTION



DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOW



OWNERSHIP STRUCTURE DIAGRAM



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

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

RISK FACTORS

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

CREDIT STRUCTURE

1. *Notes are the obligations of the Issuer only*

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any of the other parties and no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to make any payment of any amount due on the Notes.

2. *Limited resources available to the Issuer*

The Issuer's ability to make payments of principal and interest on the Notes and to pay its operating and administrative expenses will be funded primarily from the Issuer Share of the Trust Property.

3. *Limited Recourse*

The only assets of the Issuer available to meet the claims of, amongst others, the Noteholders will be the Charged Property. Any claim remaining unsatisfied after the realisation of the Charged Property and the application of the proceeds thereof in accordance with the applicable Priority of Payments shall be extinguished and the Noteholders shall have no rights in respect of any such claims.

Accordingly, enforcement of the Issuer Security over the Charged Property is the only substantive remedy available for the purpose of recovering amounts owed in respect of the Notes and such enforcement may be subject to certain conditions pursuant to the Deed of Charge, including a requirement that the Security Trustee be indemnified and/or secured and/or prefunded to its satisfaction. In addition, the Issuer does not have any recourse to the assets of the Mortgages Trustee other than in accordance with the provisions of the Mortgages Trust Deed. If the Issuer Security created pursuant to the terms of the Deed of Charge is enforced, the proceeds of enforcement may be insufficient to pay all principal and interest and/or other amounts due on the Notes.

The Mortgages Trustee will have no recourse to the Seller save as provided in the Mortgage Sale Agreement (see further the section entitled "*The Mortgage Loans – Representations and Warranties*").

4. *Credit Risk*

The Issuer is subject to the risk of default in payment by the Borrowers and the failure by the Administrator, on behalf of the Mortgages Trustee and the Beneficiaries, to realise or recover sufficient funds in respect of the Mortgage Loans and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Mortgage Loans. This risk may adversely affect the Issuer's ability to make payments on the Notes but is mitigated to some extent by certain credit enhancement features for the Rated Notes, which are described in the section entitled "*Credit Structure*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

5. *Liquidity Risk*

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

6. ***Subordination of Class M Notes and Class Z Notes***

Payments of interest and principal on the Class A Notes will be made in priority to payments of interest and principal on the Class M Notes and the Class Z Notes. Payments of interest and principal on the Class M Notes will be made in priority to payments of interest and principal on the Class Z Notes.

There can be no assurance that these subordination provisions will protect the Class A Noteholders from all risks of loss.

7. ***Basis and Currency Risk***

The Issuer is subject to:

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

(b) the risk of fluctuations in relation to the exchange rate between Sterling and US Dollars, such that amounts received in Sterling in respect of the Mortgage Loans (and other income) and available, following distribution to the Issuer, for application in satisfaction of the Issuer's payment obligations in respect of the US$ Notes may, following conversion into US Dollars, be insufficient to meet such payment obligations, which risk is mitigated but not obviated by the Currency Swap Agreement;

(c) the risk of default in payment by a Borrower under a Mortgage Loan with a variable rate of interest as a result of an increase in the Seller's standard variable rate or (as the case may be) the Bank of England base rate; and

(d) the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes, which risk is partially mitigated by (i) in respect of the Rated Notes only, the Liquidity Reserve Fund and (ii) (for so long as the Mortgage Loans are fully performing) Issuer Available Revenue Receipts being expected to exceed payments of interest due under the Notes and the other expenses of the Issuer.

Such circumstances may result in the failure of the Issuer to make payments on the Notes in full.

8. ***Swap Termination Payments***

If a Swap Agreement terminates, the Issuer may be obliged to pay a termination payment to the relevant Swap Provider. The amount of such termination payment will be based on the value of any benefit that would otherwise accrue to the Issuer as a result of terminating and replacing the relevant Swap Agreement. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under the relevant Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the relevant Class of Notes. There can be no assurance that the Issuer will, if any Swap Agreement terminates, be able to enter into a replacement swap, or, if one is entered into, that the rating of the replacement swap provider will be sufficiently high to prevent a downgrading of the then current ratings of one or more Classes of the Notes by the Rating Agencies.

Basis Swap Agreements

Except where the Basis Rate Swap Provider has caused the Basis Rate Swap Agreement(s) to terminate by its own default, any termination payment in respect of the applicable Basis Rate Swap Agreement due by the Issuer will rank in priority to payments due and payable on the Class A Notes. Any additional amount required to be paid by the Issuer following termination of a Basis Rate Swap Agreement (including any extra costs incurred if the Issuer cannot immediately enter into a replacement swap agreement), will also rank ahead of payments due on the Notes.

Currency Swap Agreement

Except where the Currency Swap Provider has caused the Currency Swap Agreement to terminate by its own default, any termination payment in respect of the Currency Swap Agreement due by the Issuer will

rank *pari passu* with (a) prior to the service of a Note Acceleration Notice, payments of interest on the Class A Notes; and (b) following the service of a Note Acceleration Notice, payments of interest and the repayment of principal on the Class A Notes. Any additional amount required to be paid by the Issuer following the termination of the Currency Swap Agreement (including any extra costs incurred if the Issuer cannot immediately enter into a replacement swap agreement), will also rank *pari passu* with payments due on the Class A Notes.

Therefore, if the Issuer is obliged to make a termination payment to a Swap Provider or to pay any other additional amount as a result of the termination of the relevant Swap Agreement, this may affect the amount of funds which the Issuer has available to make payments on the Notes of any Class.

9. ***Termination of the Original Currency Swap Agreement – payments of principal in respect of the US$ Notes***

Prior to the delivery of a Note Acceleration Notice, the allocation of Issuer Available Principal Receipts, if any, towards the redemption of the US$ Notes is determined by reference to the Sterling Equivalent Principal Amount Outstanding of the US$ Notes (as per Condition 5(B) (*Mandatory Redemption of the Notes in Part*)). An allocation based on the Sterling Equivalent Principal Amount Outstanding of the US$ Notes means that the proportion of Issuer Available Principal Receipts allocated to the US$ Notes is not affected by the termination of the Original Currency Swap Agreement or the terms of any replacement Currency Swap Agreement entered into with respect to the US$ Notes.

Under this allocation arrangement, the risk of any reduction in principal amounts available to make payments in respect of the US$ Notes on any Payment Date following the termination of the Original Currency Swap Agreement because (a) a replacement Currency Swap Agreement is not in place and the applicable Spot Rate is less favourable to the Issuer than the Original Exchange Rate or (b) the Replacement Exchange Rate in respect of any replacement Currency Swap Agreement is less favourable to the Issuer than the Original Exchange Rate is, prior to the delivery of a Note Acceleration Notice, borne by the US$ Noteholders.

If the Original Currency Swap Agreement is terminated (and irrespective of whether a replacement Currency Swap Agreement is in force), prior to the delivery of a Note Acceleration Notice, on any Payment Date falling on or following the Class A1 Sterling Equivalent Redemption Date, following the application of any amounts held in the Swap Excess Reserve Account towards the redemption of the US$ Notes, any remaining Principal Amount Outstanding of the US$ Notes (being the Principal Shortfall Amounts) will only be paid subject to and in accordance with item (vi) of the Issuer Pre-Acceleration Principal Priority of Payments, and will accordingly be subordinated to payments of principal on the Class M Notes.

Following the delivery of a Note Acceleration Notice (which constitutes a termination event under the Original Currency Swap Agreement), any remaining Principal Amount Outstanding of the US$ Notes will cease to be subordinated to the Class M Notes and will rank *pari passu* with amounts payable in respect of any other Class A Notes in accordance with item (vi) of the Issuer Post-Acceleration Priority of Payments. Available amounts in accordance with the Issuer Post-Acceleration Priority of Payments will be allocated on a *pro rata* basis by reference to the respective GBP Equivalent amounts of such Notes determined using the applicable prevailing Spot Rate.

An allocation on this basis means that the proportion of funds allocated to the Class A1 Notes, the Class A2 Notes and the Class A3 Notes will be affected by variations in the prevailing Spot Rate. If the prevailing Spot Rate is less favourable to the Issuer than the Original Exchange Rate or a previous Spot Rate, then the US$ Notes will be allocated a greater proportion of the available amounts applied towards the redemption of the Notes in accordance with the Issuer Post-Acceleration Priority of Payments.

10. ***Termination of the Original Currency Swap Agreement – payments of interest in respect of the US$ Notes***

If the Original Currency Swap Agreement is terminated (and irrespective of whether a replacement Currency Swap Agreement is in force), interest will nevertheless continue to accrue on the Principal Amount Outstanding of the US$ Notes and will be payable on each Payment Date subject to and in accordance with item (vii) of the Issuer Pre-Acceleration Revenue Priority of Payments or, following the delivery of a Note Acceleration Notice, on Distribution Dates subject to and in accordance with item (vi)

of the Issuer Post-Acceleration Priority of Payments, in each case, including following the Class A1 Sterling Equivalent Redemption Date.

Accordingly, if the Original Currency Swap Agreement is terminated and (a) a replacement Currency Swap Agreement is not in place and the applicable Spot Rate is less favourable to the Issuer than the Original Exchange Rate or (b) the Replacement Exchange Rate is less favourable than the Original Exchange Rate, the US$ Notes will be allocated a greater proportion of the total Issuer Available Revenue Receipts (or amounts available in accordance with the Issuer Post-Acceleration Priority of Payments following the delivery of a Note Acceleration Notice) towards the payment of interest than the proportion that would have been allocated if the Original Currency Swap Agreement had not been terminated. This will reduce the funds available to make payments on the other Class A Notes, and on the other Notes that rank below the Class A Notes in the relevant Priority of Payments.

11. ***Yield and Prepayment Considerations***

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments, sale proceeds arising on enforcement of a Mortgage Loan and repurchases due to breaches of representations and warranties or due to making Further Advances or Product Switches) on the Mortgage Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. No assurance can be given as to the level of prepayment that the Mortgage Portfolio will experience. If prepayments occur less frequently than anticipated, then the amortisation of the Notes may take much longer than is presently anticipated and the actual yields on the Notes may be lower than anticipated.

At any time on or after the relevant Step-Up Date for a Class of Notes, the Issuer may, subject to the Conditions, redeem the relevant Class of Notes in full. In addition, on the Payment Date on which the aggregate Sterling Equivalent Principal Amount Outstanding of all the Notes is or will be equal to or less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of all such Notes on the Closing Date, the Issuer may, subject to the Conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Notes.

If a Pass-Through Trigger Event occurs, Noteholders of each Class will be exposed to an increased risk of early prepayment of their Notes and the yield to maturity of the Notes may be adversely affected. In ensuring that a Pass-Through Trigger Event does not occur, the Mortgages Trustee is reliant primarily on the ongoing performance of Virgin Money and its mortgage-lending business and the ability of Virgin Money to replenish the Mortgage Portfolio. Investors should note that Virgin Money, and its mortgage-lending business, is exposed to a number of risks, including risks in relation to the macro-economy, industry-wide capital and liquidity requirements, public policy measures, regulatory risk, market risk, operational risk and legal risk.

12. ***Deferral of interest payments on the Class M and the Class Z Notes***

On each Payment Date, the Issuer will be entitled in the circumstances described in Condition 4(I) (*Deferral of Interest*) to defer payment of any amount of interest on the Class M Notes or the Class Z Notes (to the extent it has insufficient funds to make such payments in full) until the following Payment Date or such earlier date as interest in respect of the relevant class of Notes becomes immediately due and repayable in accordance with the Conditions and it shall not constitute a Note Event of Default. To the extent that there are insufficient funds on the following Payment Date or such earlier date as interest in respect of such Class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Redemption Date. However, if there are insufficient funds available to the Issuer to pay interest (including any deferred interest) on the Class M or the Class Z Notes, then the relevant Noteholders may not receive all interest amounts.

13. ***Rights Available to Holders of Notes of Different Classes***

The Trust Deed will provide that, except where expressly provided otherwise, where the Note Trustee is required to have regard to the interests of the Noteholders, the Note Trustee shall have regard to the interests of the Noteholders as a Class provided that the Note Trustee shall have regard for so long as there are any Class A Notes outstanding, only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class M Noteholders and the Class Z Noteholders and, if there are no Class A Notes outstanding, for so long as there are any Class M Notes outstanding, only to the interests of the Class M Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class M Noteholders and the Class Z Noteholders. As a result, more junior Noteholders may not have their interests taken into account by the Note Trustee when the Note Trustee is exercising its discretion.

Except where expressly provided otherwise, the Security Trustee is not bound to take any action under or in connection with any of the Transaction Documents, including, without limitation, enforcing the Issuer Security, unless directed to do so by the Note Trustee or, if there are no Notes outstanding, all of the other Secured Creditors, and provided that the Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

Virgin Money will purchase certain of the Class A Notes, and all of the Class M Notes and the Class Z Notes on the Closing Date (see "*Subscription and Sale*" below). However, for so long as Virgin Money is the holder of any Notes, it will not be entitled to vote in respect of them.

14. ***Risks in respect of Trustee's additional rights of modification to the Transaction Documents***

The Note Trustee shall be obliged, without any consent or sanction of the Noteholders, or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or which, as a result of such amendment, would be further contractually subordinated to any Secured Creditor than would otherwise have been the case prior to such amendment, any of the other Secured Creditors, to concur with the Issuer 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 that the Issuer considers necessary, for the purpose of complying with, or implementing or reflecting (a) any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, (b) for the purpose of enabling any Class of Notes to comply with the criteria set out in Article 13 (*Level 2B securitisations*) of the Commission Delegated Regulation (EU) 2015/61 supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions (as amended, replaced and/or supplemented from time to time and to the extent permitted by applicable law), or (c) for the purpose of changing the base rate (in respect of the Class A1 Notes) from 3 month US$ LIBOR and/or (in respect of the Class A2 Notes, the Class A3 Notes and the Class M Notes) from 3 month GBP LIBOR to an alternative base rate (any such rate, an "**Alternate Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**") (as to which please see also *Risk Factors - Other General Risk Factors - 6. Risks relating to the discontinuation of LIBOR* below). For the avoidance of doubt, the Issuer is not obliged to make any such modification.

In relation to any such proposed amendment, the Issuer is required to give 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 by publication on Bloomberg on the "Company News" screen relating to the Notes. However, potential investors should be aware that in relation to such amendments, if Noteholders representing at least 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted 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 such notification period notifying the Note Trustee that such Noteholders do not consent to the modification, the modification will be passed without Noteholder consent.

If Noteholders representing at least 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer or the Principal Paying Agent 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 (*Meetings of Noteholders, Modification and Waiver*) (see Condition 11(F) (*Meetings of Noteholders, Modifications and Waiver - Additional Right of Modification*)).

RATINGS

1. *Ratings of the Notes*

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

2. *Unsolicited ratings and the selection and qualification of rating agencies rating the Notes may impact the value of the Notes*

Nationally recognised statistical rating organisations that the Issuer has not engaged to rate any Class of Notes may nevertheless issue unsolicited credit ratings on one or more Classes of Notes, in each case relying on information they receive pursuant to Rule 17g-5 under the Exchange Act, or otherwise. If any such unsolicited ratings are issued with respect to any particular Class of Notes, there can be no assurance that they will not be lower than the rating(s) assigned by any of the Rating Agencies engaged by the Issuer to rate that Class of Notes on the Closing Date. The issuance of any such unsolicited ratings with respect to any particular Class of Notes that are lower than the rating(s) assigned to it by any of the engaged rating agencies on the Closing Date may negatively impact the liquidity, market value and regulatory characteristics of that Class of Notes. Although unsolicited ratings may be issued by any rating agency, a rating agency might be more likely to issue an unsolicited rating if it was not selected after having provided preliminary feedback to the Issuer.

The Issuer selected Moody's and Fitch to rate all of the Rated Notes. There can be no assurance that, had the Issuer selected other rating agencies to rate the Notes, the ratings that such rating agencies would have ultimately assigned to the Rated Notes would have been equivalent to those assigned by Moody's and Fitch. Neither the Issuer nor any other person or entity will have any duty to notify Noteholders if any other nationally recognised statistical rating organisation issues, or delivers notice of its intention to issue, unsolicited ratings on one or more Classes of the Notes after the Closing Date. Furthermore, the U.S. Securities and Exchange Commission may determine that one or more of the rating agencies engaged by the Issuer no longer qualifies as a nationally recognised statistical rating organisation, or is no longer qualified to rate the Notes, and that determination may have an adverse effect on the liquidity, market value and regulatory characteristics of the Notes.

3. *Ratings confirmation in relation to the Notes in respect of certain actions*

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

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

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency should not be responsible for the

consequences thereof. A Ratings Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Ratings Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

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

As a result if action is not taken due to, or is taken in, the absence of a Ratings Confirmation it could result in the Rated Notes being downgraded by one or more Rating Agencies.

MORTGAGES TRUST

1. *Equitable Interest and Declaration of Trust*

The transfer of the English Mortgage Loans and their Related Security by the Seller to the Mortgages Trustee will take effect in equity only (until legal title is conveyed following the occurrence of a Relevant Event). The sale of Scottish Mortgage Loans and their Related Security will take effect as a contractual sale only on the Closing Date. The transfer of the Scottish Mortgage Loans and their Related Security from the Seller to the Mortgages Trustee will be given effect by a declaration of trust by the Seller in favour of the Mortgages Trustee (the "**Scottish Declaration of Trust**") by which the beneficial interest in such Scottish Mortgage Loans and their Related Security will be transferred to the Mortgages Trustee. In each case, this means that in respect of the Mortgage Loans, the Mortgages Trustee will not acquire legal title and, in the case of registered land in England and Wales, will not be registered as proprietor and legal owner of the Mortgage at the Land Registry or, in the case of land in Scotland, will not be registered or recorded as heritable creditor at the Registers of Scotland.

Notice of assignment of the Mortgage Loans will not be given to Borrowers at the time of the assignment but may be given on the occurrence of any of the Relevant Events, which oblige the Seller to transfer legal title to the Mortgage Loans at which point the Mortgages Trustee will, pursuant to the Mortgage Sale Agreement, submit an application for the transfer of the Mortgages to be registered at the Land Registry and Registers of Scotland. The Seller shall hold the legal title to the Mortgage Loans as bare trustee for the Mortgages Trustee (or, in respect of Scottish Mortgage Loans, pursuant to the Scottish Declaration of Trust) who shall be the sole beneficial owner (holding such interest as bare trustee for the Beneficiaries in accordance with the terms of the Mortgages Trust Deed).

The holding of the whole beneficial interest in the Mortgages and not the legal estate has five main legal consequences in England and Wales, being the following:

(a) for so long as the Mortgages Trustee holds only the whole beneficial interest in the Mortgage Loans and their Related Security and not the legal estate, the interest of the Mortgages Trustee in the Mortgage Loans and their Related Security may (particularly in the case of a Mortgage where there is no restriction on the title against registration of any interests) become subject to interests of third parties (whether legal or equitable) created after the creation of the equitable interest of the Mortgages Trustee and before the transfer to it of the legal estate is perfected. The Mortgages Trustee's equitable interest may also be defeated by a subsequent purchaser or transferee for value of the Mortgage Loans and their Related Security;

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

(c) for so long as the Mortgages Trustee holds only an equitable interest, it must join the Seller as a party to any legal proceedings which it may want to take against any Borrower. In this regard,

the Seller will undertake for the benefit of the Issuer and the Mortgages Trustee that it will lend its name to, and take such other steps as may reasonably be required by the Issuer, the Mortgages Trustee or the Security Trustee in relation to, any legal proceedings in respect of the Mortgage Loans or their Related Security;

(d) unless and until a Borrower has notice of the transfer to the Mortgages Trustee of the relevant Mortgage Loan, such Borrower is not bound to make payment to anyone other than the person to whom he or she made such payments before the transfer took place (being the Seller) and can obtain a valid discharge from such person. However, the Seller will hold all amounts received in relation to the Mortgage Loans on trust for the Mortgages Trustee; and

(e) unless and until a Borrower has notice of the sale, equitable rights of set-off may accrue in favour of such Borrower against his or her obligation to make payments under the relevant Mortgage Loans to the Seller. These rights may result in the Issuer receiving less money than anticipated from the Mortgage Loans.

In relation to Scottish Mortgage Loans and their Related Security, see the section entitled "*Mortgages Trust - Scottish Mortgage Loans*" below.

Once notice has been given to the Borrowers of the assignment of the Mortgage Loans and their Related Security to the Mortgages Trustee, independent set-off rights which a Borrower has against the Seller (such as, for example, set-off rights associated with Borrowers holding deposits with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Mortgage Loan) will not be affected by that notice and will continue to exist. In respect of Scottish Mortgage Loans, references in this Prospectus to "set-off" are to be read as references to analogous rights in Scotland.

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

Under the Mortgage Sale Agreement, the Seller will grant to the Mortgages Trustee a power of attorney to give it the power to do all further things and take all necessary action to perfect the transfer of legal title to the Mortgage Loans and their Related Security following the occurrence of a Relevant Event.

2. *Scottish Mortgage Loans*

On the Closing Date, the Seller will declare a trust in terms of the Scottish Declaration of Trust in favour of the Mortgages Trustee in respect of the Scottish Mortgage Loans (and their related Scottish Mortgages and other Related Security).

The beneficial interest arising under such declaration of trust will in turn be held under the Mortgages Trust and form part of the Trust Property. The Mortgages Trustee will not effect (or be able to effect) registration of its interest under the Scottish Declaration of Trust in the Registers of Scotland. The Seller will grant to the Mortgages Trustee the power of attorney referred to in the section entitled "*Mortgages Trust – Equitable Interest and Declaration of Trust*" above to give it the power to do all further things and take all necessary action to perfect the transfer of legal title to the Scottish Mortgage Loans and their Related Security on the occurrence of a Relevant Event. In this Prospectus, references to the equitable "assignment" of Mortgage Loans and their Related Security to the Mortgages Trustee are to be read generally, in the context of Scottish Mortgage Loans and their Related Security, as references to the granting of the Scottish Declaration of Trust.

The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales, as described in the section entitled "*Mortgages Trust – Equitable Interest and Declaration of Trust*", above (namely, the Mortgages Trustee's interest in the property held on trust may become subject to the interests of *bona fide* third party purchasers who have completed title to the relevant property and the Seller as trustee under such Scottish trust must lend its name in any legal proceedings). Similarly, prior to notice of the trust being given to a Borrower, the Borrower may be at risk of exercising certain rights of retention (i.e. set-off) against the Seller.

Further to the granting of the Scottish Declaration of Trust, the Issuer will grant to the Security Trustee an assignation in security (i.e. a fixed charge) over, *inter alia*, its interest, under the Scottish Declaration of Trust, in the Mortgage Loans which are Scottish Mortgage Loans and their Related Security comprised in the Trust Property in terms of the Mortgages Trust, pursuant to the Deed of Charge.

If the Mortgages Trustee fails to comply with Scottish formalities, the security over the Scottish Mortgages may be prejudiced.

3. *Seller Share of the Trust Property*

The Seller Share of the Trust Property does not provide credit enhancement for the Issuer Share of the Trust Property.

The Seller Share can only be reduced below the Minimum Seller Share by (i) the allocation of Losses in proportion to the Seller Share Percentage of the Trust Property (see "*The Mortgages Trust – Losses*") (ii) the allocation of Denominator Reduction Amounts to the Seller, and (iii) the allocation of Principal Receipts to the Seller. If and for so long as the Seller Share is zero, any Losses occurring prior to any subsequent increase in the Seller Share will be applied entirely in reduction of the Issuer Share. In these circumstances there is a risk that the Issuer will have insufficient funds to make payment of all amounts due on the Notes or that payments may not be made when due.

Although there are consequences for the Seller if the Seller Share drops below the Minimum Seller Share, save to the extent that the Seller is required to make a Mandatory Seller Cash Contribution, there is no direct obligation on the Seller to maintain the Seller Share at or above the Minimum Seller Share level. However, reduction of the Seller Share to below the Minimum Seller Share that is not cured within a particular timeframe will result in a Pass-Through Trigger Event.

4. *Changes to the Trust Property*

In order to promote the retention of Borrowers, the Seller may periodically contact certain Borrowers in order to encourage a Borrower to review the Seller's other mortgage products and to discuss offering that Borrower an alternative Virgin Money mortgage product. The Seller also may periodically contact Borrowers in the same manner in order to offer to a Borrower the opportunity to apply for a Further Advance. The employee of the Seller who contacts a Borrower will not know whether that Borrower's mortgage loan has been sold to the Mortgages Trustee.

Generally, the Borrowers that the Seller may periodically contact are those Borrowers whose mortgage loans are not in arrears and who are otherwise in good standing. Before these Borrowers switch to a different mortgage product or take a Further Advance, if the Borrower's mortgage loan is in the Mortgage Portfolio, the Administrator may not accept an application from, or issue an offer for, a Product Switch or Further Advance in respect of a Mortgage Loan unless the Seller has confirmed that it will purchase the Mortgage Loan and the Product Switch or Further Advance may not be effected or made, as the case may be, unless and until the Seller has repurchased the Mortgage Loan in accordance with the Mortgage Sale Agreement. If such a repurchase occurs, the percentage of fully performing Mortgage Loans in the Mortgage Portfolio may decrease, which could delay or reduce payments made on the Notes.

SERVICING AND THIRD PARTY RISK

1. *Administration by the Administrator*

The Issuer will be dependent upon the performance by the Administrator of its obligations under the Administration Agreement in order to receive its share of amounts due from Borrowers under the Mortgage Loans (see the section entitled *The Administrator, the Administration Agreement and the Collection Account*). Following the occurrence of an Administrator Termination Event, the Back-Up Administrator Facilitator will be required to use its best efforts to identify and thereafter appoint a successor Administrator to perform the services provided by the Administrator set out in the Administration Agreement (the "**Administration Services**") (as described in the section entitled *The Administrator, the Administration Agreement and the Collection Account – Removal or Resignation of the Administrator*). In these circumstances, the collection of payments on the Mortgage Loans and the provision of the Administration Services could be disrupted during the transitional period in which the performance of the Administration Services is transferred to a successor Administrator. Any failure or delay in collection of payments on the relevant Mortgage Loans resulting from a disruption in the

administration of the Mortgage Loans could ultimately adversely affect payments of interest and principal on the Notes. A failure or delay in the performance of the Administration Services, in particular reporting obligations, could affect the payments of interest and principal on the Notes (as to which see "*Determination and Reconciliation*" in the section entitled "*Cash Management for the Mortgages Trustee*").

The Administrator has no obligation to advance payments that Borrowers fail to make in a timely fashion. Additionally, if the Administrator fails to act as a prudent residential mortgage administrator the percentage of fully performing Mortgage Loans in the Mortgage Portfolio may decrease, which could delay or reduce payments made on the Notes.

2. *Other Third Party Risks*

The principal source of income for repayment of the Notes by the Issuer derives from the Issuer Share of the Trust Property. The Trust Property is held on trust by the Mortgages Trustee for the Seller and the Issuer. If the timing and payment of the Mortgage Loans comprising the Trust Property is adversely affected by any of the risks described in this section, then the payments on the Notes could be reduced or delayed.

The Mortgages Trustee and the Issuer are parties to contracts with third parties that have agreed to perform certain services for each of them under the transaction described in this Prospectus. In particular, but without limitation, the Swap Providers have agreed to provide hedging to the Issuer, the Corporate Services Provider has agreed to provide corporate services to each of the Mortgages Trustee and the Issuer, and the Paying Agents and Agent Bank have agreed to provide payment and calculation services to the Issuer in connection with the Notes. If any relevant third party were to fail to perform its obligations under the respective agreements to which it is a party (including as a result of the insolvency of such third party), or if there were a delay in replacing a third party, or a replacement third party were appointed on less favourable terms, payments on the Notes may be adversely affected.

3. *VM Mortgages Trustee Account*

As described in "*Credit Structure – The VM Mortgages Trustee Account*", an amount up to the VM Mortgages Trustee Permitted Cash Amount may be credited to and held in the VM Mortgages Trustee Account (which amount will form part of the funds available for distribution on the next following Distribution Date). For as long as such amounts are held in the VM Mortgages Trustee Account, they are being held with an account bank which does not have the required ratings of the Mortgages Trustee Account Banks as set out in "*Transaction Overview – Rating Triggers Table*". Accordingly, these amounts are exposed to a greater risk of account bank insolvency than would be the case if such amounts were held with the Mortgages Trustee Account Banks. If an Insolvency Event were to occur in relation to Virgin Money, it is possible that such amounts could not be withdrawn and transferred to the Mortgages Trustee resulting in a reduction in Mortgages Trustee Available Principal Receipts and Mortgages Trustee Available Revenue Receipts available for distribution to the Issuer on the relevant Distribution Date.

Any such reduction will constitute a Denominator Reduction Amount, the result of which will be a reduction in the denominator for the purposes of calculating the Issuer Share Percentage and, correspondingly, will increase the Issuer Share Percentage and reduce the Seller Share Percentage. Furthermore, the amount permitted to be held in the VM Mortgages Trustee Account at any one time, being the VM Mortgages Trustee Permitted Cash Amount, is limited to that which, if such amount constituted a Denominator Reduction Amount, would not cause the Seller Share to fall below the Minimum Seller Share. As a result, such a reduction will have no effect on the Issuer Share.

4. *VM Issuer Account*

As described in "*Credit Structure – The VM Issuer Account*", an amount up to the VM Issuer Permitted Cash Amount may be credited to and held in the VM Issuer Account (which amount will form part of the funds available for distribution on the next following Payment Date). For as long as such amounts are held in the VM Issuer Account, they are being held with an account bank which does not have the required ratings of the Issuer Account Banks as set out in "*Transaction Overview – Rating Triggers Table*". Accordingly, these amounts are exposed to a greater risk of account bank insolvency than would be the case if such amounts were held with the Issuer Account Banks. If an Insolvency Event were to occur in relation to Virgin Money, it is possible that such amounts could not be withdrawn and transferred

to the Issuer resulting in a reduction in Issuer Available Principal Receipts and Issuer Available Revenue Receipts available for distribution on the relevant Payment Date.

5. *Offer by CYBG PLC for Virgin Money Holdings (UK) plc*

As described further in "*Virgin Money plc – Offer by CYBG for VMH*" the all-share offer made by CYBG plc ("**CYBG**"**)** for Virgin Money Holdings (UK) plc ("**VMH**") (the parent company of Virgin Money) (the "**Offer**") is (subject to the satisfaction or waiver of certain conditions) expected to complete in the fourth quarter of 2018.

There is no guarantee that the remaining conditions to completion of the Offer will be satisfied or waived. Should the Offer not complete, there could be disruption to the operational performance of Virgin Money for a period, which could have a material adverse effect on the business, financial condition and result of operations of Virgin Money.

Should the Offer complete, no assurance can be given as to the impact generally of the combination of CYBG and VMH on Virgin Money (including without limitation, its business, operations, credit rating and/or financial performance generally), the materialisation of any anticipated cost savings, the effect of the Offer on customers and employees or the success or efficiency of the integration process or of the manner of the integration of Virgin Money into the combined group.

THE MORTGAGE PORTFOLIO

1. *Default by Borrowers in paying amounts due on their Mortgage Loans*

Borrowers may default on their obligations under the Mortgage Loans. Defaults may occur for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Mortgage Loans.

Other factors in Borrowers' personal or financial circumstances may affect the ability of Borrowers to repay Mortgage Loans. Unemployment, loss of earnings, illness, relationship breakdown and other factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

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

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

2. *Increases in prevailing market interest rates may adversely affect the ability of Borrowers to pay amounts due under their Mortgage Loans*

Borrowers with a Mortgage Loan subject to a variable rate of interest or with a Mortgage Loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the

case of a mortgage 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 Mortgage 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 mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave Borrowers with insufficient equity in their homes to permit them to refinance.

These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment rates and higher losses on the Mortgage Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

3. *Decline in Property Values*

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

The Issuer cannot guarantee that the value of a Property will remain at the same level as on the date of origination of the related Mortgage Loan. A fall in property prices resulting from the deterioration in the housing market could result in losses being incurred where the net recovery proceeds are insufficient to redeem outstanding Mortgage Loans. If the value of the Related Security backing the Mortgage Loans is reduced this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

A fall in property prices may also mean that Borrowers have insufficient equity to refinance their Mortgage Loans with lenders other than the Seller and may have insufficient resources to pay amounts in respect of their Mortgage Loans as and when they fall due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments on the Notes.

4. *Geographic Concentration Risks*

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

5. *Repurchases of Mortgage Loans by the Seller*

In the event of the repurchase by the Seller of Mortgage Loans for (i) breaches of representations and warranties or (ii) in anticipation of a Product Switch or Further Advance, the payment received by the Mortgages Trustee will have the same effect as a prepayment of such Mortgage Loan or Mortgage Loans.

As the decision whether a Product Switch is implemented or a Further Advance is offered to and accepted by the Borrower, or whether the application of a Borrower for a Product Switch or Further Advance is

accepted, is not within the control of the Issuer or the Mortgages Trustee, there can be no assurance as to the level of effective prepayments that the Mortgage Portfolio may experience as a result.

In addition, no assurance can be given that the Seller will have sufficient funds to repurchase any Mortgage Loan and its Related Security in these circumstances. If the Seller fails to repurchase any such Mortgage Loans and their Related Security, this may have an adverse effect on the Trust Property and the Issuer's ability to make payments in respect of the Notes may be adversely affected.

6. ***No Independent Investigation; Reliance on Warranties***

None of the Issuer, the Mortgages Trustee or the Security Trustee has undertaken or will undertake any investigation, search or other action to verify the details of the Mortgage Loans or their Related Security comprising the Mortgage Portfolio or to establish the creditworthiness of any Borrower, and will instead rely on the warranties given by the Seller in the Mortgage Sale Agreement.

The Mortgage Sale Agreement provides that in respect of a material breach of a Loan Warranty (which, if capable of remedy, is not remedied within the specified time) each of the Issuer, the Mortgages Trustee and (following the delivery of an Enforcement Notice) the Security Trustee may require the Seller to repurchase the relevant Mortgage Loan in exchange for payment of the Repurchase Price. There can be no assurance that the Seller will have the financial resources to repurchase any Mortgage Loan and its Related Security.

7. ***Interest-only Mortgage Loans***

The Provisional Mortgage Portfolio includes Interest-Only Mortgage Loans and combination repayment and Interest-Only Mortgage Loans (as described in the section entitled "*The Mortgage Loans – Characteristics of the Mortgage Loans – Repayment Terms*"). The percentage of the aggregate Current Balance of the Mortgage Loans in the Provisional Mortgage Portfolio as at the Provisional Mortgage Portfolio Information Date comprising Mortgage Loans made on an interest-only basis is described in the section entitled "*The Provisional Mortgage Portfolio*".

Neither the Interest-Only Mortgage Loans nor the interest-only portion of any combination Mortgage Loan includes scheduled amortisation of principal. Instead the principal must be repaid by the Borrower in a lump sum at maturity of the Mortgage Loan (however, Borrowers have the ability to repay the Mortgage Loans earlier and some do so).

For Interest-Only Mortgage Loans with a capital repayment vehicle or a combination Mortgage Loan with a capital repayment vehicle the Borrower is recommended to put in place an investment plan or other repayment mechanism forecast to provide sufficient funds to repay the principal due at the end of the term. The ability of a Borrower to repay the principal on an interest-only Mortgage Loan or the final payment of principal on a combination Mortgage Loan at maturity depends on that Borrower's responsibility to ensure that sufficient funds are available from an investment plan or another source, such as ISAs, pension policies, personal equity plans or endowment policies. However, there can be no assurance that there will be sufficient funds from any investment plan to repay the principal or (in the case of a combination Mortgage Loan) the part of the principal that it is designed to cover.

The Seller does not (and in certain circumstances cannot) take security over investment plans. Consequently, in the case of a Borrower in poor financial condition, the investment plan (if any) will be an asset available to meet the claims of other creditors.

The ability of a Borrower to repay the principal on an interest-only Mortgage Loan or the final repayment of principal on a combination Mortgage Loan at maturity also depends on the financial condition of the Borrower, tax laws and general economic conditions at the time. There can be no assurance that the Borrower will have the funds required to repay the principal at the end of the term. If a Borrower cannot repay the Mortgage Loan and a loss occurs on the Mortgage Loan, then this may affect payments on the Notes.

8. ***Set-offs arising under Mortgage Loans***

As described in the section entitled "*Risk Factors – Mortgages Trust – Equitable Interest and Declaration of Trust*", the Seller has made an equitable assignment (in respect of English Mortgage Loans) and declared a Scottish Declaration of Trust (in respect of Scottish Mortgage Loans) of the

relevant Mortgage Loans and Mortgages to the Mortgages Trustee, with legal title being retained by 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 existing prior to notification to the Borrowers of the assignment or (as applicable) declaration of trust in respect of the Mortgage Loans and the Mortgages. Such set-off rights (including analogous rights in Scotland) may arise if the Seller fails to advance a Cash Borrow-back to a Borrower under a Mortgage Loan when the Borrower is entitled to such Cash Borrow-back. A Borrower's request for a Cash Borrow-back is subject to the Seller's agreement in each case. The Seller will agree to a Cash Borrow-back where the Borrower is able to demonstrate that they will continue to be able to afford the revised monthly payment following the advance of the Cash Borrow-back. Please see *"The Mortgage Loans – Cash Borrow-backs"* below.

If the Seller fails to advance the Cash Borrow-back in accordance with the relevant Mortgage Loan, then the relevant Borrower may argue that it is entitled to set-off any damages claim (or any 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 Mortgage Loans and the Mortgages, the Mortgages Trustee's) claim for payment of principal and/or interest under the Mortgage Loan when it becomes due.

The amount of the claim in respect of a Cash Borrow-back will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although in relation to Scottish Mortgage Loans it is possible that the right of set-off could extend to the full amount due to the Borrower). 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 Loan or which otherwise were reasonably foreseeable.

Should a Borrower hold a deposit account with the Seller, the Borrower, in the event of the insolvency of the Seller, may be able to set-off any amounts held in the relevant deposit account against amounts owed by the Borrower pursuant to the Mortgage Loan. The giving of notice to the Borrower would crystallise the Borrower's entitlement to set-off amounts as of the date of receipt of the relevant notice.

A Borrower may also attempt to set-off against their mortgage payments an amount greater than the amount of their damages claim (or any analogous rights in Scotland). In that case, the Administrator will be entitled to take enforcement proceedings against the Borrower although the period of non-payment by the Borrower is likely to continue until a judgment or decree is obtained.

Certain of the standard forms of mortgage conditions used in connection with the Mortgage Portfolio do not exclude a right for the Borrower to set-off certain sums owed to it or liabilities of the lender against sums or liabilities owed by the Borrower to the lender.

The exercise of set-off rights by Borrowers would reduce the incoming cash flow to the Mortgages Trustee during such exercise. The amounts set-off will, however, have no effect on the Issuer Share to the extent that the Seller Share is maintained at the Minimum Seller Share. Such a set-off will constitute a Denominator Reduction Event, the result of which will be a reduction in the denominator for the purposes of calculating the Issuer Share Percentage and, correspondingly, will increase the Issuer Share Percentage. The result of this is that the Seller Share Percentage will be reduced and the Seller will be entitled to a reduced share of distributions of revenue and, in certain circumstances, distributions of principal, whilst the Issuer Share Percentage will be increased and the Issuer will be entitled to an increased share in distributions of revenue and, in certain circumstances, distributions of principal, thus compensating the Issuer for the Seller allowing the right of set-off to arise.

9. *Income and Principal Deficiency*

As described in the section entitled "*Credit Structure - Use of Principal Receipts and the subordinated loan to pay Issuer income deficiency*", on each Payment Date, the Issuer Cash Manager may apply Issuer Available Principal Receipts to meet any Revenue Shortfall and will make debit entries in the relevant Principal Deficiency Sub-Ledger(s). It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Issuer Available Revenue Receipts. If there are insufficient funds available as a result of such income or principal deficiencies, then one or more of the following consequences may ensue:

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

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

10. *Buildings Insurance*

The practice of the Seller in relation to buildings insurance is described in the section entitled "*The Mortgage Loans – Buildings Insurance Policies*". No assurance can be given that the Mortgages Trustee will always receive the benefit of any claim made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Mortgaged Property. This could adversely affect the Issuer's ability to redeem the Notes.

11. *Redemption of Scottish Mortgages*

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any Standard Security has an absolute right, on giving appropriate notice, to redeem that Standard Security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of the Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that Standard Security and interest. If a proportion of Scottish Mortgages are redeemed in such way, it could adversely affect the ability of the Issuer to make payments on the Notes.

12. *Standard Mortgage Documentation and Further Advances*

Under the standard form mortgage conditions used in connection with the Mortgage Portfolio, a Borrower is not specifically prohibited from granting further security to third parties.

Not all of the standard form documentation requires that a note is placed on the register of the Mortgaged Property at the Land Registry (in respect of English Mortgages) that there is an obligation to make a further advance and this reflects the characteristics of the Mortgage Loans. None of the standard form documentation sets out a maximum amount that the mortgage secures.

Where (in respect of English Mortgages that are registered at the Land Registry) a Further Advance (as described in the section "*The Mortgage Loans – Further Advances*") is to be made to the Borrower at the discretion of the Seller and at that time the Borrower has granted security to a third party there is a risk that the charge over any such Further Advance will rank behind the existing security granted to that third party if the Seller has received notice of the creation of the security in favour of the third party (or notice is treated as having been received when, in accordance with the relevant mortgage terms, it ought to have been deemed received) and has not agreed with the third party that the charge over the Further Advance shall rank in priority to the third party's security. Whilst it would be standard procedure to search at the Land Registry to establish the existence of any subsequent third party security prior to the granting of any Further Advance in order to establish whether any such agreements need to be obtained prior to the release of the Further Advance, there is a risk that procedure may not have been followed in a particular case.

Where (in respect of Scottish Mortgages) a Further Advance (as described in the section "*The Mortgage Loans – Further Advances*") is made to the Borrower and at that time the Borrower has granted security to a third party who has notified the Seller of the existence of such security there is a risk that the security over the Further Advance will rank behind the security granted to that third party if a ranking agreement is not entered into agreeing that the security over the Further Advance shall rank in priority to the third party's security. If the ranking agreement is not registered or recorded at the Registers of Scotland there is a risk that a purchaser of the second mortgage from the second mortgagee might claim that the deed of postponement or ranking agreement did not bind it.

In each case, in the circumstances described above, if the Seller fails to repurchase Mortgage Loans where Further Advances have been made, amounts available to make payments on the Notes may be reduced.

CERTAIN REGULATORY CONSIDERATIONS

The effect of future regulatory considerations by their nature are unknown and could result, *inter alia*, in payments on the Notes being delayed or reduced or the Rated Notes being downgraded.

For more detail regarding the regulation of mortgages in the United Kingdom, see section entitled "*Regulation of Mortgages*" below.

1. *Non-compliant mortgages may be unenforceable*

Regulated Mortgage Contracts

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 (as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**")) will be unenforceable against the borrower except with the approval of a court. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule, and may set-off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken (or exercise analogous rights in Scotland). Any such claim or set-off may adversely affect the Issuer's ability to make payments on the Notes.

Regulated Activity

Entering into a Regulated Credit Agreement as lender is a regulated activity, requiring authorisation and permission from the FCA. Any regulated activities carried on by an entity without the appropriate authorisation or permission under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines. Therefore, to the extent that the Mortgages Trustee or Administrator does not ensure that it acts with the necessary authorisation under the FSMA, there is a risk that such action will result in criminal or civil sanctions against the Mortgages Trustee or Administrator.

Mortgage Credit Directive

As described in the section "*Regulation of Mortgages – Mortgage Credit Directive*" below, since the European Mortgage Credit Directive (2014/17/EU) ("**MCD**") was only implemented into UK law through the Mortgage Credit Directive Order ("**MCD Order**") on 21 March 2016, it remains to be seen what effect the MCD and the implementation of the directive into UK law would have on the Mortgages, the Seller, the Issuer and/or the Administrator and their respective businesses and operations. However, the UK's approach to implementation has been to minimise the impact of the MCD on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

2. *Regulation of consumer credit and consumer contracts*

Consumer Credit Act

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract or unregulated might instead be wholly or partly regulated as a Regulated Credit Agreement or treated as such because of technical rules on (a) determining whether any credit, as now defined in Article 60L of the RAO, arises or whether (for agreements made on or after 6 April 2008 and certain changes to such credit agreements) any applicable financial limit under the Consumer Credit Act 1974 ("**CCA**") was exceeded, (b) determining whether the credit agreement is an exempt agreement under the RAO and (c) changes to credit agreements.

To the extent that any Mortgage Loan is a Regulated Credit Agreement or treated as such, it is unenforceable for any period when the lender fails to comply with certain requirements of the CCA. This may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

In addition, the CCA contains an "unfair relationship" test which applies to all existing and new credit agreements (other than Regulated Mortgage Contracts, but will apply to "consumer credit back book

mortgage contracts"). If a court determined that there was an unfair relationship between the lender and the borrowers in respect of the Mortgage Loans and ordered that financial redress was made in respect of such Mortgage Loans, such redress may adversely affect the ultimate amount received by the Mortgages Trustee in respect of the relevant Mortgage Loans, and the realisable value of the Mortgage Portfolio and/or the ability of the Issuer to make payments on the Notes.

Unfair Terms in Consumer Contracts

The extremely broad and general wording of the Unfair Terms in Consumer Contracts Regulations ("**UTCCR**") makes any assessment of the fairness of terms of Mortgage Loans 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 Mortgage Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Mortgage Loans entered into between 1 October 1999 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

Consumer Rights Act 2015

The provisions in the Consumer Rights Act 2015 (the "**CRA**") governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority (the "**CMA**") published guidance on the unfair terms provisions in the CRA on 31 July 2015. This new regime does not seem to be significantly different from the regime under the UTCCR. However, this area of law is rapidly developing and we can expect new regulator guidance and case law as a result of this new legislation. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the Mortgage Trustee, the Administrator the Issuer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgage Loans.

Consumer Protection from Unfair Trading Regulations 2008

The effect (if any) of the Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTRs**") on the Mortgage Loans, the Seller, the Administrator, the Mortgage Trustee or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

3. ***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. This may restrict the ability of the Seller as heritable creditor of the Scottish Mortgages to exercise its power of sale and this could affect the Issuer's ability to make payments on the Notes.

4. ***Repossessions***

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

There can be no assurance that any delay in starting and/or completing repossession actions by the Seller would not result in the amounts recovered being less than if the Seller did not allow any such delays (which may ultimately affect the ability of the Issuer to make payments of interest and principal on the Notes when due). The protocol, the Repossession Act and the FCA's Mortgages and Home Finance:

Conduct of Business Sourcebook ("**MCOB**") requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and a lower repayment rate on the Notes.

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

Under the Banking Act, substantial powers are granted to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the Prudential Regulation Authority (the "**PRA**"), the FCA and HM Treasury, as appropriate as part of a special resolution regime (the "**SRR**"). These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank or certain UK investment firms and certain of its affiliates that meet the definition of a "banking group company" (each a "**relevant entity**") in circumstances in which the relevant UK resolution authority is satisfied that the resolution conditions are met. Relevant entities for these purposes include the Seller, the Basis Rate Swap Provider, the Currency Swap Provider, the Issuer Account Banks, the Issuer Swap Collateral Account Banks, the Mortgages Trustee Account Banks, the Issuer Cash Manager and the Trust Property Cash Manager. The resolution conditions include that a UK bank or investment firm or a UK banking group company is failing or is likely to fail to satisfy the FSMA's threshold conditions (within the meaning of section 55B FSMA).

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity; (b) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (d) the bail-in tool (as described below); and (e) temporary public ownership (nationalisation).

The Banking Act also provides for two new insolvency and administration procedures for relevant entities. It also gives certain ancillary powers, which include the power to modify contractual arrangements in certain circumstances, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the relevant UK resolution authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

In general, the Banking Act requires the Bank of England, the FCA/PRA (if applicable) and HM Treasury (the "**Authorities**") to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking 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 certain powers to be used effectively. An order may make provision which has retrospective effect.

Amendments have been made to the Banking Act by the Financial Services (Banking Reform) Act 2013 (as brought fully into force by the Financial Services (Banking Reform) Act 2013 (Commencement No. 7) Order 2014 on 31 December 2014) to introduce a new bail-in tool, which tool permits the Bank of England in certain circumstances to cancel or modify certain liabilities of relevant entities (including UK bank, banking group companies and building societies) and/or to convert certain liabilities of such entities into different forms.

This regime has also been amended to ensure that it is compliant with the EU's Bank Recovery and Resolution Directive (2014/59/EU) (the "**Directive**"). The Directive was published in the Official Journal of the EU on 12 June 2014 and largely 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 (including a bail-in tool pursuant to which the claims of creditors may in certain circumstances be written down (including to zero), the terms varied or converted to equity) and for special rules for cross-border groups. In a resolution situation, financial public support will only be available to a relevant entity as a last resort after the relevant resolution authorities have assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool. The Directive has been implemented in the UK, by amongst others, the Bank Recovery and Resolution Order 2014, which came into force on 1 January 2015.

Any action taken under the regimes described above in relation to a relevant entity may affect the ability of such relevant entity to satisfy its obligations under the Transaction Documents (including the Basis Rate Swap Agreements and the Currency Swap Agreement) or may have an effect on any unsecured amounts owed to the Mortgages Trustee or the Issuer by a relevant entity in the event of the resolution of that entity. Accordingly there can be no assurance that the Issuer and/or Noteholders will not be adversely affected as a result of any such action in relation to a relevant entity.

6. *Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*

Risk retention

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 Joint Lead Managers, the Arrangers or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment in the Notes on the 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, or 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, UCITS funds and institutions for occupational retirement provision. 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 ongoing 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.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. Investors should therefore make themselves aware of such requirements (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of Virgin Money to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by Virgin Money in its capacity as the Administrator or the Issuer Cash Manager on the Issuer's behalf), please see the statements set out in the section entitled "*Certain Regulatory Disclosures*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, Virgin Money, the Arrangers, the Joint Lead Managers nor any other party to the transaction makes any representation that the information described above is sufficient in all circumstances for such purposes.

Aspects of the risk retention and due diligence requirements described above and what is required to demonstrate compliance to national regulators are still evolving. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non-compliance or to avoid being required to take corrective action should seek guidance from their regulator.

Securitisation Regulation

On 11 July 2017, the text of the new securitisation regulation and an associated regulation to amend the Capital Requirements Regulation were approved on behalf of the European Parliament and the Council of the European Union. Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "**Securitisation Regulation**") and the associated Regulation (EU) 2017/2401 of the

European Parliament and of the Council of 12 December 2017 (the "**CRR Amending Regulation**", and together with the Securitisation Regulation, the "**Securitisation Regulations**") entered into force on 17 January 2018.

The Securitisation Regulations provide, that certain aspects of existing legislation (including the Solvency II Regulation and AIFMR) should be repealed and replaced with a single EU-wide securitisation regulation.

The Securitisation Regulations also include revised risk retention and transparency requirements (now imposed variously on the issuer, originator, sponsor and/or original lender of a securitisation), new due diligence requirements imposed on certain institutional investors in a securitisation and a ban on the securitisation of self-certified loans originated after 20 March 2014. In general, the requirements imposed under the Securitisation Regulation are more onerous and have a wider scope than those imposed under previous legislation.

The Securitisation Regulations provide that qualifying simple, transparent and standardised ("**STS**") securitisations should be subject to more benign regulatory treatment than non-STS securitisations, including reduced risk weightings for credit institution and investment firm investors. However, the risk weights attached to securitisation exposures for credit institutions and investment firms will in general increase substantially under the new securitisation framework implemented under the Securitisation Regulations and these new risk weights will apply from 1 January 2019 or 1 January 2020, depending on the features of the particular securitisation exposure.

The majority of the Securitisation Regulations will only apply to securitisations under which securities are issued on or after 1 January 2019. However, a securitisation under which securities were issued before 1 January 2019 can qualify as an STS if it meets the STS criteria at the time of issuance or, in the case of certain of the criteria, at the time of notification of STS eligibility to ESMA. At this point in time no assurance can be given that the transaction will qualify as an STS securitisation at any time in the future.

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

The Basel Committee approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) 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**" ("**LCR**") and the "**Net Stable Funding Ratio**" ("**NSFR**")). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible, however, as implementation of Basel III requires national legislation, the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

On 13 July 2018 the European Commission adopted revisions to Delegated Regulation (EU) 2015/61 for implementing the LCR. The adopted revisions currently have, as from 13 July 2018, a three month objection period from the Council and the European Parliament following which they would be published in the Official Journal of the European Union. They would apply from eighteen months after publication. If the adopted revisions remain in their currently adopted format certain LCR eligible securitisations which would currently be eligible as high quality liquid assets for the purposes of the LCR would likely cease to be so eligible following the application date of the revised delegated regulations unless they are at such time classified as simple, transparent and standardised (STS) securitisations. As at the Issue Date the Notes will not be classified as STS and there is no obligation on the Issuer or Virgin Money to ensure such notes are classified as STS as at the application date of the revised delegated regulations. Therefore, as matters stand, the Notes will not be STS as at the application date of the revised delegated regulations if adopted in their current form and therefore will not be eligible as high quality liquid assets for the purposes of LCR (as amended) from such date. The revised delegated regulations are anticipated to apply from approximately the middle of 2020.

Implementation of the Basel framework (to the extent that it has not already been fully implemented in member countries) and/or of any of the changes put forward by the Basel Committee and/or the European Commission as described above 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.

Prospective 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.

8. ***Derivative regulation***

Each Swap Provider has agreed to provide hedging to the Issuer and investors should be aware that, further to the European Market Infrastructure Regulation (EU 648/2012) ("**EMIR**"), the Issuer is subject to certain regulatory requirements including, but not limited to, various compliance requirements for non-cleared "over-the-counter" derivative transactions (known as the 'risk mitigation techniques') and the requirement to report derivative transactions to a trade repository or to ESMA which may result in future amendments by the Issuer to the Transaction Documents, in particular where Noteholder consent will not be required for such amendments. The 'risk mitigation techniques' include requirements for timely confirmation, portfolio reconciliation, and dispute resolution. As at the Closing Date, the Issuer Cash Manager will provide services to the Issuer which are required in order for the Issuer to comply with its obligations under EMIR, to the extent that they may be delegated. In addition, such regulatory requirements may give rise to additional costs and expenses for the Issuer which would be payable prior to making payments on the Notes and, to the extent not adhered to, result in the Issuer being in breach of such regulatory requirements.

If any of the above parties were to fail to perform its obligations under the respective agreements to which they are a party (including as a result of insolvency of such parties), payments on the Notes may be adversely affected.

It should also be noted that further changes may be made to the EMIR framework in the context of the EMIR review process, including in respect of counterparty classification. In this regard, the EU Commission has published legislative proposals providing for certain amendments to EMIR (the "**Proposal**"). Under the Proposal, entities classified as financial counterparties ("**FCs**") which meet the newly introduced clearing threshold per asset class for FCs, are subject to the clearing obligation under EMIR. If the Issuer were to be classified as an FC, while the clearing threshold is unlikely to be exceeded by the Issuer, there is no corresponding relief available to an FC in respect of its obligation to post margin pursuant to the margin rules for uncleared swaps. In respect of any interest rate hedge transaction, such changes may adversely affect the Issuer's ability to manage interest rate risk. It is not clear when, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted and will become applicable. In addition, the compliance position under any adopted amended framework of swap transactions entered into prior to adoption is uncertain. No assurances can be given that any changes made to EMIR would not cause the status of the Issuer to change and lead to some or all of the potentially adverse consequences outlined above. Prospective Noteholders should note if the Issuer is required to post any collateral, no assurance can be given that this will not cause, at least on an interim basis or potentially permanently, a shortfall of interest and/or principal payments on the Notes.

Notwithstanding the qualification on application described above, the position of any of the swaps under EMIR is not entirely clear and may be affected by further measures still to be made. In this regard, we note the Securitisation Regulation will apply from the start of 2019 and includes, amongst other things, amendments to EMIR. The amendments make provision for the development of technical standards specifying reliefs from each of the obligations referred to above for certain OTC derivative contracts entered into by a securitisation special purpose entity (such as the Issuer) in connection with certain securitisations.

The EU regulatory framework and legal regime relating to derivatives is determined not only by EMIR but also by the Markets in Financial Instruments Directive (Directive 2014/65/EU) ("**MiFID II**"). MiFID II requires certain transactions between FCs (such as investment firms, credit institutions, insurance companies, amongst others) and/or certain non-financial counterparties (established in the EU which are not FCs whose transactions in OTC derivative contracts exceed EMIR's prescribed clearing threshold) in

sufficiently liquid derivatives to be executed on a trading venue which meets the requirements of the MiFID II regime. While it is not currently clear that the Basis Rate Swap Agreements and/or the Currency Swap Agreement will form part of a class of derivatives that will be declared subject to the MiFID II trading obligation, this possibility cannot be excluded, and the Issuer could therefore become subject to the trading obligation to the extent that it exceeds the EMIR clearing threshold on a consolidated basis in future.

Similar to EMIR in the EU, the United States adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which, among other things, provides for new regulation of the derivatives market and its participants subject to the Dodd-Frank Act's jurisdiction. The Dodd-Frank Act divides regulatory authority over swap agreements between the Commodity Futures Trading Commission (the "**CFTC**") and SEC (as defined below) (although prudential regulators, such as the Board of Governors of the Federal Reserve System, also have an important role in setting capital and margin for swap entities that are banks). The SEC has regulatory authority over "security-based swaps," which are defined as swaps based on a single security or loan or a narrow-based group or index of securities (including, in each case, any interest therein or the value thereof), or events relating to a single issuer or issuers of securities in a narrow-based security index, if the event directly affects the financial statements, financial condition or financial obligations of the Issuer. The CFTC has primary regulatory authority over all other swaps, such as interest rate, foreign exchange and commodity swaps. The CFTC and SEC share authority over "mixed swaps," which are security-based swaps that is also based on either (1) an underlying reference other than a single security or narrow-based security index (e.g. an interest rate or other monetary rate, currency commodity, etc.) or (2) the occurrence, non-occurrence, or extent of the occurrence of an event associated with a potential financial, economic or commercial consequence (other than an event relating to a single issuer of a security or the issuers of securities in a narrow-based security index). In addition, the SEC has anti-fraud enforcement authority over swaps that relate to securities, but that do not come within the definition of "security-based swap". These are called "security-based swap agreements". The Dodd-Frank Act provides the SEC with access to information relating to security-based swap agreements in the possession of the CFTC and certain CFTC-regulated entities, such as derivatives clearing organizations, designated contract markets and swap data repositories. Limited categories of physically-settled foreign exchange swaps and forwards are exempt from the clearing and exchange trading requirements of the Dodd-Frank Act. However, these exemptions will not apply to any Currency Swap Agreement entered into by the Issuer.

Although the CFTC has adopted final rules implementing a substantial portion of the Dodd-Frank Act's requirements with respect to swaps (including with respect to the initial margin and variation margin requirements and the extraterritorial application thereof), CFTC regulation and its interpretation continues to evolve and uncertainties remain, particularly with regard to the extraterritorial application of CFTC regulations. The SEC has finalised a more limited portion of its Dodd-Frank Act rulemaking with respect to security-based swaps, and has adopted rules on cross-border security-based swap activity in the United States. The SEC is also developing margin rules with respect to security-based swaps. Accordingly, it is uncertain how the further development of regulation of the derivatives market under the Dodd-Frank Act will affect derivative instruments such as the Basis Rate Swap Agreements and the Currency Swap Agreement.

Based on the cross-border guidance which has been finalised by the CFTC with respect to "swaps", the Dodd-Frank Act requirements apply to transactions that are entered into by or with counterparties that are "U.S. persons" (as defined under the applicable CFTC guidance) and, in certain circumstances, certain requirements may apply even when neither party is a U.S. person. In many instances, regulations under the Dodd-Frank Act, although intended to address similar underlying statutory goals, may impose requirements that are materially different from or even incompatible with those under EMIR. Thus, compliance with both regulatory schemes may not be possible or may create difficulty or challenges for counterparties that find themselves subject to both regulatory schemes. As a result, the Issuer may find it easier and more efficient, or in certain cases may be compelled, to enter into swap agreements only with parties subject to the same regulatory scheme. Accordingly, it may be more difficult, expensive or riskier (from a credit and/or diversification perspective) for the Issuer to replace, novate or amend the terms of a Basis Rate Swap Agreement or the Currency Swap Agreement entered into on the Closing Date if this becomes necessary in the future. In addition, future regulatory actions could cause a Basis Rate Swap Agreement or the Currency Swap Agreement entered into on the Closing Date to become subject to clearing, margin or other regulatory requirements that were not applicable on the Closing Date.

US LEGAL CONSIDERATIONS

1. *Volcker Rule*

Section 13 of the Bank Holding Company Act of 1956, as amended, and Regulation VV (12 C.F.R. Section 248) promulgated thereunder by the Board of Governors of the Federal Reserve System (such statutory provision together with such implementing regulations, the "**Volcker Rule**") generally prohibit "banking entities" (which term is broadly defined to include any U.S. bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation, any company that controls any such bank or savings association, any foreign bank treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978, as amended, and any affiliate or subsidiary of any of the foregoing entities) from (i) engaging in proprietary trading as defined in the Volcker Rule, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 21 July 2012, and final regulations implementing the Volcker Rule were adopted on 10 December 2013 and became effective on 1 April 2014. Conformance with the Volcker Rule and its implementing regulations was required by 21 July 2017. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than those contained in Sections 3(c)(1) and 3(c)(7) of the Investment Company Act.

The Issuer is not, and after giving effect to any offering and sale of Notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of the Volcker Rule. In reaching this conclusion, the Issuer has determined that (i) the Issuer may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5)(C) thereof and (ii) the Issuer will not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act. Although the Issuer has conducted careful analysis to determine the availability of the exemption provided by Section 3(c)(5)(C) of the Investment Company Act, there is no assurance that the U.S. Securities and Exchange Commission will not take a contrary position.

The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

OTHER LEGAL RISKS

1. *English law security and insolvency considerations*

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

The Insolvency Act 1986 (the "**Insolvency Act**") allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, they should be applicable to the floating charge created by the Issuer in favour of the Security Trustee under the Deed of Charge. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent which may lead to the ability to realise the Issuer Security being delayed and/or the value of the Issuer Security being impaired.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the Insolvency Act, certain floating charge realisations (referred to as the "prescribed part") which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors, up to a maximum amount of £600,000. Although certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer Security.

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

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. Such provisions are similar in effect to the terms which will be included in the Transaction Documents.

The UK Supreme Court has held that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the U.S. Bankruptcy Court 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 this conflicting judgment remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not been progressed for some time.

If a creditor of the Issuer 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. 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, 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 (such as the subordination of termination payments due to the Currency Swap Provider following a Currency Swap Provider Default or a Currency Swap Provider Downgrade Event (such amounts being the "**Swap Subordinated Amounts**")) was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of any Swap Subordinated 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 be adversely affected.

2. ***Fixed charges may take effect under English law as floating charges***

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer under the Deed of Charge (other than by way of assignment in security) may take effect under English law as floating charges if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for such security to be said to constitute fixed charges. If the English law charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the "prescribed part" (referred to under " – *English law security and insolvency considerations*"), the expenses of any administration and/or winding up and the claims of certain preferential creditors would rank ahead of the claims of the Security Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Issuer will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge (see risk factor entitled "*English law security and insolvency considerations*" above).

3. *Liquidation and administration expenses*

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 the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986. In addition, the claims of a floating charge are subordinate to the expenses of any administration (under Schedule B1 to the Insolvency Act). Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer (which would otherwise be available to satisfy the claims of the Issuer's secured creditors under the Deed of Charge) would be reduced by the amount of all, or a significant proportion of, any liquidation or administration expenses.

4. *Change of law*

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

CERTAIN TAXATION RISKS

1. *Securitisation Company Tax Regime*

If the Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

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

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the interest paid on the Issuer's Notes could be disallowed for United Kingdom corporation tax purposes, which could cause a significant divergence between the cash profits and taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to the Noteholders.

2. *Withholding tax*

If any withholding or deduction for or on account of UK income tax is imposed in respect of payments made to the Noteholders under the Notes, neither the Issuer nor any other person is obliged to gross up or otherwise compensate the Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction.

3. *EU Financial Transaction Tax*

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's Proposals**"), 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). However, Estonia has ceased to participate. If these proposals were adopted in their current form, 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 Proposals, 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.

At this stage, it is too early to say whether the FTT proposals will be adopted and in what form. However, if the FTT is adopted based on the Commission's Proposals, then it may operate in a manner giving rise to tax liabilities for the Issuer with respect to certain transactions (including concluding swap transactions and/or purchases or sales of securities (such as Permitted Investments)). Any such 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.

The FTT proposal remains subject to negotiation between the participating Member States described above and the scope and timing for implementation of any such tax remains uncertain. 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.

OTHER GENERAL RISK FACTORS

1. ***Economic conditions in the Eurozone***

Changes in economic, monetary and political conditions, particularly in the Eurozone, may cause stress in the financial system generally and/or may adversely affect the Issuer, the Mortgages Trustee, one or more of the other parties to the Transaction Documents (including the Seller, the Administrator, the Back-Up Administrator Facilitator, the Trust Property Cash Manager, the Issuer Cash Manager, the Account Banks and/or any Swap Provider) and/or any Borrower. For example, central banks around the world have made efforts to increase liquidity in the financial markets, by taking measures such as increasing the amounts they lend directly to financial institutions and lowering interest rates. However, it is not certain how long or on what terms these central bank schemes will continue. An earlier than expected increase in interest rates or the divergence in the timing of tightening of monetary policy by central banks, including the Bank of England and the European Central Bank, or the reduction in and/or unwinding of the US Federal Reserve Board of Governors', the European Central Bank's and/or the Bank of England's quantitative easing programmes may also result in volatility in capital flows, adverse fluctuations in currency markets, a suppression of demand and a reduction in the availability of credit, which may limit economic recovery in the UK or elsewhere.

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

2. ***The United Kingdom's vote to leave the European Union***

On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**Brexit Vote**") and on 29 March 2017 the United Kingdom gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on the European Union ("**Article 50**") of its intention to leave the European Union. The timing of the UK's exit from the EU remains subject to some uncertainty, but it is unlikely to be before March of 2019. Article 50 provides that the EU treaties will cease to apply to the UK two years

after the Article 50 Notice unless a withdrawal agreement enters into force earlier or the two year period is extended by unanimous agreement of the UK and the European Council.

The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement in place if no agreement can be reached and approved by all relevant parties within the allotted time. If the UK Government leaves the EU with no withdrawal agreement, it is likely that a high degree of political, legal, economic and other uncertainty will result.

On 23 March 2018, the EU announced that agreement in principle had been reached on a transition period running from the UK's withdrawal from the EU in March 2019 to the end of 2020, during which the UK would retain access to the EU Internal Market and Customs Union on its current terms. This agreement is only political in nature and will not be legally binding until any withdrawal agreement is formally agreed and ratified, a process which is expected to start in October 2018. The EU also announced that the European Council has adopted guidelines for the EU's negotiators, with a view to opening the negotiations with the UK to agree a framework for the future relationship between the EU and UK post Brexit.

In addition to the economic and market uncertainty this brings (see "*market uncertainty"* below) there are a number of potential risks in relation to the Notes that Noteholders should consider:

(i) ***Political uncertainty***

The UK is experiencing a period of acute political uncertainty connected to the negotiations with the EU. Such uncertainty could lead to a high degree of economic and market disruption and legal uncertainty. It is not possible to ascertain how long this period will last and the impact it will have on the UK in general and the market, including market value and liquidity, for asset-backed securities similar to the Notes in particular. The Issuer cannot predict when or if political stability will return, or the market conditions relating to asset-backed securities similar to the Notes at that time.

(ii) ***Legal uncertainty***

A significant proportion of English and Scots law currently derives from or is designed to operate in concert with European Union law. This is especially true of English and Scots law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. The European Union (Withdrawal) Bill introduced into the UK Parliament on 13 July 2017 (the "**Withdrawal Bill**") aims to incorporate the EU law *acquis* into UK law the moment before the UK ceases to be a member of the EU, with the intention of limiting immediate legal change. The Withdrawal Bill, if enacted in the form in which it was introduced, would grant the UK Government wide powers to make secondary legislation in order to, among other things, implement any withdrawal agreement and to adapt those laws that would otherwise not function sensibly once the UK has left the EU, the whole with minimal parliamentary scrutiny. The secondary legislation made under those powers would be able to do anything that could be done by an act of Parliament. Over time, however – and depending on the timing and terms of the UK's exit from the EU – significant changes to English and Scots law in areas relevant to the transaction and the parties to the Transaction Documents are likely. The Issuer cannot predict what any such changes will be and how they may affect the Issuer's ability to make payments of principal and interest under the Notes.

(iii) ***Regulatory uncertainty***

There is significant uncertainty about how financial institutions from the remaining EU ("**EU27**") with assets (including branches) in the UK will be regulated and vice versa. At present, EU single market regulation allows regulated financial institutions (including credit institutions, investment firms, alternative investment fund managers, insurance and reinsurance undertakings) to benefit from a passporting system for regulatory authorisations required to conduct their businesses, as well as facilitating mutual rights of access to important elements of market infrastructure such as payment and settlement systems. EU law is also the framework for mutual recognition of bank recovery and resolution regimes.

Once the UK ceases to be a Member State of the EU, the current passporting arrangements will cease to be effective, as will the current mutual rights of access to market infrastructure and current arrangements for mutual recognition of bank recovery and resolution regimes. The ability of regulated financial institutions to continue to do business between the UK and the EU27 after the UK ceases to be a Member State of the EU would therefore be subject to separate arrangements between the UK and the EU27. Although the UK Government has said that it "will be aiming for the freest possible trade in financial services between the UK and EU Member States" in a white paper setting out its Brexit negotiation objectives, there can be no assurance that there will be any such arrangements concluded and, if they are concluded, when and on what terms. Such uncertainty could adversely impact the ability of third parties (including parties to the Transaction Documents) who are regulated financial institutions to provide services to the Issuer or the Mortgages Trustee.

(iv) ***Market uncertainty***

Since the Brexit Vote, there has been volatility and disruption of the capital, currency and credit markets, including the market for asset-backed securities. There may be further volatility and disruption depending on the conduct and progress of the formal withdrawal negotiations initiated by the Article 50 Notice.

Potential investors should be aware that these prevailing market conditions affecting asset-backed securities could lead to reductions in the market value and/or a severe lack of liquidity in the secondary market for instruments similar to the Notes. Such falls in market value and/or lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Mortgage Portfolio.

The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there would be an increase in the market value and/or there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

(v) ***Counterparty risk***

Counterparties to the Transaction Documents may be unable to perform their obligations due to changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, they may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the Brexit Vote, the Article 50 Notice and the conduct and progress of the formal withdrawal negotiations. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on their ability to provide services to the Issuer and the Mortgages Trustee and, accordingly, on the ability of the Issuer to make payments of interest and repayments of principal under the Notes.

(vi) ***Adverse economic conditions affecting Borrowers***

The uncertainty and market disruption following the Brexit Vote and the delivery of the Article 50 Notice may cause investment decisions to be delayed, reduce job security and damage consumer confidence. The resulting adverse economic conditions may affect Borrowers' willingness or ability to meet their obligations under the Mortgage Loans, resulting in increased defaults in the Mortgage Portfolio and may ultimately affect the ability of the Issuer to pay interest and repay principal under the Notes.

(vii) ***Wider UK constitutional implications***

The Brexit Vote has also caused increased constitutional tension within the UK. Majorities of voters in both Scotland and Northern Ireland voted to remain in the European Union. Leading figures in both Scotland and Northern Ireland have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the United Kingdom in order to achieve that outcome. The Issuer cannot predict the outcome of this continuing constitutional tension or how the future departure of Scotland and/or Northern Ireland from the UK would affect the transaction and the ability of the Issuer to pay interest and repay principal under the Notes.

In addition, as at the Provisional Mortgage Portfolio Information Date, 9.29% per cent. of the Mortgage Loans in the Mortgage Portfolio were Scottish Mortgage Loans. A future departure of

Scotland from the UK could (i) result in changes to the economic climate in Scotland and political and policy developments which could affect Borrowers' ability to pay amounts when due on the Mortgage Loans and which may adversely affect payments on the Notes, (ii) have an impact on Scots law, regulation accounting or administrative practice in Scotland, and/or (iii) result in Scotland not continuing to use Sterling as its base currency, which may result in part of the Mortgage Portfolio being redenominated and therefore the Notes potentially being subject to currency risk.

Risks and uncertainties associated with a departure of Scotland from the UK could materialise both before any referendum for independence takes place and, in addition, in the case of a vote for independence, after the referendum but before independence. The final negotiated terms of independence, as well as the risks and uncertainty created, could have an adverse impact on Virgin Money's business and financial performance more generally.

(viii) ***Rating Actions***

The Brexit Vote has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's, Fitch and Moody's. In June 2016 both Standard & Poor's and Fitch lowered their ratings for the UK sovereign and that of the Bank of England with a negative outlook. Moody's also lowered their ratings for the UK sovereign and the Bank of England at that time, however they decided to downgrade the UK and the Bank of England even further in September 2017, citing increasingly apparent challenges to policy making since the Brexit Vote.

The rating of the sovereign affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties to the Transaction Documents meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace such counterparties with others who have the required ratings on similar terms or at all.

Moreover, a more pessimistic economic outlook for the UK in general could lead to increased concerns around the future performance of the Mortgage Portfolio and accordingly the ability of the Issuer to pay interest and repay principal under the Notes and the ratings assigned to the Notes could be adversely affected

While the extent and impact of these issues is unknown, Noteholders should be aware that they could have an adverse impact on Noteholders and the payment of interest and repayment of principal on the Notes.

3. ***Devolution of taxing powers to the Scottish Parliament and Welsh Assembly***

The Scotland Act 2016 passed control of certain aspects of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. The majority of the provisions should not have an adverse impact on the Scottish economy or on mortgage origination in Scotland, but it is possible that increased rates of income tax in Scotland could mean that some Borrowers' ability to pay amounts when due on the Loans originated in Scotland could be affected, and which, in turn may adversely affect payments by the Issuer on the Notes. As a result of the most recent Scottish Budget, some Scottish taxpayers will be paying more income tax than taxpayers elsewhere in the UK (and some will be paying less) but the differences are not particularly significant.

The Government of Wales Act 2006 passed control of certain aspects of income tax to the Welsh Assembly by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Welsh residents; this could mean Borrowers in Wales may be subject to a different rate of income tax from Borrowers in the same income bracket elsewhere in the UK, which may affect the ability of Borrowers who are Welsh residents to pay amounts when due, and which, in turn, may adversely affect payments by the Issuer on the Notes. The Welsh Government has confirmed its intention to set Welsh income tax rates from 6 April 2019.

Investors should also note that future UK political developments, including but not limited to the UK departure from the EU and/or any changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which Virgin Money is subject and also therefore its financing

availability and terms. Consequently no assurance can be given that Virgin Money's operating results, financial condition and prospects would not be adversely impacted as a result.

In general, no assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value or liquidity of the Notes.

4. *Eurosystem eligibility*

The Class A Notes (excluding the Class A1 Notes represented by the US$ Rule 144A Global Note) are intended to be held in a manner which will allow Eurosystem eligibility. This means that such Class A Notes are intended upon issue to be deposited with one of Euroclear or Clearstream Luxembourg and does not necessarily mean that such Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will, *inter alia*, depend upon satisfaction of the Eurosystem eligibility criteria set out in the Guideline 2015/510 of the European Central Bank on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60) as amended and applicable from time to time.

If the Class A Notes do not satisfy the criteria specified by the ECB, the Class A Notes will not be eligible collateral for the Eurosystem. Each of the Issuer, the Seller, the Arrangers, the Joint Lead Managers, the Security Trustee and the Note Trustee gives no representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any or at all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Class A Notes should make its own conclusions and seek its own advice with respect to whether or not the Class A Notes constitute Eurosystem eligible collateral.

5. *Absence of Secondary Market; Limited Liquidity*

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 or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Redemption Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

The secondary market for mortgage-backed securities similar to the Notes has, at times, experienced limited liquidity. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the Extended Term Collateral Repo, the Funding for Lending Scheme and the Term Funding Scheme and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, such as mortgage-backed securities, the eligibility criteria have become and are expected to continue to become more restrictive, which is likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities for the purpose of such facilities. No assurance is given that any Class of Notes will be eligible for any specific central bank liquidity schemes.

6. *Market Disruption*

In accordance with Condition 4(C) (*Rate of Interest*), the Rate of Interest in respect of each Class of Notes (excluding the Class Z Notes) is determined by reference to market information sources. Such market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by, amongst other things, physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

If 3 month GBP LIBOR and/or, as applicable, 3 month US$ LIBOR (each a "**Reference Rate**") is not available for any reason, the Agent Bank will request each of the Reference Banks, appointed by the Issuer, to provide the Agent Bank with its offered quotation to leading banks for the relevant rate for the purposes of determining the applicable Rate of Interest. However, there can be no assurance that the Issuer will be able to appoint one or more Reference Banks to provide offered quotations and no Reference Banks have been appointed at the date of this Prospectus.

If a Reference Rate is not available and the Issuer is unable to appoint one or more Reference Banks, in accordance with Condition 4(C) (*Rate of Interest*), the applicable Reference Rate for the relevant Interest Period will be the Reference Rate in effect for the last preceding Interest Period. If the Rate of Interest is determined by reference to a previously calculated Reference Rate, Noteholders may be adversely affected.

7. *Risks relating to the discontinuation of LIBOR*

The London Inter Bank Offered Rate ("**LIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of recent and ongoing national and international regulatory guidance and proposals for reform, most recently in the form of the EU Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**").

In addition, the sustainability of LIBOR has been questioned by the UK Financial Conduct Authority as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. These reforms and other pressures may cause such benchmarks to disappear entirely or to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted.

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

In particular, potential investors should be aware that:

(a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;

(b) if LIBOR is discontinued and an amendment as described in paragraph (c) below has not been made, then the rate of interest on the Class A Notes and the Class M Notes will be determined for a period by the fall-back provisions provided for under Condition 4(C) (*Interest – Rate of Interest*), although such provisions, being dependent in part upon the provision by Reference Banks of offered quotations for the LIBOR rate, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available; and

(c) while an amendment may be made under Condition 11(F) (*Additional Right of Modification*) to change the LIBOR rate on the Class A Notes and the Class M Notes to an alternative base rate under certain circumstances broadly related to LIBOR disruption or discontinuation and subject to certain conditions, there can be no assurance that any such amendment will be made or, if

made, that it will (i) fully or effectively mitigate interest rate risks or result in an equivalent replacement methodology for determining the interest rates on the Class A Notes or the Class M Notes, (ii) be made prior to any date on which any of the risks described in this risk factor may become relevant; or (iii) result in the applicable provisions under the Basis Rate Swap Agreements or the Currency Swap Agreement operating so as to ensure that the base floating interest rate used to determine payments under the Basis Rate Swap Agreements or the Currency Swap Agreement is the same as that used to determine interest payments under the Class A Notes or the Class M Notes (as applicable).

Investors should note the various circumstances under which a Base Rate Modification may be made, which are specified in sub-paragraphs (1) to (6) of Condition 11(F)(iii)(A)(I). As noted above these events broadly relate to LIBOR's disruption or discontinuation, but also include, *inter alia*, any public statements by the LIBOR administrator or its supervisor to that effect, and a Base Rate Modification may also be made if the Issuer Cash Manager reasonably expects any of these events to occur within six months of the proposed effective date of such Base Rate Modification. Investors should also note the various options permitted as an Alternative Base Rate as set out in sub-paragraphs (1) to (5) of Condition 11(F)(iii)(A)(II), which include, *inter alia*, a base rate utilised in a publicly-listed new issue of Sterling-denominated and US$-denominated asset backed floating rate notes where the originator of the relevant assets is an affiliate of Virgin Money or such other base rate as the Issuer Cash Manager reasonably determines. Investors should also note the negative consent requirements in relation to a Base Rate Modification (as to which see *Risk Factors - Credit Structure - 14. Risks in respect of Trustee's additional rights of modification to the Transaction Documents* above).

More generally, any of the above matters (including an amendment to change the LIBOR rate as described in paragraph (c) above) or any other significant change to the setting or existence of LIBOR could affect the ability of the Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. Changes in the manner of administration of LIBOR could result in adjustment to the Conditions, early redemption, delisting or other consequence in relation to the Class A Notes and the Class M Notes. No assurance may be provided that relevant changes will not be made to LIBOR or any other relevant benchmark rate and/or that such benchmarks will continue to exist. Potential investors should consider these matters when making their investment decision with respect to the Notes.

8. ***Potential effects of any additional regulatory changes***

No assurance can be given that changes will not be made to the regulatory regime and developments 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 Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full when due on the Notes.

9. ***Exchange rate risks and exchange controls***

The Issuer will pay interest on and repay principal in respect of (a) the Sterling Notes in Sterling and (b) the US$ Notes in US Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Notes held by that investor are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or, as the case may be, US Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or Sterling or, as the case may be, US Dollars may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling or, as the case may be, US Dollars would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

10. ***Change of counterparties***

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Mortgages Trustee Account Banks, the Issuer Account Banks, the Issuer Swap Collateral Account Banks and the Swap Providers) are required to satisfy certain criteria in order that they can continue to be a counterparty to the Issuer.

These criteria may include requirements imposed by the FCA under the Financial Services and Markets Act 2000 (the "**FSMA**") and requirements in relation to the short-term and long-term ratings ascribed to such party by Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

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

11. ***Conflicts***

Where a party to the Transaction Documents and/or any of its affiliates act in numerous capacities (including, but not limited to swap providers) there may be actual or potential conflicts between (1) the interests of such 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. If such conflicts arise, the effect on Noteholders would be unknown.

12. ***Denominations***

The Notes are issued in the denominations of £100,000 or US$200,000 depending on the currency of denomination, per Note. However, for so long as the Notes are represented by Global Notes, and Euroclear, Clearstream, Luxembourg and DTC so permit, the Notes shall be tradeable in minimum nominal amounts of £100,000 or US$200,000, depending on the currency of denomination, and integral multiples of £1,000 or US$1,000 thereafter. If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of £100,000 or US$200,000, depending on the currency of denomination, and any amount in excess thereof in integral multiples of £1,000 and US$1,000. Accordingly, if Definitive Notes are required to be issued in respect of the Global Notes, a Noteholder holding an interest in a Global Note of less than the minimum authorised denomination at the relevant time may not receive a Definitive Note in respect of such holding and may need to purchase a principal amount of the relevant Class or sub-Class of Notes such that their holding amounts to the minimum authorised denomination. If Definitive Notes are issued in respect of the Global Notes, 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.

13. ***Book-Entry Interests***

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

Cede & Co., as nominee of DTC, or a nominee of the Common Safekeeper or Common Depositary, as applicable, will be the registered holder and sole legal holder of the Global Notes under the Trust Deed while any Notes are represented by Regulation S Global Notes or Rule 144A Global Notes (as the case may be). Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear, Clearstream, Luxembourg or DTC, and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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

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

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

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

14. ***Legal considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor of the Notes should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. The Notes will not be "mortgage related securities" for purposes of the U.S. Secondary Mortgage Market Enhancement Act of 1984, as amended.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the above statements regarding the risks of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest, principal or any other amounts on or in connection with the Notes on a timely basis or at all.

TRANSACTION OVERVIEW

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

TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed / Further Information
Issuer:	Gosforth Funding 2018-1 plc	Fifth Floor 100 Wood Street London EC2V 7EX	N/A (Please refer to the section entitled "*The Issuer*" for further information on this.)
Holdings:	Gosforth Holdings 2018-1 Limited	Fifth Floor 100 Wood Street London EC2V 7EX	N/A
Originators:	Landmark Mortgages Limited (the "**NRAM Originator**")	Admiral House Harlington Way Fleet Hampshire GU51 4YA	N/A (Please refer to the section entitled "**NRAM plc**" for further information on this).
	Virgin Money plc ("**Virgin Money**" and the "**VM Originator**" and together with the NRAM Originator, the "**Originators**")	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	N/A (Please refer to the section entitled "*Virgin Money*" for further information on this.)
Seller:	Virgin Money	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	N/A (Please refer to the section entitled "*Virgin Money*" for further information on this.)
Mortgages Trustee:	Gosforth Mortgages Trustee 2018-1 Limited	Fifth Floor 100 Wood Street London EC2V 7EX	Mortgages Trust Deed (Please refer to the section entitled "*The Mortgages Trustee*" for further information on this.)
Administrator:	Virgin Money	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	Administration Agreement (Please refer to the sections entitled "*The Administrator, the Administration Agreement and the Collection Account*" for further information on this.)
Back-Up Administrator	Law Debenture Corporate	Fifth Floor 100 Wood Street	Administration Agreement

Party	Name	Address	Document under which appointed / Further Information
Facilitator:	Services Limited	London EC2V 7EX	(Please refer to the section entitled "*The Administrator, the Administration Agreement and the Collection Account*" for further information on this.)
Trust Property Cash Manager:	Virgin Money	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	Trust Property Cash Management Agreement (Please refer to the section entitled "*Cash Management for the Mortgages Trustee*" for further information on this.)
Issuer Cash Manager:	Virgin Money	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	Issuer Cash Management Agreement (Please refer to the section entitled "*Cash Management for the Issuer*" for further information on this.)
Subordinated Loan Provider:	Virgin Money	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	Subordinated Loan Agreement (Please refer to the section entitled "*Credit Structure*" for further information on this.)
Basis Rate Swap Provider:	Virgin Money	Jubilee House Gosforth Newcastle Upon Tyne NE3 4PL	Basis Rate Swap Agreements (Please refer to the sections entitled "*The Swap Agreements* and "*Virgin Money*" for further information on this.)
Currency Swap Provider:	Lloyds Bank Corporate Markets plc	25 Gresham Street London EC2V 7HN	Original Currency Swap Agreement (Please refer to the sections entitled "*The Swap Agreements*" and "*The Currency Swap Provider*" for further information on this.)
Note Trustee:	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Trust Deed (Please refer to the section entitled "*The Trust Deed and the Deed of Charge*" for further information on this.)
Security Trustee:	Citicorp Trustee Company Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Deed of Charge (Please refer to the section entitled "*The Trust Deed and the Deed of Charge*" for further information on this.)
Principal Paying Agent:	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Paying Agent and Agent Bank Agreement

Party	Name	Address	Document under which appointed / Further Information
Transfer Agent:	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Paying Agent and Agent Bank Agreement
Registrar:	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Paying Agent and Agent Bank Agreement
Agent Bank:	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Paying Agent and Agent Bank Agreement
Issuer Account Banks:	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	First Account Bank Agreement (Please refer to the section entitled "*The Issuer Account Banks and the Mortgages Trustee Account Banks*" for further information on this.)
	Elavon Financial Services DAC, UK Branch	Fifth Floor 125 Old Broad Street London EC2N 1AR	Second Account Bank Agreement (Please refer to the section entitled "*The Issuer Account Banks and the Mortgages Trustee Account Banks*" for further information on this.)
VM Issuer Account Bank:	Virgin Money	Jubilee House Gosforth, Newcastle Upon Tyne NE3 4PL	VM Issuer Account Bank Agreement
Mortgages Trustee Account Banks:	Citibank, N.A., London Branch	Citigroup Centre Canada Square Canary Wharf London E14 5LB	First Account Bank Agreement (Please refer to the section entitled "*The Issuer Account Banks and the Mortgages Trustee Account Banks*" for further information on this.)
	Elavon Financial Services DAC, UK Branch	Fifth Floor 125 Old Broad Street London EC2N 1AR	Second Account Bank Agreement (Please refer to the section entitled "*The Issuer Account Banks and the Mortgages Trustee Account Banks*" for further information on this.)
VM Mortgages Trustee Account Bank:	Virgin Money	Jubilee House Gosforth, Newcastle Upon Tyne NE3 4PL	VM Mortgages Trustee Account Bank Agreement
Issuer Cash Swap Collateral Account Bank:	Elavon Financial Services DAC, UK Branch	Fifth Floor 125 Old Broad Street London EC2N 1AR	Swap Collateral Account Bank Agreement
Issuer Securities	Elavon	Fifth Floor	Swap Collateral Account Bank

Swap Collateral Account Bank:	Financial Services DAC, UK Branch	125 Old Broad Street London EC2N 1AR	Agreement
Collection Bank:	Virgin Money	Jubilee House Gosforth, Newcastle Upon Tyne NE3 4PL	Collection Account Declaration of Trust (Please refer to the sections entitled "*The Administrator, the Administration Agreement and the Collection Account*" for further information on this.)
Corporate Services Provider:	Law Debenture Corporate Services Limited	Fifth Floor 100 Wood Street London EC2V 7EX	Corporate Services Agreement (Please refer to the section entitled "*The Issuer*" for further information on this.)
Arrangers:	Lloyds Bank Corporate Markets Plc	25 Gresham Street London EC2V 7HN	N/A
	Merrill Lynch International	2 King Edward Street London EC1A 1HQ	N/A
Joint Lead Managers:	Lloyds Bank Corporate Markets Plc	25 Gresham Street London EC2V 7HN	Subscription Agreement See the section entitled "*Subscription and Sale*" for further information
	Merrill Lynch International	2 King Edward Street London EC1A 1HQ	Subscription Agreement See the section entitled "*Subscription and Sale*" for further information
	Lloyds Securities Inc.	1095 Avenue of the Americas, 34th Floor New York New York 10036	Subscription Agreement See the section entitled "*Subscription and Sale*" for further information
	Citigroup Global Markets Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB	Subscription Agreement See the section entitled "*Subscription and Sale*" for further information
	BNP Paribas, London Branch	10 Harewood Avenue London NW1 6AA	Subscription Agreement See the section entitled "*Subscription and Sale*" for further information

MORTGAGE PORTFOLIO

Please refer to the sections entitled "Mortgage Loans", "The Provisional Mortgage Portfolio" and "Assignment of the Mortgage Loans and Related Security" for further details in respect of the characteristics of the Mortgage Portfolio and the sale and the servicing arrangements in respect of the Mortgage Portfolio.

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

The Initial Mortgage Portfolio includes Mortgage Loans originated by the NRAM Originator and transferred to Virgin Money and Mortgage Loans originated by Virgin Money.

In accordance with the terms of the Mortgage Sale Agreement, New Mortgage Loans and their Related Security may be sold by the Seller to the Mortgages Trustee following the Closing Date and added to the Mortgage Portfolio subject to satisfaction of the Replenishment Criteria.

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

Please refer to the section entitled "*Assignment of the Mortgage Loans and Related Security*" for further information.

Features of Mortgage Loans: Certain features of the Mortgage Loans as at the Provisional Mortgage Portfolio Information Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in *"The Provisional Mortgage Portfolio"*. The Mortgage Loans are loans to prime borrowers secured by first priority charges over freehold and leasehold properties in England and Wales or, as the case may be, first ranking standard securities over heritable or long lease properties in Scotland:

Type of mortgage	repayment and interest only		
Number of Mortgage Loans	10,856		
Number of Borrowers	18,431		
	Weighted average	Minimum	Maximum
Current Balance	177,811	10,011	748,579
Current LTV Ratio (%)	61.01	0.91	84.99
Current Indexed LTV Ratio (%)	58.24	0.52	89.47

Seasoning (months)	27.55	0.39	183.58
Remaining Term (years)	21.96	2.07	34.91

* Simple average not weighted average

Please also refer to the section entitled "*The Provisional Mortgage Loan Portfolio*".

Consideration: The consideration from the Mortgages Trustee to the Seller in respect of (i) the sale and assignment of the Initial Mortgage Portfolio together with its Related Security on the Closing Date and (ii) the sale and assignment of New Mortgage Loans together with their Related Security on the relevant Transfer Date, will consist of:

(a) the Initial Consideration payable by the Mortgages Trustee to the Seller on the Closing Date which shall be paid (i) to the extent relating to the Issuer Share, out of funds received by the Mortgages Trustee from the Issuer in respect of the Issuer's Initial Contribution for the Issuer Share of the Closing Trust Property pursuant to the Mortgages Trust Deed, which contribution will be funded out of the proceeds of the issue of the Notes and (ii) through the granting to the Seller of the Seller Share in the Trust Property;

(b) any cash consideration paid by the Mortgages Trustee to the Seller on the relevant Transfer Date out of cash amounts standing to the credit of the Mortgages Trustee Transaction Accounts and/or the VM Mortgages Trustee Account up to an amount equal to the credit balance of the Trust Replenishment Ledger on such Transfer Date;

(c) where cash consideration is not paid by the Mortgages Trustee to the Seller on the relevant Transfer Date the increase in the Seller Share of the Trust Property on such Transfer Date as a result of the assignment of New Mortgage Loans to the Mortgages Trustee on such Transfer Date;

(d) the covenant of the Mortgages Trustee to hold the Trust Property on trust for the Issuer and the Seller, as further described in the section entitled "*The Mortgages Trust*", and to distribute Revenue Receipts and Principal Receipts in accordance with the terms of the Mortgages Trust Deed;

(e) the covenant of the Mortgages Trustee (in its capacity as the All Monies Mortgage Trustee) to hold the trust property under the All Monies Mortgage Trust upon trust for itself and the Seller (as beneficiaries) upon, and with and subject to the trusts, powers and provisions set out in the Mortgage Sale Agreement; and

(f) the covenant of the Mortgages Trustee to pay or procure the payment to the Seller any amounts of Deferred Consideration in accordance with the provisions of the Mortgage Sale Agreement and the Mortgages Trust Deed and in accordance with the Priorities of Payments.

Contribution: The Initial Contribution from the Issuer to the Mortgages Trustee to acquire the Issuer Share of Trust Property on the Closing Date shall be funded from the proceeds of the issue of the Notes.

	The Issuer shall pay any Deferred Contribution to the Mortgages Trustee from excess funds available to the Issuer for such purposes in accordance with the applicable Priority of Payments.
Replenishment of the Mortgage Portfolio:	Subject to the satisfaction of certain conditions, prior to the occurrence of a Pass-Through Trigger Event, the Seller may (but is not obliged to) sell and assign New Mortgage Loans and their Related Security to the Mortgages Trustee.
Representations and Warranties:	The Seller will make the relevant Loan Warranties to the Mortgages Trustee and the Issuer on the Closing Date in respect of the Initial Mortgage Portfolio and on the relevant Transfer Date in respect of any New Mortgage Loans which subsequently form part of the Mortgage Portfolio.
Repurchase of the Mortgage Loans:	The Seller shall repurchase the relevant Mortgage Loans and their Related Security in the following circumstances: (a) upon breach of any of the Loan Warranties (which are either not capable of remedy or if the Seller fails to remedy the relevant breach within the agreed grace period); or (b) in order to make Further Advances and/or Product Switches. The Seller may repurchase all of the Mortgage Loans and their Related Security in the following circumstances: (a) if the Issuer exercises its option to redeem in full pursuant to Condition 5(E)(ii) (*Optional Redemption in Full*); or (b) if the Issuer exercises its general call options (see the section headed "*Overview of the Terms and Conditions of the Notes – Redemption*").
Consideration for repurchase:	Consideration payable by the Seller in respect of the repurchase of the Mortgage Loans shall be equal to the Current Balance plus accrued and unpaid interest of the Mortgage Loans to be repurchased as of the date of completion of the repurchase plus relevant expenses in accordance with the Mortgage Sale Agreement.
Relevant Events:	See "*Relevant Event*" in the "*Non-Rating Triggers Table*". Prior to the completion of the transfer of legal title of the Mortgage Loans, the Issuer will hold only an equitable and/or beneficial interest in those Mortgage Loans and will, therefore, be subject to certain risks as set out in the risk factor entitled "*Equitable Interest and Declaration of Trust"* in the section entitled "*Risk Factors"*.
Replacement of Administrator:	See "*Administrator Termination Event*" in the "*Non-Rating Triggers Table*".
Delegation by Administrator:	The Administrator may, in certain circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Administration Agreement. However, the Administrator remains liable at all times for servicing the Loans and for the acts or omissions of any delegate or sub-contractor. See the section entitled "*The Administrator, the Administration Agreement and the Collection Account*" for further information on this.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

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

FULL CAPITAL STRUCTURE OF THE NOTES

Class of Notes

	Class A1 Notes	Class A2 Notes	Class A3 Notes	Class M Notes	Class Z Notes
Currency:	US Dollars	Sterling	Sterling	Sterling	Sterling
Initial Principal Amount:	US$557,895,000	£409,935,000	£441,684,000	£49,956,000	£99,911,000
Sterling Equivalent (as at the Closing Date):	£425,760,293	N/A	N/A	N/A	N/A
Credit Enhancement:	Subordination of Class M Notes and Class Z Notes, excess Issuer Available Revenue Receipts	Subordination of Class M Notes and Class Z Notes, excess Issuer Available Revenue Receipts	Subordination of Class M Notes and Class Z Notes, excess Issuer Available Revenue Receipts	Subordination of Class Z Notes, excess Issuer Available Revenue Receipts	Excess Issuer Available Revenue Receipts
Liquidity Support:	Liquidity Reserve Fund, Principal applied to make up Revenue Shortfall	Liquidity Reserve Fund, Principal applied to make up Revenue Shortfall	Liquidity Reserve Fund, Principal applied to make up Revenue Shortfall	Liquidity Reserve Fund, Principal applied to make up Revenue Shortfall	N/A
Issue Price:	100%	100%	100%	100%	100%
Interest Reference Rate:	3 month US$ LIBOR (interpolated for 2 and 3 month US Dollar LIBOR in respect of the first Payment Date)	3 month GBP LIBOR (interpolated for 2 and 3 month GBP LIBOR in respect of the first Payment Date)	3 month GBP LIBOR (interpolated for 2 and 3 month GBP LIBOR in respect of the first Payment Date)	3 month GBP LIBOR (interpolated for 2 and 3 month GBP LIBOR in respect of the first Payment Date)	Fixed Rate
Relevant Margin:	Up to and excluding the Step-Up Date, 0.45% p. a.	Up to and excluding the Step-Up Date, 0.58% p. a.	Up to and excluding the Step-Up Date, 0.70% p. a.	Up to and excluding the Step-Up Date, 1.20% p. a.	Fixed Rate of 0% p.a.
Step-Up Margin:	From and including the Step-Up Date, 0.90% p. a.	From and including the Step-Up Date, 1.16% p. a.	From and including the Step-Up Date, 1.40% p. a.	From and including the Step-Up Date, 2.40% p. a.	N/A
Interest Accrual Method:	Actual/360	Actual/365	Actual/365	Actual/365	Actual/365

	Class A1 Notes	Class A2 Notes	Class A3 Notes	Class M Notes	Class Z Notes
Payment Calculation Date:	The day falling two Business Days prior to each Payment Date				
Payment Dates:	Interest and Principal will be payable each quarter in arrear on the Payment Dates falling in February, May, August and November each year				
Business Day Convention:	Following				
First Payment Date:	Payment Date falling in November 2018				
First Interest Period:	From the Closing Date to the first Payment Date				
Call Option/Step-Up Date:	Payment Date falling in August 2023	Payment Date falling in August 2023	Payment Date falling in August 2023	Payment Date falling in August 2023	N/A
Pre-Step-Up Date Redemption profile:	Prior to Pass-Through Trigger Event, scheduled amortisation, and pass through amortisation thereafter	Prior to Pass-Through Trigger Event, scheduled amortisation, and pass through amortisation thereafter	Pass through amortisation	Pass through amortisation	Pass through amortisation
Post Step-Up Redemption profile if Notes are not redeemed on Step-Up Date:	Pass through amortisation	Pass through amortisation	Pass through amortisation	Pass through amortisation	Pass through amortisation
Other Early Redemption in Full Events:	Please refer to Condition 5 (*Redemption and Cancellation*)				
Final Redemption Date:	Payment Date falling in August 2060	Payment Date falling in August 2060	Payment Date falling in August 2060	Payment Date falling in August 2060	Payment Date falling in August 2060
Form of the Notes:	Registered				
Application for Listing:	London Stock Exchange				
ISIN (Reg S):	XS1863916679	XS1863917057	XS1863917214	XS1863917644	XS1863918022
ISIN (Rule 144A):	US38312RAA14	XS1863917131	XS1863917305	XS1863917727	XS1863918451

	Class A1 Notes	Class A2 Notes	Class A3 Notes	Class M Notes	Class Z Notes
Common Code (Reg S):	186391667	186391705	186391721	186391764	186391802
Common Code (Rule 144A):	N/A	186391713	186391730	186391772	186391845
CUSIP No.	38312R AA1	N/A	N/A	N/A	N/A
Clearance / Settlement:	Euroclear / Clearstream, Luxembourg / DTC	Euroclear / Clearstream, Luxembourg	Euroclear / Clearstream, Luxembourg	Euroclear / Clearstream, Luxembourg	Euroclear / Clearstream, Luxembourg
Minimum Denomination:	US$200,000 and US$1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter
Retained Amount:	5%	8.52%	100%	100%	100%
Programme or Standalone issuance:	Single issuance standalone structure				

OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

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

Ranking of Payments of Interest:

Payments of interest on the Class A Notes, the Class M Notes and the Class Z Notes will be paid sequentially. Payments on the Class A Notes (to be applied *pro rata* and *pari passu* between the Class A1 Notes, the Class A2 Notes and the Class A3 Notes by reference to the GBP Equivalent of the relevant interest amounts payable) will rank in priority to payments on the Class M Notes and the Class Z Notes, and payments on the Class M Notes will rank in priority to payments on the Class Z Notes.

Ranking of Payments of Principal on the Notes prior the delivery of a Note Acceleration Notice:

Prior to a Pass-Through Trigger Event, in accordance with the Issuer Pre-Acceleration Principal Priority of Payments, on each Payment Date:

(a) repayments of principal in respect of the Class A1 Notes will be made in an amount up to the Class A1 Target Amortisation Amount;

(b) repayments of principal in respect of the Class A2 Notes will be made in an amount up to the Class A2 Target Amortisation Amount; and

(c) subject to the Class A-2 Notes being redeemed in full, repayments of principal in respect of the Class A3 Notes.

Following a Pass-Through Trigger Event, in accordance with the Issuer Pre-Acceleration Principal Priority of Payments, on each Payment Date repayments of principal on the Class A Notes shall be paid, *first*, to redeem the Class A1 Notes (to the extent that any principal remains outstanding on the Class A1 Notes following the Pass-Through Trigger Event) until the Class A1 Notes have been redeemed in full (subject to Condition 5(C) (*Termination of the Original Currency Swap Agreement*)), *second*, to redeem the Class A2 Notes until the Class A2 Notes have been redeemed in full, *third*, to redeem the Class A3 Notes until the Class A3 Notes have been redeemed in full, *fourth*, to redeem the Class M Notes until the Class M Notes have been redeemed in full, *fifth*, if any Principal Shortfall Amounts remain outstanding in respect of the US$ Notes following the Class A1 Sterling Equivalent Redemption Date, to redeem the US$ Notes until the US$ Notes are redeemed in full and *sixth*, to redeem the Class Z Notes.

The Class A1 Notes will rank *pari passu* and rateably among themselves at all times in respect of payments of principal (subject to Condition 5(C) (*Termination of the Original Currency Swap Agreement*)).

The Class A2 Notes will rank *pari passu* and rateably among themselves at all times in respect of payments of principal.

The Class A3 Notes will rank *pari passu* and rateably among themselves at all times in respect of payments of principal.

The Class M Notes will rank *pari passu* and rateably among themselves at all times in respect of payments of principal.

The Class Z Notes will rank *pari passu* and rateably among themselves at all times in respect of payments of principal.

For a more detailed summary of the Priority of Payments, please refer to the section entitled "*Cashflows*".

Security:

The Notes are secured and will share the same Security together with the other Secured Obligations of the Issuer in accordance with the Deed of Charge as

described in further detail in Condition 2(D) (*Security*). Some of the other Secured Obligations rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Issuer Post-Acceleration Priority of Payments.

Interest payable on the Notes:

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

From and including the relevant Step-Up Date, the margin due and payable on the Rated Notes shall increase, as described in the sections "*Full Capital Structure of the Notes*" and "*Terms and Conditions of the Notes*".

Interest Deferral:

Interest due and payable on the Class A Notes may not be deferred. Interest due and payable on the Class M Notes and the Class Z Notes may be deferred in accordance with Condition 4(I) (*Deferral of Interest*).

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

Redemption:

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

(a) mandatory redemption in whole on the Final Redemption Date, as fully set out in Condition 5(A) (*Redemption and Cancellation – Final Redemption*);

(b) mandatory redemption in part on each Payment Date as follows:

(i) prior to the occurrence of a Pass-Through Trigger Event, redemption in part of (A) the Class A1 Notes in an amount equal to the lower of (I) the applicable Class A1 Target Amortisation Amount and (II) the amount of Issuer Available Principal Receipts available for such purpose on such Payment Date calculated in accordance with item (ii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments and (B) the Class A2 Notes in an amount equal to the lower of (I) the applicable Class A2 Target Amortisation Amount and (II) the amount of Issuer Available Principal Receipts available for such purpose on such Payment Date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments;

(ii) following the occurrence of a Pass-Through Trigger Event, redemption in part of the Class A1 Notes (to reduce the aggregate Sterling Equivalent Principal Amount Outstanding of such Notes to zero) to the extent of Issuer Available Principal Receipts available on such date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments;

(iii) following the occurrence of a Pass-Through Trigger Event, in respect of the Class A2 Notes, from the date on which the aggregate Sterling Equivalent Principal Amount Outstanding of all the Class A1 Notes is reduced to zero, redemption in part to the extent of Issuer Available Principal Receipts available on such date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments;

(iv) following the date on which the aggregate Sterling Equivalent Principal Amount Outstanding of all the Class A2 Notes is reduced to zero, in respect of the Class A3 Notes, redemption in part on any Payment Date to the extent of Issuer Available Principal Receipts available on such date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments

(v) following the occurrence of a Pass-Through Trigger Event, in respect of the Class M Notes, from the date on which the aggregate Sterling Equivalent Principal Amount Outstanding of all the Class A Notes is reduced to zero, redemption in part on any Payment Date to the extent of Issuer Available Principal Receipts available on such date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments;

(vi) following the occurrence of a Pass-Through Trigger Event, in respect of any US$ Notes outstanding following the Class A1 Sterling Equivalent Redemption Date, from the date on which all the Class M Notes have been redeemed in full, redemption in part on any Payment Date to the extent of Issuer Available Principal Receipts available on such date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments; and

(vii) following the occurrence of a Pass-Through Trigger Event, in respect of the Class Z Notes, from the date on which all the Class M Notes have been redeemed in full, redemption in part on any Payment Date to the extent of Issuer Available Principal Receipts available on such date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments,

in each case as fully set out in Condition 5(B) (*Mandatory Redemption of the Notes in Part*), Condition 5(C) (*Termination of the Original Currency Swap Agreement*) and the Issuer Pre-Acceleration Principal Priority of Payments;

(c) optional redemption exercisable by the Issuer in whole of a Class of Notes on or after the relevant Step-Up Date for such Class of Notes, as fully set out in Condition 5(E)(i) (*Optional Redemption in Full*);

(d) optional redemption exercisable by the Issuer in whole where the Sterling Equivalent Principal Amount Outstanding of all the Notes is or will be less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date, as fully set out in Condition 5(E)(ii) (*Optional Redemption in Full*); and

(e) optional redemption exercisable by the Issuer in whole for tax reasons, as fully set out in Condition 5(F) (*Optional Redemption for Tax and other Reasons*).

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

Termination of the Original Currency Swap Agreement – payments to

In respect of the US$ Notes only, if the Original Currency Swap Agreement has been terminated, then, on each Payment Date prior to the delivery of a Note Acceleration Notice:

holders of the US$ Notes:

(a) if, on such Payment Date, the *pro rata* share of the Issuer Available Principal Receipts available under the Issuer Pre-Acceleration Principal Priority of Payments to repay principal of the US$ Notes in accordance with Condition 5(B) (*Mandatory Redemption of the Notes in Part*), following conversion into US Dollars at:

(i) if no replacement Currency Swap Agreement is in force, the Spot Rate (by the Issuer Cash Manager); or

(ii) if a replacement Currency Swap Agreement is in force, the Replacement Exchange Rate,

is **less than** the amount that would have been payable (in US Dollars) by the Original Currency Swap Provider in respect of principal if the Original Currency Swap Agreement had not been terminated, the shortfall amounts (such amounts being "**Principal Shortfall Amounts**") shall be paid from any Principal Excess Amounts (as defined below);

(b) if, on such Payment Date, the *pro rata* share of the Issuer Available Principal Receipts available under the Issuer Pre-Acceleration Principal Priority of Payments to pay principal of the US$ Notes in accordance with Condition 5(B) (*Mandatory Redemption of the Notes in Part*), following conversion into US Dollars at:

(i) if no replacement Currency Swap Agreement is in force, the Spot Rate (by the Issuer Cash Manager); or

(ii) if a replacement Currency Swap Agreement is in force, the Replacement Exchange Rate,

is **greater than** the amount that would have been payable (in US Dollars) by the Original Currency Swap Provider in respect of principal if the Original Currency Swap Agreement had not been terminated, the excess amounts (such amounts being "**Principal Excess Amounts**") shall be used to pay any existing Principal Shortfall Amounts, with any excess being transferred to the Swap Excess Reserve Account for application (subject to the terms of the Transaction Documents) on subsequent Payment Dates to pay any future Principal Shortfall Amounts; and

(c) if that Payment Date falls on or following the Class A1 Sterling Equivalent Redemption Date:

(i) if the US$ Notes have not been redeemed in full, following application of any amounts held in the Swap Excess Reserve Account towards the redemption of the US$ Notes, any Principal Amount Outstanding of the US$ Notes shall only be paid subject to and in accordance with item (vi) of the Issuer Pre-Acceleration Principal Priority of Payments; or

(ii) if the US$ Notes have been redeemed in full, any amounts held in the Swap Excess Reserve Account shall be transferred to an Issuer Transaction Account (after conversion into Sterling by the Issuer Cash Manager at the applicable Spot Rate) and credited to the Issuer Revenue Ledger for application in accordance with the Issuer Pre-Acceleration Revenue Priority

of Payments.

On or after the delivery of a Note Acceleration Notice, any amounts held in the Swap Excess Reserve Account shall be transferred to an Issuer Transaction Account (after conversion into Sterling by the Issuer Cash Manager at the applicable Spot Rate) and applied in accordance with the Issuer Post-Acceleration Priority of Payments.

Events of Default: As set out in Condition 9 (*Events of Default*), including:

(a) non-payment by the Issuer of principal in respect of the Most Senior Class of Notes following expiry of the relevant grace period which is seven Business Days;

(b) non-payment by the Issuer of interest in respect of the Most Senior Class of Notes following expiry of the relevant grace period which is 15 Business Days;

(c) material breach of contractual obligations by the Issuer;

(d) inability of Issuer to pay its debts when due; and

(e) insolvency of the Issuer.

Limited Recourse: If at any time following:

(a) the occurrence of either:

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

(ii) the service of an Enforcement Notice; and

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

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. "**Realisation**" is defined in Condition 5(G) (*Limited Recourse*).

Governing Law: English law.

OVERVIEW OF RIGHTS OF NOTEHOLDERS

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

Convening of a Meeting: Noteholders holding more than 10% of the Sterling Equivalent Principal Amount Outstanding of the Notes then outstanding are entitled to convene a Noteholders' meeting at any time and all Noteholders are entitled to participate in a Noteholders' meeting convened by the Issuer or Note Trustee or the Noteholders to consider any matter affecting their interests.

A meeting convened by the Issuer or the Note Trustee may be cancelled by the Issuer or the Note Trustee, **provided that**, notice of such cancellation is given to the Noteholders not less than 24 hours before the time fixed for such meeting. A meeting convened by the Issuer or the Note Trustee upon requisition in writing of the Noteholders of more than 10% of the Sterling Equivalent Principal Amount Outstanding of the Notes then outstanding may be cancelled by the Issuer or the Note Trustee if it is proven to the satisfaction of the Note Trustee that the required quorum will not be reached, **provided that** notice of such cancellation is given to the Noteholders not less than 24 hours before the time fixed for such meeting.

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.

"**Sterling Equivalent Principal Amount Outstanding**" means:

(a) in relation to any Sterling Note, the Principal Amount Outstanding;

(b) in relation to any US$ Note:

(i) if the Original Currency Swap Agreement has not terminated early, the Sterling equivalent of the Principal Amount Outstanding of that US$ Note converted at the Original Exchange Rate (and rounded to the nearest whole penny); or

(ii) if the Original Currency Swap Agreement has terminated early (and irrespective of whether a replacement Currency Swap Agreement has been entered into), the Deemed Principal Amount Outstanding,

as calculated by the Issuer Cash Manager.

"**Deemed Principal Amount Outstanding**" means, on any day, in respect of any US$ Note, the Sterling equivalent (calculated by the Issuer Cash Manager using the Original Exchange Rate and rounded to the nearest whole penny) of an amount equal to:

(a) the Principal Amount Outstanding of that US$ Note on the Closing Date; *less*

(b) the aggregate of all Note Principal Payments that would have been paid in respect of that US$ Note in accordance with Condition 5(B) (*Mandatory Redemption in Part*) up to (and including) that day if the Original Currency Swap Agreement had still been in force, provided that for the purposes of calculating any Class A1 Target Amortisation Amount in relation to a Payment Date only, the amount of any Note Principal Payment which would have been paid on the US$ Note on such Payment Date in accordance with

Condition 5(B) (*Mandatory Redemption in Part*) will not be taken into account.

Following a Note Event of Default: Following the occurrence of a Note Event of Default, Noteholders of the Most Senior Class may, if they hold more than 25% of the Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, or if they pass an Extraordinary Resolution, direct the Note Trustee to give a Note Acceleration Notice to the Issuer and the Basis Rate Swap Provider and Currency Swap Provider that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding.

Noteholders Meeting provisions:

	Initial Meeting	**Meeting previously adjourned for want of quorum**
Notice period:	21 clear days for the initial meeting	Not less than 13 clear days and not more than 42 clear days for the adjourned meeting
Quorum:	10% of the Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes for the initial meeting or 50% of the Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes for the initial meeting for the purpose of passing an Extraordinary Resolution (other than a Basic Terms Modification, which requires 75% of the Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes)	Any holding for the adjourned meeting (other than a meeting to consider a Basic Terms Modification, which requires 25% of the Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes)
Required majority:	More than 50% of votes cast for matters requiring an ordinary resolution. 75% of votes cast for matters requiring an Extraordinary Resolution.	
Written Resolution:	90% of the Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes. A Written Resolution has the same effect as an Extraordinary Resolution.	
Electronic Consents:	Noteholders may also pass an Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the clearing system(s) to the Principal Paying Agent or another specified agent and/or the Note Trustee in accordance with the operating rules and procedures of the relevant clearing system(s) ("**Electronic Consents**"). Such	

consents are required from Noteholders of not less than 75 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Extraordinary Resolutions. A resolution passed by such means has the same effect as an Extraordinary Resolution.

Matters requiring Extraordinary Resolution: Broadly, the following matters require an Extraordinary Resolution:

(a) Basic Terms Modification;

(b) termination of the appointment of the Administrator;

(c) direction to the Note Trustee to give a Note Acceleration Notice;

(d) instruction to the Security Trustee to give an Enforcement Notice; and

(e) removal of the Note Trustee or Security Trustee.

Basic Terms Modification: Broadly, the following matters are Basic Terms Modifications:

(a) changes to payments (timing, method of calculation, reduction in amounts due and currency) (other than any Base Rate Modification);

(b) changes to the Priority of Payments;

(c) changes to quorum and majority requirements in respect of Extraordinary Resolutions; and

(d) any alteration to the definition of Basic Terms Modification.

Relationship between Classes of Noteholders: Subject to the provisions in respect of a Basic Terms Modification, an Extraordinary Resolution of Noteholders of the Most Senior Class shall be binding on all other Classes and would override any resolution to the contrary of the Classes ranking behind such Class.

The sanction of a Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding.

"**Most Senior Class**" means:

(a) the Class A Notes; or

(b) if no Class A Notes are then outstanding, the Class M Notes; or

(c) if no Class A Notes or Class M Notes are then outstanding, the Class Z Notes.

Rights of the holders of any US$ Notes outstanding following the Class A1 Sterling Equivalent Redemption Date: If the Original Currency Swap Agreement is terminated early and any US$ Notes remain outstanding on or following the Class A1 Sterling Equivalent Redemption Date, prior to the delivery of a Note Acceleration Notice, except for the purpose of considering and, if thought fit, passing an Extraordinary Resolution to sanction a proposed Basic Terms Modification, such US$ Notes shall be deemed not to remain "outstanding" for the purposes of the right to attend and vote at any meeting of Noteholders, the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 11 (*Meeting of Noteholders, Modifications and Waiver*), Condition 15 (*Substitution*), Condition 9 (*Events of Default*) and the percentages referred to in Condition 10

(*Enforcement of Notes*) and the Provisions for Meetings of Noteholders, and any right, discretion, power or authority, whether contained in the Trust Deed or the Deed of Charge or provided by law, which the Note Trustee or the Security Trustee is required to exercise in or by reference to the interests of the Noteholders or any Class of them.

Seller as Noteholder: For the purposes of, *inter alia*, the right to attend and vote at any meeting of Noteholders and the determination of how many and which Notes are outstanding for the purposes of any Meeting of Noteholders or any resolution or direction made by Noteholders, those Notes (if any) which are held by or on behalf of the Seller or any holding company of the Seller, by any person for the benefit of the Seller or any holding company of the Seller, shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

Relationship between Noteholders and other Secured Creditors: So long as any Notes are outstanding, the Security Trustee will not be bound to act unless directed to do so by the Note Trustee and the Note Trustee will not be bound to give any direction unless instructed to do so by the Noteholders and will only take into account the interests of the Noteholders in the exercise of its discretion.

Provision of Information to the Noteholders: The Administrator will publish (i) an investor report (each, an "**Investor Report**") on a monthly basis which will include, without limitation, information on the Mortgage Loans and payments in arrears and the Seller's holding of the Notes and its compliance with the EU Risk Retention Requirements; and (ii) monthly reports providing certain loan level data in relation to the Mortgage Portfolio, and to publish such reports on the Virgin Money website (http://uk.virginmoney.com/virgin/investor-relations/securitisation.jsp) (please note, the content of the www.virginmoney.com website does not form part of this Prospectus).

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

(a) so long as the Notes are held in the Clearing Systems, delivered to the relevant clearing systems for communication by them to Noteholders and so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange; or

(b) if the Notes are no longer held in the Clearing Systems, published in the Financial Times or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom and so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange.

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

SUMMARY OF CREDIT STRUCTURE AND CASHFLOW

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

Mortgages Trust:

The Mortgages Trust will be established on the Closing Date between, *inter alios*, the Mortgages Trustee, the Seller and the Issuer. The Mortgages Trustee will hold the Trust Property on trust for both the Issuer and the Seller. The Issuer and the Seller will each have a joint and undivided beneficial interest in the Trust Property. Payments of interest and principal arising from the Mortgage Loans in the Trust Property will be allocated to the Issuer and the Seller as described in the section entitled "*The Mortgages Trust*". The only beneficiaries of the Mortgages Trust will be the Issuer and the Seller.

The whole beneficial interest in the Initial Mortgage Portfolio and the Related Security that the Seller assigns to the Mortgages Trustee on the Closing Date will form part of the Trust Property. In addition, Borrow-backs (which comprise Cash Borrow-backs and Non-Cash Borrow-backs, each as defined in the section entitled "*The Mortgage Loans – Characteristics of the Mortgage Loans – Mortgage Loans*") that are made under Mortgage Loans following the Closing Date will result in an increase of the Current Balance of the relevant Mortgage Loans and therefore will also form part of the Trust Property (which will result in a corresponding increase to the Seller Share). Cash Borrow-backs will be funded solely by the Seller and the Seller will fund the unpaid interest element of Non-Cash Borrow-backs resulting from Borrowers taking payment holidays.

The composition of the Trust Property will fluctuate throughout the life of the Mortgages Trust (see the section entitled "*The Mortgages Trust – Fluctuation of Seller Share/Issuer Share of the Trust Property"*).

Realised losses experienced on the Mortgage Loans during a Trust Calculation Period in circumstances where there is no material breach of representation or warranty by the Seller with respect to such Mortgage Loans and which do not otherwise constitute a Denominator Reduction Event (such realised losses together being "**Losses**") will be allocated to each of the Issuer and the Seller in accordance with the Issuer Share Percentage and the Seller Share Percentage. Denominator Reduction Amounts (representing (i) set-off losses on the Mortgage Portfolio, (ii) the failure by the Seller to repurchase Mortgage Loans which it is required to repurchase, and (iii) a VM Mortgages Trustee Account Loss) increase the Issuer Share Percentage.

See the section entitled "*The Mortgages Trust*" for further information.

Mortgages Trustee Available Revenue Receipts and Mortgages Trustee Available Principal Receipts:

The Trust Property Cash Manager will apply Mortgages Trustee Available Revenue Receipts and Mortgages Trustee Available Principal Receipts on each Distribution Date in accordance with the Mortgages Trustee Revenue Priority of Payments and the Mortgages Trustee Principal Priority of Payments, as set out in the section entitled "*The Mortgages Trust – Cash Management of the Trust Property – Revenue Receipts*" and "*The Mortgages Trust – Cash Management of the Trust Property – Principal Receipts*".

VM Mortgages Trustee Account Losses:

Any VM Mortgages Trustee Account Loss will be applied in reducing the Seller Share Percentage of the Trust Property.

Any VM Mortgages Trustee Account Loss shall reduce the Mortgages Trustee Available Principal Receipts to the extent of the Principal Receipts received during the previous Trust Calculation Period (any such reduction in Principal Receipts, the "**Mortgage Trustee Principal Receipts Reduction**"). Any VM Mortgages Trustee Account Loss in excess of the total Principal Receipts received during the previous Trust Calculation Period shall be applied to reduce

the Revenue Receipts received during the previous Trust Calculation Period (any such reduction in Revenue Receipts, the "**Mortgages Trustee Revenue Receipts Reduction**").

Following the receipt of any amount of cash that previously represented all or part of a VM Mortgages Trustee Account Loss (such amount a "**VM Mortgages Trustee Account Recovered Amount**"), such VM Mortgages Trustee Account Recovered Amount will (i) *firstly* be allocated as a Mortgages Trustee Available Revenue Receipt up to an amount equal to any Mortgages Trustee Revenue Receipts Reduction, and (ii) *secondly* be allocated as a Mortgages Trustee Available Principal Receipt up to an amount equal to any Mortgages Trustee Principal Receipts Reduction.

Seller Cash Contribution: The Seller may make a cash contribution to the Mortgages Trust from time to time (each such contribution, a "**Seller Cash Contribution**"), the proceeds of which may be applied by the Mortgages Trustee, *inter alia*, as consideration for the purchase of New Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement. For further detail, see the section entitled "*The Mortgages Trust – Seller Contributions to the Mortgages Trust"*.

On each Distribution Date the Seller shall be obliged to make a Seller Cash Contribution (each, a "**Mandatory Seller Cash Contribution**") in a minimum amount equal to the Mandatory Seller Cash Contribution Amount as determined with respect to such Distribution Date in order to ensure that the Seller Share will not fall below the Minimum Seller Share on such Distribution Date. For further detail, see the section entitled "*The Mortgages Trust – Mandatory Seller Cash Contributions"*.

Pursuant to the terms of the Mortgages Trust Deed and the Mortgage Sale Agreement, the Seller shall be entitled to set-off any amounts of Deferred Consideration or Seller Principal Payment Amount due to it against any Seller Cash Contribution made by the Seller on such date.

Trust Replenishment Ledger: The Mortgages Trustee (or the Trust Property Cash Manager on its behalf) will establish the Trust Replenishment Ledger and will record as a credit to the ledger any Seller Cash Contribution. The Mortgages Trustee (or the Trust Property Cash Manager on its behalf) will record as a debit to the Trust Replenishment Ledger any cash payment applied by Mortgages Trustee (or the Trust Property Cash Manager on its behalf) as consideration for the purchase of any New Mortgage Loans and their Related Security.

Summary of Mortgages Trustee Priority of Payments: Below is a summary of the Mortgages Trustee Priority of Payments. Please refer to the section entitled "*The Mortgages Trust*" for further information.

Mortgages Trustee Revenue Priority of Payments

On each Distribution Date, the Mortgages Trustee Available Revenue Receipts shall be applied in the following order of priority:

(a) fees of the Mortgages Trustee/third parties (payable *pari passu* and *pro rata* from the Issuer Revenue Share and the Seller Revenue Share);

(b) amounts that the Issuer is required to pay to the Security Trustee after the service of a Note Acceleration Notice (payable from the Issuer Revenue Share only);

(c) amounts due to the Administrator/ Back-Up

Mortgages Trustee Principal Priority of Payments

On each Distribution Date, the Mortgages Trustee Available Principal Receipts shall be applied in the following order of priority:

(a) on any Distribution Date prior to a Pass-Through Trigger Event:

(i) to the Issuer to pay amounts required by the Issuer to pay all amounts due under items (i), (ii)(a) and (iii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments on the immediately following Payment Date; and

Administrator Facilitator/Corporate Services Provider/ Trust Property Cash Manager (payable *pari passu* and *pro rata* from the Issuer Revenue Share and the Seller Revenue Share); and

(d) remainder of the Seller Revenue Share to the Seller/remainder of the Issuer Revenue Share to the Issuer.

(ii) the Seller Principal Payment Amount to the Seller;

(b) on any Distribution Date following a Pass-Through Trigger Event:

(i) to the Issuer up to the Issuer Share of the Trust Property; and

(ii) the Seller Principal Payment Amount to the Seller.

Available Receipts of the Issuer: The Issuer will have Issuer Available Revenue Receipts and Issuer Available Principal Receipts for the purposes of making interest and principal payments under the Notes and meeting the Issuer's other payment obligations pursuant to the other Transaction Documents. For further detail, see section entitled "*Cashflows*".

VM Issuer Account Losses: Any VM Issuer Account Loss shall be applied in the following order (a) *first*, to reduce the Issuer Available Principal Receipts (any such reduction being the "**Issuer Principal Receipts Reduction**"); and (b) *second*, to reduce the Issuer Available Revenue Receipts (any such reduction being the "**Issuer Revenue Receipts Reduction**").

Following the receipt of any amount of cash that previously represented all or part of a VM Issuer Account Loss (such amount a "**VM Issuer Account Recovered Amount**"), such VM Issuer Account Recovered Amount will be allocated (a) *first*, as an Issuer Available Revenue Receipt up to an amount equal to the Issuer Revenue Receipts Reduction; and (b) *second*, as an Issuer Available Principal Receipt up to an amount equal to the Issuer Principal Receipts Reduction.

Payments to Noteholders – Basis Rate Swap: On or around the Closing Date, the Issuer will enter into ISDA Master Agreements (which will include the schedules thereto, the credit support annex thereto (in the case of the Fixed Rate Mortgage Loans and the Tracker Rate Mortgage Loans) and the confirmations evidencing each transaction thereunder) with the Basis Rate Swap Provider (the "**Basis Rate Swap Agreements**") to hedge the interest rate risk between interest to be received by the Issuer in respect of the Fixed Rate Mortgage Loans, Tracker Rate Mortgage Loans and the Standard Variable Rate Mortgage Loans and three month GBP LIBOR plus: (a) the margin in respect of the Fixed Rate Mortgage Loans swap transaction; (b) the margin in respect of the Tracker Rate Mortgage Loans swap transaction; and (c) the margin in respect of the Standard Variable Rate Mortgage Loans swap transaction under the Basis Rate Swap Agreements only.

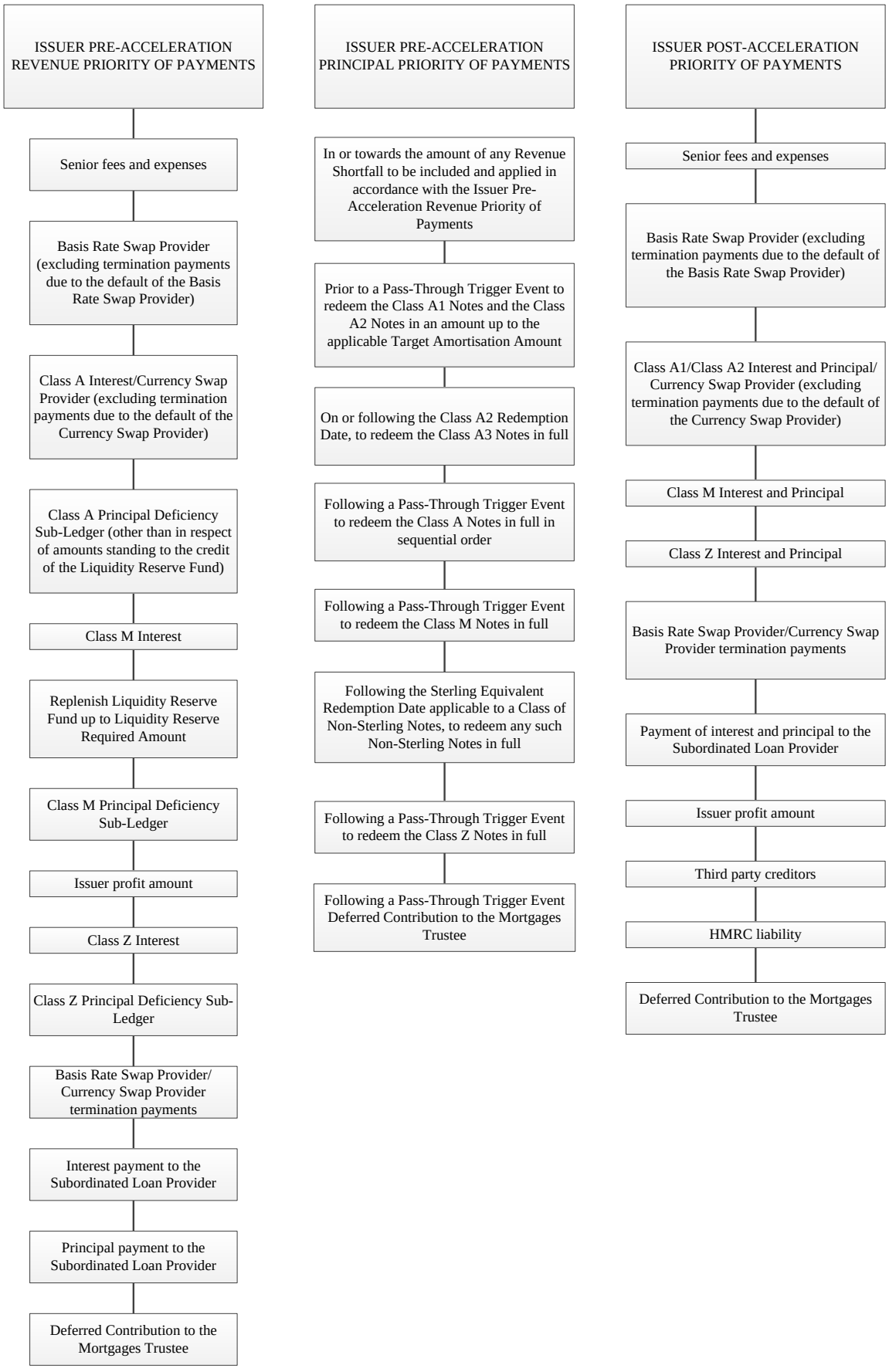
Payments to US$ Noteholders – Currency Swap: In respect of the US$ Notes, on or about the Closing Date, the Issuer will enter into an ISDA Master Agreement (which will include the schedule thereto, the credit support annex thereto and the confirmation evidencing each transaction thereunder) with the Original Currency Swap Provider (the "**Original Currency Swap Agreement**") to hedge the currency exchange rate exposure in respect of the US$ Notes.

Issuer Payments: The Issuer will use amounts received in respect of its interest in the Trust Property which are Revenue Receipts and Principal Receipts to meet its obligations to pay, among other items, interest amounts and principal amounts to the Noteholders in accordance with the relevant Priority of Payments.

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

Conditions of the Notes".

Overview of Issuer Priority of Payments:



General Structure: The general credit and liquidity structure of the transaction includes, broadly, the following elements:

(a) the Issuer will establish a Liquidity Reserve Fund to meet interest shortfalls in respect of the Rated Notes and amounts ranking in priority thereto in the Issuer Pre-Acceleration Revenue Priority of Payments save that the Liquidity Reserve Fund shall not be applied to credit the Principal Deficiency Sub-Ledger for the Class A Notes;

(b) Issuer Available Principal Receipts may be applied to make up a Revenue Shortfall in respect of certain items in the Issuer Pre-Acceleration Revenue Priority of Payments;

(c) in respect of the obligations of the Issuer to pay interest on the Notes, the Class A Notes will rank *pari passu* and rateably without any preference or priority among themselves, but in priority to the Class M Notes and the Class Z Notes;

(d) prior to the occurrence of a Pass-Through Trigger Event or the delivery of a Note Acceleration Notice, Issuer Available Principal Receipts shall be applied on each Payment Date to redeem:

(A) the Class A1 Notes in an amount equal to the lower of (I) the applicable Class A1 Target Amortisation Amount and (II) the amount of Issuer Available Principal Receipts available for such purpose on such Payment Date calculated in accordance with item (ii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments; and

(B) the Class A2 Notes in an amount equal to the lower of (I) the applicable Class A2 Target Amortisation Amount and (II) the amount of Issuer Available Principal Receipts available for such purpose on such Payment Date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments;

(e) following the occurrence of a Pass-Through Trigger Event, but prior to the delivery of a Note Acceleration Notice (and whilst the Class A Notes remain outstanding), Issuer Available Principal Receipts shall be applied first to redeem the Class A1 Notes in full (subject to Condition 5(C) (*Termination of the Original Currency Swap Agreement*)), and second, to redeem the Class A2 Notes until the Class A2 Notes have been redeemed in full;

(f) on or following the Class A2 Sterling Equivalent Redemption Date, Issuer Available Principal Receipts available for such purpose on such Payment Date in accordance with the Issuer Pre-Acceleration Principal Priority of Payments shall be applied on each Payment Date to redeem the Class A3 Notes until the Class A3 Notes have been redeemed in full;

(g) subject to Condition 5(C) (*Termination of the Original Currency Swap Agreement*), at all times redemption of the Class M Notes and the Class Z Notes will be subordinated to payments due on the Class A Notes and payments on the Class Z Notes will be subordinated to payments due on the Class M Notes;

(h) the Issuer (or, for as long as Virgin Money or any affiliate of Virgin Money is the Issuer Cash Manager, the Issuer Cash Manager on its behalf) may invest sums standing to the credit of the Issuer Transaction Accounts and the VM Issuer Account in Permitted Investments;

(i) availability of the Basis Rate Swap provided by the Basis Rate Swap Provider for the purposes summarised in "*Payments to Noteholders*" above;

(j) availability of the Currency Swap provided by the Currency Swap Provider for the purposes summarised in "*Payments to US$ Noteholders – Currency Swap*" above; and

(k) it is expected that during the life of the Notes, the Issuer Available Revenue Receipts will, assuming that all the Mortgage Loans are fully performing, be sufficient to pay the amounts payable ranking in priority to the Deferred Contribution. Any excess Issuer Available Revenue Receipts will be applied on each Payment Date to pay the Deferred Contribution to the Mortgages Trustee.

See the section entitled "*Credit Structure*" for further information on this.

Termination of the Original Currency Swap Agreement – payments to holders of the US$ Notes:

In respect of the US$ Notes only, if the Original Currency Swap Agreement has been terminated, then the payments described in the section entitled "*Overview of the Terms and Conditions – Termination of the Original Currency Swap Agreement – payments to holders of the US$ Notes*" will be made.

Principal Deficiency Ledger:

The Issuer will establish the Principal Deficiency Ledger to record as a debit to the ledger (i) any Losses (including, at any time when the Seller Share is equal to zero, or would reduce to zero as a result of applying a set-off loss, set-off losses) on the Mortgage Loans allocated by the Mortgages Trustee to the Issuer Share of the Trust Property; (ii) the use of Issuer Available Principal Receipts as Issuer Available Revenue Receipts in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments; and (iii) and any VM Issuer Account Loss to the extent applied to reduce Issuer Available Principal Receipts. The Principal Deficiency Ledger will be divided into three sub-ledgers which will correspond to the Class A Notes, the Class M Notes and the Class Z Notes. The sub-ledger for each Class of Notes will show separate entries for each Class of Notes.

Debits will be recorded first, on the Principal Deficiency Sub-Ledger for the Class Z Notes, second, on the Principal Deficiency Sub-Ledger for the Class M Notes and third, on the Principal Deficiency Sub-Ledger for the Class A Notes (any debit entry on the Principal Deficiency Sub-Ledger for the Class A Notes to apply *pro rata* to the Class A1 Notes, the Class A2 Notes and the Class A3 Notes (by reference to the aggregate Sterling Equivalent Principal Amount Outstanding of each of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes)).

Any Issuer Available Revenue Receipts applied as Issuer Available Principal Receipts on a Payment Date and any VM Issuer Account Recovered Amount applied to reduce any Issuer Principal Receipts Reduction, will be applied as follows:

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

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

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

Please refer to the section entitled "*Credit Structure*" for further information on this.

On each Payment Date, any Issuer Available Revenue Receipts or VM Issuer Account Recovered Amount so applied to extinguish or reduce such balance on the Principal Deficiency Ledger shall be credited to the Issuer Principal Ledger applied on such Payment Date in accordance with the Issuer Pre Acceleration Principal Priority of Payments.

Revenue Shortfall: If there is a Revenue Shortfall, then the Issuer shall pay or provide for that deficit by application of funds standing to the credit of the Issuer Principal Ledger, if any, and the Issuer Cash Manager shall make debit entries in the Principal Deficiency Sub-Ledgers as follows:

(a) *first*, on the Principal Deficiency Sub-Ledger for the Class Z Notes, until the balance of that Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class Z Notes;

(b) *second*, on the Principal Deficiency Sub-Ledger for the Class M Notes, until the balance of that Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class M Notes; and

(c) *third*, on the Principal Deficiency Sub-Ledger for the Class A Notes, until the balance of that Sub-Ledger is equal to the then aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes (such shortfall to apply *pro rata* to the Class A1 Notes, the Class A2 Notes and the Class A3 Notes (by reference to the aggregate Sterling Equivalent Principal Amount Outstanding of each of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes)).

The Issuer shall apply any Issuer Available Revenue Receipts to extinguish or reduce any balance on the Principal Deficiency Ledger in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments.

Bank Accounts and Cash Management: The Administrator will ensure that all payments received in respect of the Mortgage Loans are transferred to the Collection Account within one Business Day of receipt of such payment. The Administrator is obliged to transfer amounts standing to the credit of the Collection Account in respect of the Mortgage Loans in the Mortgage Portfolio to the Mortgages Trustee Transaction Accounts, and/or the VM Mortgages Trustee Account (as applicable), daily and in any event within three Business Days of receipt. On or prior to each Distribution Date, amounts will be applied by the Trust Property Cash Manager from the Mortgages Trustee Transaction Accounts and/or the VM Mortgages Trustee Account (as applicable) in accordance with the relevant Mortgages Trustee Priority of Payments pursuant to which certain amounts will be transferred to the Issuer Transaction Accounts and/or the VM Issuer Account and applied in accordance with the Issuer Priority of Payments.

VM Mortgages Trustee Account: The Trust Property Cash Manager may at any time transfer an amount up to the VM Mortgages Trustee Permitted Cash Amount into an account in the name of the Mortgages Trustee held with the VM Mortgages Trustee Account Bank instead of into a Mortgages Trustee Transaction Account. Such amounts, with respect to any Trust Calculation Date or Distribution Date, shall nevertheless constitute Mortgages Trustee Available Revenue Receipts or, as applicable, Mortgages Trustee Available Principal Receipts and be applied by the Trust Property Cash Manager in the manner described above.

Following the recalculation of the VM Mortgages Trustee Permitted Cash Amount on a Trust Calculation Date, the Trust Property Cash Manager shall procure that any amount already standing to the credit of the VM Mortgages Trustee Account in excess of the recalculated VM Mortgages Trustee Permitted Cash Amount shall be transferred to either or both of the Mortgages Trustee Transaction Accounts within three Business Days of the date of such recalculation. Failure to arrange for transfer of any such excess amount from the VM Mortgages Trustee Account to a Mortgages Trustee Transaction Account within such three Business Day period shall be a Trust Property Cash Manager Termination Event.

If a VM Mortgages Trustee Account Bank Transfer Event occurs, the Trust Property Cash Manager shall procure that all amounts standing to the credit of the VM Mortgages Trustee Account are transferred to a Mortgages Trustee Transaction Account as soon as reasonably practicable, and subject to any requirements of law.

The Trust Property Cash Manager shall ensure that no amounts are transferred into the VM Mortgages Trustee Account whilst any VM Mortgages Trustee Account Bank Transfer Event is continuing.

"**VM Mortgages Trustee Account Bank Transfer Events**" mean any "Transfer Event" as defined in the VM Mortgages Trustee Account Bank Agreement, including but not limited to the following:

(a) a deduction or withholding for or on account of any Tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on the VM Mortgages Trustee Account held with the VM Mortgages Trustee Account Bank; or

(b) an Insolvency Event occurs in relation to the VM Mortgages Trustee Account Bank.

The Mortgages Trustee (or the Trust Property Cash Manager on its behalf for as long as Virgin Money or any affiliate of Virgin Money is the Trust Property Cash Manager) may invest sums standing to the credit of the VM Mortgages Trustee Account in Permitted Investments.

VM Issuer Account:

The Issuer Cash Manager may instruct (a) that any payment required to be made to the Issuer pursuant to the terms of the Transaction Documents may be paid into the VM Issuer Account, or (b) that any amount then standing to the credit of an Issuer Transaction Account may be transferred to the VM Issuer Account, **provided that** such payment or transfer may only be instructed by the Issuer Cash Manager in an amount up to the VM Issuer Permitted Cash Amount. Amounts standing to the credit of the VM Issuer Account shall be treated in all respects as if such amounts were standing to the credit of an Issuer Transaction Account.

Following the recalculation of the VM Issuer Permitted Cash Amount on a Payment Calculation Date, the Issuer Cash Manager shall procure that any amount already standing to the credit of the VM Issuer Account in excess of the recalculated VM Issuer Permitted Cash Amount shall be transferred to either or both of the Issuer Transaction Accounts within three Business Days of the date of such recalculation. Failure to arrange for transfer of any such excess amount from the VM Issuer Account to an Issuer Transaction Account within such three Business Day period shall be an Issuer Cash Manager Termination Event.

If a VM Issuer Account Bank Transfer Event occurs, the Issuer Cash Manager shall procure that all amounts standing to the credit of the VM Issuer Account are transferred to an Issuer Transaction Account as soon as reasonably practicable, and subject to any requirements of law.

The Issuer Cash Manager shall ensure that no amounts are transferred into the VM Issuer Account whilst any VM Issuer Account Bank Transfer Event is continuing.

The Issuer (or the Issuer Cash Manager on its behalf) may invest sums standing to the credit of the VM Issuer Account in Permitted Investments.

"**VM Issuer Account Bank Transfer Events**" mean any "Transfer Events" as defined in the VM Issuer Account Bank Agreement, including but not limited to the following:

(a) a deduction or withholding for or on account of any Tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on the VM Issuer Account held with the VM Issuer Account Bank; or

(b) an Insolvency Event occurs in relation to the VM Issuer Account Bank.

TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings	Requirements of Ratings Trigger being breached include the following
Administrator:	(i) The counterparty risk assessment of the Administrator must be rated at least Baa3(cr) by Moody's; and (ii) long-term issuer default rating must be at least BBB- by Fitch.	The consequences of breach include a requirement for the Administrator, with the assistance of the Back-Up Administrator Facilitator, to appoint a Back-Up Administrator or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*The Administrator, the Administration Agreement and the Collection Account* ".
Issuer Cash Manager:	The counterparty risk assessment of the Issuer Cash Manager must be rated at least Baa3(cr) by Moody's.	The consequences of breach include a requirement for the Issuer to appoint a Back-Up Issuer Cash Manager or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*Cash Management for the Issuer*".
Trust Property Cash Manager:	The counterparty risk assessment of the Trust Property Cash Manager must be rated at least Baa3(cr) by Moody's.	The consequences of breach include a requirement for the Mortgages Trustee to appoint a Back-Up Trust Property Cash Manager or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*Cash Management for the Mortgages Trustee*".

Transaction Party	Required Ratings	Requirements of Ratings Trigger being breached include the following
Basis Rate Swap Provider:	(i) The counterparty risk assessment of the Basis Rate Swap Provider must be rated at least A3(cr) by Moody's; and (ii) short-term issuer default rating must be at least F1 by Fitch or long-term issuer default rating must be at least A by Fitch.	The consequences of breach may include a requirement to post collateral, appoint a Standby Basis Rate Swap Provider, replace the Basis Rate Swap Provider or obtain a guarantee of the Basis Rate Swap Provider's obligations or take such other action (which may include no action) which will result in the ratings assigned to the Notes being maintained at, or restored to, the level at which the Notes were rated immediately prior to the date on which the relevant downgrade occurred, as set out in more detail in the section entitled "*The Swap Agreements*".
Currency Swap Provider:	(i) The counterparty risk assessment of the Currency Swap Provider must be rated at least A3(cr) by Moody's; and (ii) short-term issuer default rating must be at least F1 by Fitch or long-term issuer default rating must be at least A by Fitch.	The consequences of breach may include a requirement to post collateral, replace the Currency Swap Provider or obtain a guarantee of the Currency Swap Provider's obligations or take such other action (which may include no action) which will result in the ratings assigned to the Notes being maintained at, or restored to, the level at which the Notes were rated immediately prior to the date on which the relevant downgrade occurred, as set out in more detail in the section entitled "*The Swap Agreements*".
Issuer Account Banks:	(i) Short-term issuer default rating must be at least F1 by Fitch or long-term issuer default rating must be at least A by Fitch; and (ii) short-term bank deposits must be rated at least P-1 by Moody's and long-term bank deposits must be rated at least A3 by Moody's, (or such other short-term or long-term rating by the relevant Rating Agency which the relevant Rating Agency (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes).	The consequences of breach in respect of both Issuer Account Banks may include a requirement to replace the Issuer Account Banks or obtain a guarantee of the Issuer Account Banks' obligations or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*Cash Management for the Issuer*".
Issuer Cash Swap Collateral	(i) Short-term issuer default	The consequences of breach may

Transaction Party	Required Ratings	Requirements of Ratings Trigger being breached include the following
Account Bank:	rating must be at least F1 by Fitch or long-term issuer default rating must be at least A by Fitch; and (ii) long-term bank deposits must be rated at least A3 by Moody's (or such other short-term or long-term rating by the relevant Rating Agency which the relevant Rating Agency (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes).	include a requirement to replace the Issuer Cash Swap Collateral Account Bank or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*Cash Management for the Issuer*".
Issuer Securities Swap Collateral Account Bank:	(i) Short-term issuer default rating must be at least F1 by Fitch or long-term issuer default rating must be at least A by Fitch; and (ii) long-term bank deposits must be rated at least A3 by Moody's (or such other short-term or long-term rating by the relevant Rating Agency which the relevant Rating Agency (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes).	The consequences of breach may include a requirement to replace the Issuer Securities Swap Collateral Account Bank or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*Cash Management for the Issuer*".
Mortgages Trustee Account Banks:	(i) Short-term issuer default rating must be at least F1 by Fitch or long-term issuer default rating must be at least A by Fitch; and (ii) long-term bank deposits must be rated at least A3 by Moody's (or such other short-term or long-term rating by the relevant Rating Agency which the relevant Rating Agency (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes).	The consequences of breach in respect of both Mortgages Trustee Account Banks may include a requirement to replace the Mortgages Trustee Account Banks or obtain a guarantee of the Mortgages Trustee Account Banks' obligations or take such other action with reference to the then current rating criteria of Fitch or Moody's, as applicable, as will result in there being no adverse impact on the then current rating of the Notes within 60 calendar days of the downgrade, as set out in more detail in the section entitled "*Cash Management for the Mortgages Trustee*".

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger		Consequence of Trigger
Pass-Through Trigger Event:			
See the section entitled "*Cashflows*" for further information on this	(i)	the Step-Up Date;	No further scheduled amortisation of the Class A1 Notes or the Class A2 Notes. The VM Issuer Permitted Cash Amount will become zero. Issuer Available Principal Receipts will be applied, *first*, to redeem the Class A1 Notes (to the extent that any principal remains outstanding on the Class A1 Notes following the Pass-Through Trigger Event) until the Class A1 Notes have been redeemed in full (subject to Condition 5(C) (*Termination of the Original Currency Swap Agreement*)), *second*, to redeem the Class A2 Notes until the Class A2 Notes have been redeemed in full, *third*, to redeem the Class A3 Notes until the Class A3 Notes have been redeemed in full, *fourth*, to redeem the Class M Notes until the Class M Notes have been redeemed in full, *fifth*, prior to the delivery of a Note Acceleration Notice, if any principal amount remains outstanding in respect of any US$ Notes following the Class A1 Sterling Equivalent Redemption Date, to redeem such US$ Notes until such US$ Notes are redeemed in full and *sixth*, to redeem the Class Z Notes.
	(ii)	an Insolvency Event in respect of the Seller;	
	(iii)	a material breach of the Transaction Documents by the Seller;	
	(iv)	a debit entry is made on the Principal Deficiency Sub-Ledger for the Class Z Notes, that is in excess of 1% of the total balance outstanding in respect of all Note Classes, that has not been cured on the next following Payment Date;	
	(v)	a Seller Share Event that has not been cured by the expiration of the Seller Share Event Cure Period;	
	(vi)	the Liquidity Reserve Fund is not fully funded;	
	(vii)	the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio which are then in arrears for 3 months or more is greater than or equal to 4% of the aggregate Current Balance of all Mortgage Loans in the Mortgage Portfolio;	
	(viii)	a Relevant Event has occurred and is continuing; or	
	(ix)	if on a Trust Calculation Date immediately prior to performing the calculations, the balance on the Trust Replenishment Ledger is greater than or equal	

Nature of Trigger	Description of Trigger		Consequence of Trigger
		to 5% of the aggregate Current Balance of all the Mortgage Loans as at the last day of the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date.	
Relevant Event:			
See the section entitled "*Cashflows*" for further information on this.	(i)	valid service of a Note Acceleration Notice;	Legal title to the Mortgage Loans will be transferred to the Mortgages Trustee.
	(ii)	termination of appointment of Administrator and failure of replacement to administer properly;	
	(iii)	order of a court, change in law or regulatory authority requires perfection of legal title;	
	(iv)	Issuer Security is in jeopardy;	
	(v)	Seller requests transfer of legal title;	
	(vi)	Seller Insolvency Event; or	
	(vii)	it becoming necessary by law to do any or all of the perfection acts referred to in the Mortgage Sale Agreement.	
Administrator Termination Event:			
See the section entitled "*The Administrator, the Administration Agreement and the Collection Account*" for further information on this.	(i)	Administrator Insolvency Event;	The Back-Up Administrator Facilitator will be required to use its best efforts to identify and thereafter appoint a successor Administrator on substantially the same terms as the Administration Agreement and at fees which are consistent with those payable generally at the relevant time for the provision of property loan administration services.
	(ii)	material non-performance;	
	(iii)	Administrator payment default; or	
	(iv)	failure to obtain or maintain the necessary licences or regulatory approvals.	

Nature of Trigger	Description of Trigger		Consequence of Trigger
Trust Property Cash Manager Termination Event:			
See the section entitled "*Cash Management for the Mortgages Trustee*" for further information on this.	(i)	Trust Property Cash Manager payment default;	The Issuer and the Mortgages Trustee shall as soon as reasonably possible and, in any event, within 60 days, appoint a new trust property cash manager.
	(ii)	failure to procure that any amount in excess of the recalculated VM Mortgages Trustee Permitted Cash Amount is transferred to a Mortgages Trustee Transaction Account within three Business Days of such recalculation;	
	(iii)	material non-performance; or	
	(iv)	Trust Property Cash Manager Insolvency Event.	
Issuer Cash Manager Termination Event:			
See the section entitled "*Cash Management for the Issuer*" for further information on this.	(i)	Issuer Cash Manager or Trust Property Cash Manager payment default;	The Issuer shall as soon as reasonably possible and, in any event, within 60 days, appoint a new issuer cash manager.
	(ii)	failure to procure that any amount in excess of the recalculated VM Issuer Permitted Cash Amount is transferred to an Issuer Transaction Account within three Business Days of such recalculation;	
	(iii)	the relevant Swap Provider instructs (in the limited circumstances where such instruction is permitted pursuant to the relevant Swap Agreement) the Issuer or following the delivery of an Enforcement Notice, the Security Trustee to terminate the appointment of the Issuer Cash Manager	

Nature of Trigger	Description of Trigger	Consequence of Trigger
	(provided that a suitable replacement has been appointed); (iv) material non-performance; or (v) Issuer Cash Manager Insolvency Event.	
Seller Share Event:		
See the section entitled "*The Mortgages Trust*" for further information on this.	Seller Share is less than the Minimum Seller Share.	The Liquidity Reserve Required Amount will be increased. The Seller will not receive Mortgages Trustee Principal Receipts while a Seller Share Event exists.

FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Administrator Fees:	0.08 per cent. per annum of the Current Balance of the Trust Property as at the Trust Calculation Date in respect of the immediately preceding Trust Calculation Period (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Monthly in arrear on each Distribution Date
Trust Property Cash Manager Fees:	£6,000 each year (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Monthly in arrear on each Distribution Date
Issuer Cash Manager Fees:	£3,000 each year (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Payment Date
Other fees and expenses of the Issuer:	Estimated at £100,000 each year (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Various
Expenses related to the admission to trading of the Notes:	Estimated at £9,000 (exclusive of any applicable VAT)		On or about the Closing Date

CERTAIN EU REGULATORY DISCLOSURES

EU Risk Retention Requirements

The Seller will (i) retain for the life of the transaction, a material net economic interest of not less than five per cent. of the nominal value of the securitised exposures in accordance with Articles 405 of the CRR ("**Article 405**"), Article 51 of AIFMR ("**Article 51**") and Article 254 of the Solvency II Regulation ("**Article 254**"), in each case as it is interpreted and applied on the Closing Date (and not taking into account any corresponding national measures), (ii) disclose 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, (iii) not change the manner in which it retains such net economic interest, except to the extent permitted under the EU Risk Retention Requirements, and (iv) agree not to hedge, sell or otherwise mitigate its credit risk under its material net economic interest, except to the extent permitted under the EU Risk Retention Requirements.

As at the Closing Date, such interest will comprise an interest in the first loss tranche in accordance with paragraph (d) of Article 405(1), paragraph (d) of Article 51(1) and paragraph (d) of Article 254(2). Any change to the manner in which such interest is held will be notified to Noteholders.

The Seller will ensure that it discloses in an investor report or such other manner as the Seller may determine on a timely basis all information required to be made available by it pursuant to Article 409 of the CRR and Article 51 of AIFMR, in each case 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. The Seller has provided a corresponding undertaking in the Mortgage Sale Agreement and will provide an undertaking to the Joint Lead Managers in the Subscription Agreement with respect to the interest to be retained by it.

Articles 405 to 409 of the CRR (as supplemented by Commission Delegated Regulation (EU) No 625/2014) also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an ongoing basis, and in particular it has established formal procedures that are appropriate to its trading book and non-trading book and commensurate with the risk profile of its investments in securitised exposures in order to monitor on an ongoing basis and in a timely manner performance information on the exposures underlying its securitisation positions and to analyse and record certain risk characteristics and information in relation to its securitisation positions. Failure to comply with one or more of the requirements set out in Articles 405 to 409 may result in the imposition of a penal capital charge on the securitisation position acquired. In the Mortgage Sale Agreement, the Seller has undertaken to comply with its obligations under Articles 405 to 409 of the CRR, subject always to any requirement of law, **provided that** it will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond its control.

In addition to the information set out herein, the Seller has undertaken to make available information to comply with its obligations under Articles 405 to 409 of the CRR as set out in "*The Administrator, the Administration Agreement and the Collection Account – The Administration Agreement – Undertakings by the Administrator*".

Each prospective investor is required to independently assess the regulatory treatment of the Notes and assess and determine the sufficiency of the information described above, in the Prospectus and which may otherwise be made available to investors (if any) generally for the purposes of complying with each of Part Five of the CRR (including Article 405), Section Five of Chapter III of the AIFMR (including Article 51), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any corresponding national measures which may be relevant to investors. None of the Issuer, nor the Arrangers or the Joint Lead Managers or any of the other transaction parties make any representation that the information described above or in this Prospectus and otherwise which may be made available to investors is sufficient in all circumstances to determine the regulatory treatment of the Notes. In addition each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Articles 405 to 409 in their relevant jurisdiction. Prospective investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

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

CRA Regulation

The credit ratings included or referred to in this Prospectus have been issued by Fitch Ratings Limited ("**Fitch**") and Moody's Investors Service Limited ("**Moody's**"), each of which is established in the European Union and is registered under CRA3.

For the avoidance of doubt and unless the context otherwise requires, any reference to "**ratings**" or "**rating**" in this Prospectus is to the ratings assigned by the specified Rating Agencies only.

Prospective investors are responsible for ensuring that an investment in the Notes is compliant with all applicable investment guidelines and requirements and in particular any requirements relating to ratings.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**").

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decisions to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. The credit ratings included or referred to in this Prospectus are issued by Moody's and Fitch in respect of the Rated Notes, each of which is established in the European Union and included on the list of registered and certified credit rating agencies that is maintained by ESMA.

CERTAIN US REGULATORY DISCLOSURES

US Risk Retention Requirements

Virgin Money as "sponsor" for the purposes of Section 15G of the Exchange Act (the "**US Risk Retention Requirements**"), is required to acquire and retain as described below an economic interest in the credit risk of the Mortgage Loans sold by the Seller to the Mortgages Trustee on the Closing Date or on a Transfer Date. Virgin Money intends to satisfy the US Risk Retention Requirements by acquiring and retaining as described below an eligible vertical interest (an "**EVI**") equal to five per cent. of the Principal Amount Outstanding of each Class of Notes and at least five per cent. in all amounts owing under the Subordinated Loan Agreement and (through the Mortgages Trustee) all Deferred Contribution.. For a description of the Notes, see "*Overview of the Terms and Conditions of the Notes*".

After the Closing Date, Virgin Money is obliged by the US Risk Retention Requirements to retain, either directly or through a majority-owned affiliate (as defined in the US Risk Retention Requirements), the EVI until the later of: (a) the fifth anniversary of the Closing Date and (b) the date on which the total principal balance outstanding of the Mortgage Loans has been reduced to 25 per cent. of the total principal balance outstanding of the Mortgage Loans as of the Closing Date, but in any event no longer than the seventh anniversary of the Closing Date (the "**Sunset Date**"). The US Risk Retention Requirements impose limitations on the ability of Virgin Money or any majority-owned affiliate that holds the EVI during such period to dispose of, or hedge its risk with respect to, the EVI. In general, prior to the Sunset Date, Virgin Money or any majority-owned affiliate that holds the EVI, as applicable, may not transfer the EVI to any person other than a majority-owned affiliate. In addition, prior to the Sunset Date, Virgin Money (or any majority-owned affiliate that holds the EVI, as applicable) may not engage in any hedging transactions if payments on the hedge instrument are materially related to the EVI and the hedge position would limit the financial exposure of Virgin Money (or such majority-owned affiliate) to the EVI. Any financing obtained by Virgin Money or such majority-owned affiliate, as applicable, during such period to purchase or carry the EVI that is secured by the EVI must provide for full recourse to Virgin Money or such majority-owned affiliate, as applicable, and otherwise comply with the US Risk Retention Requirements. The retention, financing and hedging limitations set forth in the US Risk Retention Requirements will not apply to any Notes held by Virgin Money that do not constitute part of the EVI.

Rule 15Ga-2

On 27 August 2014, the SEC approved rules and issued a release regarding third-party due diligence reports. The release relates primarily to two rules, Rule 15Ga-2 and Rule 17g-10, each under the Exchange Act, which became effective on 10 June 2015. Rule 15Ga-2 requires any issuer or underwriter of asset-backed securities (including, for this purpose, securitisations of residential and commercial mortgage loans as well as other asset classes) rated by a nationally recognised statistical rating organisation to furnish a form (a "**Form ABS-15G Report**") via the SEC's EDGAR database describing the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter. Notably, the filing requirements apply to both publicly registered offerings and unregistered securitisations of assets offered within the United States such as those relying on Rule 144A. A third-party due diligence report is any report containing findings and conclusions relating to due diligences services, which are defined as a review of pool assets for the purposes of issuing findings on: (1) the accuracy of the asset data; (2) determining whether the assets conform to stated underwriting standards; (3) asset value(s); (4) legal compliance by the originator; and (5) any other factor material to the likelihood that the issuer will pay interest and principal as required. These due diligence services are routinely provided by third-party due diligence vendors in asset-backed securities structured transactions and affect their credit ratings.

A Form ABS-15G Report containing diligence findings and conclusions with respect to a third party due diligence report prepared for the purpose of the transaction contemplated by this Prospectus has been prepared and furnished by the Seller to the SEC pursuant to Rule 15Ga-2 and is publicly available. This Form ABS-15G Report is not, by this reference or otherwise, incorporated into this Prospectus and should not be relied upon by any prospective investor as a basis for making a decision to invest in the Notes. Prospective investors should rely exclusively on this Prospectus.

REGULATION OF MORTGAGES

Mortgages Regulated under the FSMA

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

Any regulated activities carried on by an entity without the appropriate authorisation or permission under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines. However, this will not render the contract unenforceable against the borrower.

If a mortgage contract was entered into or varied such that a new contract was entered into on or after the Mortgage Regulation Date but before 21 March 2016 it will be a "**Regulated Mortgage Contract**" under the RAO if (a) the borrower was an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage or first ranking Standard Security on land (other than timeshare accommodation) in the UK and (c) at least 40 per cent. of that land was used, or 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.

There have been incremental changes to the definition of Regulated Mortgage Contract over time, including the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK. If a mortgage contract was entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract if it meets the following conditions (but subject to certain relevant exclusions such as the relevant exclusions for buy-to let loans) (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person. A related person (in relation to a Borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is broadly the person's spouse or civil partner, near relative or a person with whom the borrower (or in the case of credit provided to trustees, a beneficiary of the trust) has a relationship which is characteristic of a spouse.

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA, and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 are consumer credit back book mortgage contracts and are also therefore Regulated Mortgage Contracts (see section entitled "*Regulation of residential secured lending (other than Regulated Mortgage Contracts)*" below). On and from the Mortgage Regulation Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised 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 in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity.

If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as an Originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) 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. The Seller holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Mortgages Trustee is not and does not propose to be an authorised person under the FSMA. The Mortgages Trustee does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Mortgages Trustee does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission. If such an administration agreement terminates, however, the Mortgages Trustee will be required to arrange for mortgage administration to be carried out by a replacement administrator having the required FCA authorisation and permission, and will have a period of not more than one month in which to do so.

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

Expansion of MCOB regulation

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

Following changes to MCOB in 2014, lenders must undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process.

These rules apply to a Mortgage Loan that (a) is entered into on or after 26 April 2014; or (b) is varied so as to increase the principal amount outstanding under it (e.g. by way of further advance) on or after 26 April 2014 and MCOB applies to the Mortgage Loan generally as a Regulated Mortgage Contract. To the extent that further advances are made which constitute new Mortgage Loans, or a Mortgage Loan is varied and in so doing a new Mortgage Loan is created under the new terms and such Mortgage Loan are Regulated Mortgage Contracts, then these new rules would apply.

As a result of the implementation of the European Mortgage Credit Directive (2014/17/EU) ("**MCD**") from 21 March 2016 (see "*Mortgage Credit Directive*" below), further changes have been made to the FCA's MCOB rules as a result of these reviews and regulatory reforms. In December 2016, the FCA published a policy statement (PS16/25) on its two minor changes to the MCOB rules relating to mortgage borrowers with a payment shortfall.

Mortgage Credit Directive

The MCD 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 purchase or retain rights in land or in an existing or proposed residential building, and also extends the Consumer Credit Directive (2008/48/EC) to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of EUR 75,000.

The MCD 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 MCD also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

On 25 March 2015, the MCD Order was passed to implement the MCD. In summary, the MCD Order: (i) puts in place a new regulatory regime for consumer buy-to-let mortgages; (ii) widened the definition of a Regulated Mortgage Contract to include second mortgages; and (iii) transferred the regulation of some existing agreements (e.g. second charge mortgages) from the FCA's consumer credit regime to the FCA's mortgage regime. The MCD Order took effect for most purposes on 21 March 2016.

Regulation of residential secured lending (other than Regulated Mortgage Contracts)

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending fell. The UK government thought that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is a first or subsequent charge. The MCD also follows this principle and makes no distinction between requirements for first charge and second (and subsequent) charge mortgage lending. The UK government concluded that it made sense to implement the changes to second (and subsequent) charge lending alongside the implementation of the Mortgage Credit Directive. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the Regulated Mortgage Contract regime rather than keeping them within the consumer credit regime. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime of pre-2004 first charge loans regulated by the CCA. Mortgage regulation under FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt.

In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which were regulated by the CCA became regulated mortgage activities from 21 March 2017. The move of CCA regulated mortgages to the FSMA regime was implemented by the MCD Order. The government has put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out are not removed retrospectively.

Credit agreements which were originated before 21 March 2016 which were regulated by the CCA and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 are defined by the Mortgage Credit Order as "consumer credit back book mortgage contracts". The main CCA consumer protection retained in respect of consumer credit back book mortgage contracts is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to 21 March 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement was still regulated by the CCA. If a consumer credit back book mortgage contract was void as a result of section 56(3) of the CCA, that agreement or the relevant part of it will remain void. Restrictions on early settlement fees will also be retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with s77A CCA (duty to serve an annual statement) or s86B CCA (duty to serve a notice of sums in arrears), once the consumer credit back book mortgage contract became regulated by FSMA under the Mortgage Credit Directive Order as of 21 March 2016, the sanction of interest not being chargeable under s77A CCA and s86D CCA ceases to apply, but only for interest payable under those loans after 21 March 2016. A consumer credit back book mortgage contract will also be subject to unfair relationship provisions described below. Certain provisions of MCOB are applicable to these consumer credit back book mortgage contracts. These include the rules relating to disclosure at the start of a contract and post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2).

Unfair relationships

The CCA contains an "unfair relationship" test, which applies to all existing and new credit agreements, except Regulated Mortgage Contracts under the FSMA and also applies to (as described above) "consumer credit back book mortgage contracts". Where there is an unfair relationship, the CCA explicitly permits the court to require amounts received from a borrower to be repaid by the originator and any assignee such as the Issuer. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct (or anyone acting on behalf of the creditor) before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in UK legislation as it has been given meaning under UK unfair contract terms legislation (discussed below) and associated case law and regulatory guidance. The principle of "treating customers fairly"

under the FSMA, and guidance published by the PRA and the FCA (and, prior to 1 April 2013, the FSA) on that principle and by the FCA (and, prior to 1 April 2014), the OFT on the unfair relationship test, may also be relevant. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

Consumer protection

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**UTCCR**"), applies to agreements made between 1 October 1999 and 30 September 2015 by a "consumer" within the meaning of the UTCCR, where the term has not been individually negotiated. The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR as from 1 October 2015 (see "*Consumer Rights Act 2015*" below).

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

The UTCCR will not affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal (**provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

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. Any such non-recovery, claim or set-off in respect of the Mortgage Loans entered into between 1 October 1999 and 30 September 2015 may adversely affect the Issuer's ability to make payments on the Notes.

In March 2013, the Law Commission published its advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeats the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the "grey list" of terms which are indicatively unfair.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. Such material "no longer reflects the FCA's views on unfair contract terms" and firms should no longer rely on the content of the documents that have been removed.

Consumer Protection from Unfair Trading Regulations 2008

The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTRs**") that came into effect on 26 May 2008 and affects all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market.

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

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

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

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

The CPUTRs were amended by the Consumer Protection (Amendment) Regulations 2014 (which came into force on 1 October 2014) to give consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTR was a significant factor in the consumer's decision to enter into the contract. The amendments to CPUTR also extend the regime so that it covers misleading and aggressive demands for payment: It applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice:

(a) began before 1 October 2014 and continues after that date – however, a consumer will only be able to exercise his new direct rights of action if a contract is entered into, or payments are made, after the date the legislation comes into force; and

(b) occurs on or after 1 October 2014.

Consumer Rights Act 2015

The main provisions of the CRA came into force on 1 October 2015. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. Part 2 of the CRA re-implemented the EU's Unfair Terms Directive (93/13/EEC) into UK law and revoked the UTCCR which had previously implemented that Directive into UK law. It made limited changes to UK law on unfair terms in consumer contracts.

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

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

A term of a consumer contract which is not on the "grey list" may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it provided it is transparent and prominent.

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

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA Handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority (the "**CMA**") published guidance on the unfair terms provisions in the CRA on 31 July 2015. This new regime does not seem to be significantly different from the regime under the UTCCR. However, this area of law is rapidly developing and we can expect new regulator guidance and case law as a result of this new legislation.

Repossessions

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

Private Housing (Tenancies) (Scotland) Act 2016

The Private Housing (Tenancies) (Scotland) Act 2016 came into force on 1 December 2017. One of the changes made by this legislation will be to introduce a new form of tenancy in Scotland known as a "private residential tenancy" which will (except in a very limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Many of the grounds for eviction will remain the same however it should be noted that the current ground of eviction based on "no fault", i.e. that the tenancy has simply reached its expiry date, has now been removed. Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession. The effect of this legislative change is primarily restricted to any buy-to-let loans secured over Scottish property.

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). In terms of the 2010 Act the heritable creditor is now required to obtain a court order to exercise its power of sale, unless the borrower and any other occupier 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 resolve the borrower's position, as well as imposing further procedural requirements.

VIRGIN MONEY PLC

The VM Originator, the Seller, the Administrator, the Trust Property Cash Manager, the Issuer Cash Manager, the Basis Rate Swap Provider, the VM Issuer Account Bank, the Collection Bank and the VM Mortgages Trustee Account Bank.

Any financial information in this section is based on the audited financial statements of Virgin Money Group (as defined below) as at 31 December 2017 (the "**VM Group 2017 Annual Report**"), the unaudited half-year financial statements of Virgin Money Group as at 30 June 2018 (the "**VM Group 2018 Half-Year Report**"), the audited financial statements of Virgin Money plc as at 31 December 2017 (the "**VM plc 2017 Annual Report**") and the unaudited half-year financial statements of Virgin Money plc as at 30 June 2018 (the "**VM plc 2018 Half-Year Report**"). The 2017 Annual Reports were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU, including interpretations issued by the IFRS Interpretations Committee, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The 2018 Half-Year Reports were prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. They do not include all the information required by IFRS in full annual financial statements and should be read in conjunction with the 2017 Annual Report**s**.

VIRGIN MONEY AND THE VIRGIN MONEY GROUP

Virgin Money is a public limited company registered in England and Wales, under number 06952311. Virgin Money Holdings (UK) plc ("VMH") is the ultimate holding company of the Virgin Money Group and the whole of the issued ordinary share capital of Virgin Money is beneficially owned by VMH.

The Virgin Money Group's core business is providing personal financial services to UK consumers. It operates exclusively within the UK with the exception of wholesale funding and liquidity management activities which are undertaken in both the UK and, on a limited basis, in overseas markets.

The Virgin Money Group operates through three commercial business lines:

- Mortgages and savings;
- Credit cards; and
- Financial services including investments and pensions, insurance and currency products and services.

The mortgages, savings and credit cards business are operated by Virgin Money. The financial services business is operated by other members of the Virgin Money Group.

The Virgin Money Group provides customers with direct access to its products and services through multi-channel distribution, which includes digital channels, postal, telephony, store and lounge propositions. Direct distribution is supplemented by intermediary distribution with mortgages being primarily sold through intermediary partners. Certain banking services are also available through any UK Post Office.

The Virgin Money Group remains focused on providing its customers with good value, straightforward products supported by outstanding service. This was reflected in the overall Net Promoter Score ("NPS") (a measure of satisfaction that ranges between -100 and +100 and represents the likelihood of respondents recommending Virgin Money, its products or services to others), of +37 in the first half of 2018.

The Virgin Money Group's operations are centred in Gosforth, Norwich and Chester, with additional offices in London and Edinburgh. The monthly average number of persons (including Directors) employed by the Virgin Money Group was 3,224 in 2017 (2016: 3,140).

The registered office of Virgin Money is at Jubilee House, Gosforth, Newcastle upon Tyne NE3 4PL, United Kingdom. Virgin Money's internet address is www.virginmoney.com (it should be noted that the content of the www.virginmoney.com website does not form part of this Prospectus) and telephone number is +44 845 600 8401.

Virgin Money is regulated by the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA").

VIRGIN MONEY GROUP RECENT FINANCIAL PERFORMANCE

Based on Virgin Money Group's unaudited financial statements for the six months ended 30 June 2017, underlying profit before tax was £128.6 million and statutory profit before tax was £123.8 million. Return on tangible equity was 13.3 per cent. in the half-year ended 30 June 2017. Net interest income was £288.5 million and underlying other income was £38.7 million, resulting in an underlying total income of £327.2 million. Total underlying operating expenses were £176.4 million for the six months ended 30 June 2017, leading to a Cost: Income Ratio of 53.9 per cent. for the six months ended 30 June 2017. In the six months ended 30 June 2017 the impairment charge was £22.2 million and the Cost of Risk was 0.13 per cent. Banking Net Interest Margin was 1.72 per cent. and Net Interest Margin 1.59 per cent.

Based on Virgin Money Group's audited financial statements as at 31 December 2017, Virgin Money Group had total assets of £41,107.8 million, total loans and advances to customers of £36,740.2 million of which £33,716.1 million were secured and £3,024.1 million were unsecured, total customer deposits of £30,808.4 million and total equity of £1,824.9 million. Underlying profit before tax was £273.3 million and statutory profit before tax was £262.6 million for the year ended 31 December 2017. Return on tangible equity was 14.0 per cent. in the year ended 31 December 2017. Net interest income was £594.6 million and underlying other income was £71.4 million, resulting in an underlying total income of £666.0 million. Total underlying operating expenses were £348.5 million, leading to a Cost: Income Ratio of 52.3 per cent. for the year ended 31 December 2017. In the year ended 31 December 2017 the impairment charge was £44.2 million and the Cost of Risk was 0.13 per cent. Banking Net Interest Margin was 1.72 per cent. and Net Interest Margin 1.57 per cent.

Based on Virgin Money Group's unaudited financial statements for the six months ended 30 June 2018, Virgin Money Group had total assets of £43,696.1 million, total loans and advances to customers of £37,176.0 million of which £34,035.6 million were secured and £3,140.4 million were unsecured, total customer deposits of £31,445.6 million and total equity of £1,861.2 million. Underlying profit before tax was £141.6 million and statutory profit before tax was £127.2 million for the six months ended 30 June 2018. Return on tangible equity was 14.2 per cent. in the half year ended 30 June 2018. Net interest income was £303.1 million and underlying other income was £39.9 million, resulting in an underlying total income of £343.0 million. Total underlying operating expenses were £171.0 million, leading to a Cost: Income Ratio of 49.9 per cent. for the six months ended 30 June 2018. In the six months ended 30 June 2018 the impairment charge was £30.4 million and the Cost of Risk was 0.16 per cent. Banking Net Interest Margin was 1.64 per cent. and Net Interest Margin 1.41 per cent.

VIRGIN MONEY RECENT FINANCIAL PERFORMANCE

Based on Virgin Money's unaudited financial statements for the six months ended 30 June 2017, underlying profit before tax was £115.1 million and statutory profit before tax was £126.4 million. Net interest income was £288.5 million and underlying other income was £20.8 million, resulting in an underlying total income of £309.3 million. Total operating expenses were £172.0 million for the six months ended 30 June 2017, leading to a Cost: Income Ratio of 55.6 per cent. for the six months ended 30 June 2017.

Based on Virgin Money's audited financial statements as at 31 December 2017, Virgin Money had total assets of £41,018.9 million, total loans and advances to customers of £37,099.9 million, total customer deposits of £30,808.4 million and total equity of £1,879.2 million. Underlying profit before tax was £253.3 million and statutory profit before tax was £263.1 million for the year ended 31 December 2017. Net interest income was £594.7 million and underlying other income was £34.9 million, resulting in an underlying total income of £629.6 million. Total operating expenses were £332.1 million, leading to a Cost: Income Ratio of 52.7 per cent. for the year ended 31 December 2017.

Based on Virgin Money's unaudited financial statements for the six months ended 30 June 2018, Virgin Money had total assets of £43,543.9 million, total loans and advances to customers of £37,441.0 million, total customer deposits of £31,445.6 million and total equity of £1,854.9 million. Underlying profit before tax was £120.3 million and statutory profit before tax was £125.0 million for the six months ended 30 June 2018. Net interest income was £303.3 million and underlying other income was £18.0 million, resulting in underlying total income of £321.3 million. Total operating expenses were £170.6 million, leading to a Cost: Income Ratio of 53.1 per cent. for the six months ended 30 June 2018.

HISTORY

Set out below are certain key milestones in the Virgin Money Group's development.

1965 Northern Rock Building Society formed following the merger of the Northern Counties Permanent Building Society and the Rock Building Society.

1995 Virgin Money, a group of UK financial services businesses now under the common ownership of VMH, was established by Virgin Money Direct Personal Financial Service Limited ("**VDPFS**"). VDPFS initially offered tax efficient savings in the form of Personal Equity Plans ("**PEPs**") and later personal pensions, life insurance and unit trust products and subsequently credit cards and general insurance.

1997 Virgin Direct entered into a joint venture with RBS to establish and operate the Virgin Money One Account ("**VOA**"), an innovative current account mortgage, through Virgin Direct Personal Finance Limited. This business was sold to RBS in 2001.

Northern Rock Building Society was converted to a public limited company, when it was also listed on the London Stock Exchange.

2002 VDPFS went on to launch a credit card product in partnership with MBNA and sold its own branded life insurance business. VDPFS was subsequently rebranded as Virgin Money.

2008 The original Northern Rock plc entered temporary public ownership.

2010 Northern Rock's business was separated into two entities: a new entity, Northern Rock plc, which held all of the customer retail savings and current accounts and a core portfolio of high quality performing mortgage assets, and the original entity renamed Northern Rock (Asset Management) plc and, subsequently, NRAM plc (and now, following its acquisition by Cerberus Capital Management in May 2016, Landmark Mortgages Limited) (the "**NRAM Originator**"), which retained all remaining and securitised assets and which was owned by HM Treasury through UK Asset Resolution. In addition, all branches, mortgage origination capabilities and information technology were transferred to the new Northern Rock plc. Following the separation, Northern Rock plc carried on business as a mortgage and savings bank, primarily funded by retail deposits.

2012 In January 2012, Virgin Money Holdings (UK) Limited acquired the entire issued share capital of Northern Rock plc from HM Treasury. As a result, Northern Rock plc became part of the Virgin Money Group.

Also in January 2012, Northern Rock plc acquired Virgin Money Cards Limited (formerly Virgin Money Limited) from VMH, the principal business of which was the marketing of personal credit cards and pre-paid cards which were distributed pursuant to partnership agreements with MBNA.

In July 2012, Virgin Money plc entered into a transaction to acquire a mortgage portfolio from the NRAM Originator for a cash consideration of £466.4 million.

Northern Rock plc was renamed Virgin Money plc in October 2012.

2014 In July 2014, Virgin Money Holdings (UK) Limited changed its name to Virgin Money Holdings (UK) plc and was re-registered as a plc. In November 2014, VMH was listed on the London Stock Exchange via an initial public offering.

CAPITAL

The Virgin Money Group's objective with respect to its capital position is to deliver sustainable returns for shareholders while maintaining an overall quality and quantity of capital in line with its low risk profile.

Virgin Money Group's capital position under CRD IV as at 30 June 2018:

- Total Capital ratio was 21.1 per cent. (18.1 per cent. as at 31 December 2017);
- Common Equity Tier 1 ratio was 16.3 per cent. (13.8 per cent. as at 31 December 2017); and
- Leverage ratio was 3.8 per cent (3.9 per cent. as at 31 December 2017).

During 2018, the Virgin Money Group made a submission to the PRA seeking approval for improvements to its mortgage risk-weight models. These improvements were approved and, as a result, the Common Equity Tier 1 capital ratio for Virgin Money Group increased by 2.5 percentage points.

Virgin Money's capital position under CRD IV as at 30 June 2018:

- Total Capital ratio was 21.1 per cent. (19.1 per cent. as at 31 December 2017);
- Common Equity Tier 1 ratio was 18.2 per cent. (16.4 per cent. as at 31 December 2017); and
- Leverage ratio was 3.8 per cent (4.1 per cent. as at 31 December 2017).

BANKING ACTIVITIES

Virgin Money offers a range of banking services and products to customers throughout the UK.

Residential Mortgage Lending

Virgin Money's core lending activity is the provision of residential mortgages to individuals secured on residential properties located in the UK and represented 91.3 per cent. of retail loans and advances to customers as at 30 June 2018. This lending is principally to prime borrowers who are owner and occupier of the mortgaged property (80.6 per cent.), with a proportion (19.4 per cent.) being to borrowers who are landlords.

The primary distribution channel for mortgages is through intermediary partners, supplemented by direct distribution (13.3 per cent. of new business in the six months to 30 June 2018).

Virgin Money moderated gross lending to £2.8 billion in the six months to 30 June 2018 achieving a gross lending market share of 2.2 per cent. to the end of May 2018 and increasing gross mortgage balances by 1.2 per cent. to £34.1 billion at 30 June 2018 (£33.7 billion at 31 December 2017), this compared to market growth of 0.6 per cent. Virgin Money entered the second half of 2018 with a mortgage pipeline of £2.2 billion.

Customer retention remained consistent in the six months to 30 June 2018 with 72 per cent. of mortgage customers with maturing fixed or tracker products choosing to remain with Virgin Money at the end of their existing deal (72 per cent. in the year ended 31 December 2017).

Virgin Money continued to extend its mortgage proposition to help more people onto the housing ladder and in 2018 launched a portfolio landlord proposition, new seven and ten year fixed rate products and extended Shared Ownership lending.

The weighted average indexed loan-to-value ratio ("**LTV**") of Virgin Money's total residential mortgage portfolio was 57.1 per cent. as at 30 June 2018 (55.8 per cent. as at 31 December 2017), and the weighted average indexed LTV of residential mortgage loans was 57.6 per cent. and residential BTL loans was 55.1 per cent. as at 30 June 2018 (respectively, 56.1 per cent. and 54.1 per cent. as at 31 December 2017).

As at 30 June 2018, 70.9 per cent. of Virgin Money's residential mortgage loans and 85.7 per cent. of Virgin Money's residential BTL loans had an indexed LTV less than 70 per cent, based on value. For the total residential mortgage book, the equivalent figure was 73.8 per cent. as at 30 June 2018 (76.3 per cent. as at 31 December 2017).

Only 2.3 per cent. of Virgin Money's total residential mortgage book as at 30 June 2018 had an indexed LTV in excess of 90 per cent., based on value. The weighted average indexed LTV of Virgin Money's new mortgage lending was 68.8 per cent. in the six months ended 30 June 2018 (68.1 per cent. in 2017), 71.9 per cent for residential mortgage loans and 56.2 per cent. for residential BTL loans.

The Cost of Risk for mortgages reduced to less than 0.01 per cent. in the half year to 30 June 2018 and the mortgage impairment charge was £0.9 million for the six months ended 30 June 2018. Secured credit impaired loans as a proportion of total secured loans have increased marginally to 0.6 per cent. (1 January 2018: 0.5 per cent.), with balances increasing by £23.9 million to £187.5 million as at 30 June 2018. Secured impairment allowances increased by £0.7 million from £12.1 million to £12.8 million during the first six months of 2018.

Virgin Money has experienced historically low losses in its total residential mortgage portfolio. As at 30 June 2018 loans over three months in arrears remained at 0.12 per cent. of the book, compared to the UK Finance industry average of 0.81 per cent. as at Q1 2018.

Retail savings

Virgin Money offers customers a range of instant access and fixed term savings products, both available as ISAs. In 2018 Virgin Money launched SME deposit products and a savings account in partnership with Virgin Atlantic.

Virgin Money is predominantly funded through customer deposits, largely originated directly through the digital channel and store network. Retail deposit balances grew 2.1 per cent. in the six months ended 30 June 2018 to £31.4 billion (compared to £30.8 billion at 31 December 2017). Savings performance was underpinned by strong customer retention. Virgin Money retained 86 per cent. of customers with maturing fixed rate deposit balances in the six months ended 30 June 2018 (89 per cent. in the year ended 31 December 2017) and repriced £1.5 billion of existing deposits.

Credit cards

Virgin Money provides credit card products, predominantly online, to 1.3 million customers. The portfolio is a mix of retail and balance transfer credit cards, and in 2018 Virgin Money launched a new Virgin Atlantic credit card proposition.

The prime credit card portfolio represented 8.7 per cent. of retail loans and advances to customers, with credit card balances totalling £3.1 billion at 30 June 2018 (compared to £3.0 billion at 31 December 2017). In the first half of 2018 193,000 new accounts were opened (H1 2017: 150,000), of which 64 per cent. were retail-led (H1 2017: 42 per cent.), with spend per active account 10 per cent. higher than the same period in 2017.

The Cost of Risk for credit cards was 1.87 per cent. in the half year to 30 June 2018 and the impairment charge (measured under IFRS 9) was £29.5 million for the six months ended 30 June 2018. Unsecured credit-impaired loans as a proportion of total unsecured loans have remained stable at 1.0 per cent. (1 January 2018: 1.0 per cent.) with balances increasing by £4.5 million to £33.9 million as at 30 June 2018.

There was no underlying deterioration in credit and performance for the six months ended 30 June 2018 reflecting the strong credit quality of the book. Unsecured two month plus arrears levels remained low at 0.93 per cent. as at 30 June 2018 (31 December 2017: 0.88 per cent.).

LIQUIDITY AND FUNDING

The Virgin Money Group's treasury function manages liquidity, funding and balance sheet risks. The Virgin Money Group does not manage the treasury function as a profit centre and the treasury function is not engaged in trading activities.

Liquidity

The Virgin Money Group maintains a portfolio of liquid assets, predominantly in high-quality unencumbered securities issued by the UK Government or Supranationals and deposits with the Bank of England.

As at 30 June 2018, the Virgin Money Group had total liquid assets of £6.2 billion of which £5.3 billion were high quality liquid assets (this compared to £5.9 billion and £5.3 billion, respectively, as at 31 December 2017).

As at 30 June 2018, Virgin Money had total liquid assets of £6.2 billion of which £5.3 billion were high quality liquid assets (this compared to £5.9 billion and £5.3 billion, respectively, as at 31 December 2017). Total liquidity as at 30 June 2018 included total Level 1 assets of £5.2 billion, of which £4.1 billion were held in cash and balances held at central banks, £202.2 million were held in UK Government securities, £395.6 million were held in Supranational securities, and £470.3 million were held in Level 1 eligible covered bonds. Total Level 2a and 2b assets and other liquidity resources were £176.4 million. These included eligible Residential Mortgage Backed Securities ("**RMBS**"). Self-issued RMBS amounted to a further £839.7 million.

During the first half of 2018, the Virgin Money Group maintained a liquidity position in excess of risk appetite and the regulatory minimum. Its liquidity coverage ratio was 175.6 per cent. as at 30 June 2018 (203.1 per cent. as at 31 December 2017).

Funding

The Virgin Money Group focuses on maintaining a stable retail deposit base, with diversification through wholesale funding. Its loan-to-deposit ratio reduced to 118.3 per cent at 30 June 2018 (119.1 per cent. as at 31 December 2017).

The Virgin Money Group adopts a prudent wholesale funding strategy which is planned and controlled by a series of balance sheet metrics to limit concentration and refinancing exposures. Access to wholesale funding supplements the core retail deposit base in order to extend tenor, ensure appropriate diversification of the funding base and optimise funding costs.

As at 30 June 2018, the Virgin Money Group had total wholesale funding of £10.0 billion (£8.1 billion as at 31 December 2017).

As at 30 June 2018, Virgin Money had total wholesale funding of £9.9 billion (£10.0 billion as at 31 December 2017).

Wholesale funding included £6.4 billion of Government funding through the Term Funding Scheme.

In 2015, Virgin Money and VMH established a £3,000,000,000 Global Medium Term Note programme (the "**Global Medium Term Note Programme**") under which Virgin Money issued £300 million 2.25 per cent. Notes due 2020 in April 2015, and VMH issued £350 million 3.375 per cent. Fixed Rate Reset Callable Senior Notes due 2026 in April 2018.

Virgin Money established a Regulated Global Covered Bond programme in April 2018.

Virgin Money has also raised funding through the issuance of RMBS – the outstanding transactions are as set out in the table below.

Date of issue	Principal amount sold[(3)]	Issuer
12 September 2014	£1,388,900,000	Gosforth Funding 2014-1 plc[(1)]
8 June 2015	£1,388,900,000	Gosforth Funding 2015-1 plc[(1)]
25 January 2016	£1,553,158,602[(2)]	Gosforth Funding 2016-1 plc[(1)]
9 May 2016	£1,026,053,995[(2)]	Gosforth Funding 2016-2 plc[(1)]
25 September 2017	£1,151,817,734[(2)]	Gosforth Funding 2017-1 plc[(1)]

Note:

(1) These securities were sold primarily to raise funding although certain securities have been retained for contingent funding purposes.

(2) GBP Equivalent.

(3) Reflects the amount sold at the date of issue. This amount will have reduced as the RMBS amortises over the life of the transaction.

Ratings

As at the date of this Prospectus, Virgin Money plc has been assigned:

(a) By Fitch, a short-term Issuer Default Rating of F2 and a long-term Issuer Default Rating of BBB+, outlook Stable, and

(b) By Moody's a long-term local currency Bank Deposit Rating of Baa2, on Review for Upgrade with the outlook changed to Rating under Review from Positive, and a long-term local- and foreign currency Issuer Rating of Baa2, on Review for Upgrade with the outlook changed to Rating under Review from Stable, and a Counterparty Risk Assessment (CR Assessment) of A3(cr)/Prime-2(cr), on Review for Upgrade, and

a baa2 Baseline Credit Assessment (BCA) and a baa2 adjusted BCA both on Review for Upgrade. The Prime-2 short-term local-currency Deposit and short-term local- and foreign currency Issuer Ratings were affirmed.

OFFER BY CYBG FOR VMH

On 18 June 2018, the boards of CYBG and VMH announced agreement on the terms of a recommended all-share offer to be made by CYBG for VMH (the parent company of Virgin Money) (the "**Offer**"). The Offer is expected to be effected by means of a court-sanctioned scheme of arrangement (the "**Scheme**") between VMH and the VMH shareholders under Part 26 of the Companies Act 2006, although CYBG has reserved the right to effect the Offer by way of a takeover offer (as defined in section 94A of the Companies Act 2016). The purpose of the Scheme is to provide for CYBG to become the owner of the entire issued and to be issued ordinary share capital of VMH. Under the terms of the Offer, VMH shareholders will receive 1.2125 new ordinary shares in the capital of CYBG in exchange for each ordinary share in VMH. Following completion of the Offer, VMH shareholders will own approximately 38 per cent. of the combined group (on a fully diluted basis).

On 10 September 2018, the requisite numbers of CYBG and VMH shareholders voted in favour of the Offer at general meetings of each of CYBG and VMH. In addition, the requisite number of VMH shareholders voted in favour of the Scheme at a separate meeting of VMH shareholders.

Completion of the Offer remains subject to the satisfaction, or, where permitted, waiver of certain conditions, including: (i) the sanction of the Scheme by the court; and (ii) obtaining the requisite regulatory clearances, which include clearances from both the FCA and the PRA. Subject to such satisfaction or waiver, the Offer is expected to complete in the fourth quarter of 2018.

It has been announced that a detailed integration plan is being compiled and that the integration process will be carefully managed to leverage the best talent from both the CYBG and Virgin Money businesses and ensure that the necessary implementation measures are taken with the least disruption to the combined group's operations and customer base.

The completion of the Offer is not of itself expected to adversely affect the rights of the Noteholders or the obligations of Virgin Money under the Transaction Documents to which it is a party.

ALTERNATIVE PERFORMANCE MEASURES

The financial measures presented by Virgin Money and Virgin Money Group in this section are not defined in accordance with International Financial Reporting Standards ("IFRS") accounting standards. However, Virgin Money's and Virgin Money Group's rationale for use of the measures labelled as "underlying" measures is that they provide useful supplementary information to both investors, Virgin Money's management and Virgin Money Group's management, as they facilitate the evaluation of the Virgin Money's and Virgin Money Group's performance. In addition, Cost: Income Ratio, Cost of Risk, Loan-to-deposit ratio, Net Interest Margin and Return on tangible equity are commonly reported metrics used and reported throughout the banking industry. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies (even if similarly labelled). Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. The list below describes alternative performance measures used in this Prospectus, along with their basis of calculation and reconciliation to the extent that such information is not defined according to IFRS.

Financial Measure	Definition
Banking Net Interest Margin	Net interest income, calculated on an underlying basis, as a percentage of simple average interest-earning banking assets.
Cost: Income Ratio	Operating expenses divided by total income, calculated on an underlying basis.
Cost of Risk	Impairment charges, net of debt recoveries, divided by simple average gross loans for the period.
Loan-to-deposit ratio	The ratio of loans and advances to customers, net of allowances for impairment, divided by customer deposits (each excluding adjustments for fair value of portfolio hedging).

Net Interest Margin	Net interest income, calculated on an underlying basis, as a percentage of simple average interest-earning assets.
Return on tangible equity	Underlying profit before tax (adjusted to deduct distributions to Additional Tier 1 securities) less tax calculated using the statutory effective tax rate of the Group, divided by simple average tangible equity. Tangible equity is calculated as total equity less other equity instruments and intangible assets.
Underlying profit before tax	Statutory profit/(loss) before tax adjusted for certain items as detailed below in the sections entitled "*Basis of preparation of financial results*" and "*Profit before tax*".
Underlying total income	Statutory total income adjusted for a subset of certain items as detailed below in the sections entitled "*Basis of preparation of financial results*" and "*Total income*".

Basis of preparation of financial results

The financial statements of Virgin Money Group have been prepared in accordance with IFRS. Aspects of the results are adjusted for certain items, which are listed below, to reflect how the Executive assesses the Virgin Money Group's underlying performance without distortions caused by items that are not reflective of the Virgin Money Group's ongoing business activities. The following items have been excluded from underlying profit before tax:

- IPO share based payments

  These costs relate to share based payment charges triggered by Virgin Money Group's successful IPO in 2014, which were recognised over their vesting period. 2017 was the last year in which such charges were incurred.

- Strategic items

  Virgin Money Group incurred strategic investment costs of £11.6 million in the first half of 2018. This included a £10.0 million non-recurring cost to support the launch of Virgin Atlantic financial services products. The remainder related to the development of the digital banking platform.

  Virgin Money Group incurred strategic investment costs of £6.5 million in 2017, entirely due to the development of the digital banking platform which was not considered part of the underlying results. Included within this amount was a non-cash impairment charge of £4.8 million in respect of previous software development on an earlier digital project which was discontinued in light of the strategic decision taken in May 2017 to consolidate activities within the digital bank programme.

- Fair value gains/(losses) on financial instruments

  Fair value gains and losses on financial instruments reflect the results of hedge accounting and the fair value movements on derivatives in economic hedges to the extent that they either do not meet the criteria for hedge accounting or give rise to hedge ineffectiveness. Where these derivatives are held to maturity, fair value movements recorded in this heading represent timing differences that will reverse over their lives and therefore, excluding these from underlying profit better represents the underlying performance of the Virgin Money Group. Where derivatives are terminated prior to maturity, this may give rise to fair value movements which do not reverse.

Reconciliation of statutory results to the underlying basis

The tables below reconcile the underlying and statutory measures of profit before tax and total income of the Virgin Money Group for the six months ended 30 June 2018, six months ended 30 June 2017 and the year ended 31 December 2017.

Profit before tax

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	**Year ended 31 December 2017**
	(£ million)	(£ million)	*(£ million)*
Underlying profit before tax	141.6	128.6	273.3
IPO share based payments	–	(0.6)	(0.9)
Strategic items	(11.6)	(5.5)	(6.5)
Fair value gain/(losses) on financial instruments	(2.8)	1.3	(3.3)
Statutory profit/(loss) before tax	**127.2**	**123.8**	**262.6**

Total income

	Six months ended 30 June 2018	**Six months ended 30 June 2017**	**Year ended 31 December 2017**
	(£ million)	(£ million)	*(£ million)*
Underlying Total Income	343.0	327.2	666.0
Fair value gain/(losses) on financial instruments	(2.8)	1.3	(3.3)
Statutory total income	**340.2**	**328.5**	**662.7**

THE CURRENCY SWAP PROVIDER

Lloyds Bank Corporate Markets plc ("**Lloyds Bank Corporate Markets**") is a wholly owned subsidiary of Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, "**Lloyds Banking Group**"), incorporated under the laws of England and Wales on 28 September 2016 (registration number 10399850) and is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority and the PRA. Lloyds Bank Corporate Markets's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom.

Lloyds Bank Corporate Markets was created in response to the Financial Services (Banking Reform) Act 2013, which takes effect from 1 January 2019 and requires the separation of certain commercial banking activities and international operations from the rest of the Lloyds Banking Group.

Lloyds Bank Corporate Markets and its subsidiaries provides deposit taking, lending and transaction banking products and services to customers (both new and existing) and is also responsible for the provision of certain wholesale banking products and services (including loan markets, bonds and asset securitisation and elements of foreign exchange, commodities and rate management). Lloyds Bank Corporate Markets has a client-led strategy, focused on UK based clients and international clients with a link to the UK.

Additional information on Lloyds Bank Corporate Markets, and Lloyds Banking Group's approach to ring-fencing, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: http://www.lloydsbankinggroup.com. The information on this website does not form part of this Prospectus.

THE ISSUER ACCOUNT BANKS AND THE MORTGAGES TRUSTEE ACCOUNT BANKS

The First Issuer Account Bank and the First Mortgages Trustee Account Bank

Citibank, N.A. is a national banking association formed through its Articles of Association obtained its charter 1461, July 17, 1865 and governed by the laws of the United States of America on 17 July 1865 with Charter number 1461, having its principal business office at 388 Greenwich Street, New York, NY 10013, USA, and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The London Branch is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the PRA. It is subject to regulation by the FCA and limited regulation by the PRA.

The Second Issuer Account Bank and the Second Mortgages Trustee Account Bank

Elavon Financial Services DAC

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services DAC (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U.S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the UK Branch of Elavon Financial Services DAC from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services DAC is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services DAC is authorised by the Central Bank of Ireland and the activities of its UK Branch are also subject to the limited regulation of the UK Financial Conduct Authority and Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than USD4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of more than 50 U.S.-based offices and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with USD462 billion in assets as of December 31, 2017, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,067 banking offices in 25 states and 4,771 ATMs, and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales as a public company limited by shares under the Companies Act 2006 on 2 July 2018 with registered number11444253. The registered office of the Issuer is at Fifth Floor, 100 Wood Street, London EC2V 7EX, telephone number +44 (0)20 7606 5451. The Issuer's issued share capital comprises 49,999 ordinary shares of £1 one quarter paid up and 1 ordinary share of £1 fully paid up, all of which are beneficially owned by Holdings. The Issuer first started to carry on a business when it received its certificate to trade dated 9 August 2018.

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities and for acquiring the Issuer Share in the Trust Property. The Issuer has no subsidiaries. The Seller does not own, directly or indirectly, any of the share capital of the Issuer. The principal objects of the Issuer are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a public company under the Companies Act 2006, the authorisation and issue of the Notes, the matters contemplated in this Prospectus, the authorisation of the other Transaction Documents referred to in this Prospectus or in connection with the issue of the Notes and other matters which are incidental or ancillary to those activities. The Issuer has no employees. As at the date of this Prospectus no financial statements have been prepared by the Issuer.

There is no intention to accumulate surplus cash in the Issuer except in the circumstances set out in the section entitled "*Security for the Issuer's Obligations*".

Directors and Secretary

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

Name	Business Address	Principal Activities/ Business Occupation
Mark Howard Filer	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as individual director of special purpose companies
L.D.C. Securitisation Director No. 1 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate directors of special purpose companies
L.D.C. Securitisation Director No. 2 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate directors of special purpose companies

The affairs of L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited are represented by their directors, Mark Howard Filer, Ian Kenneth Bowden and Law Debenture Securitisation Services Limited. The directors of Law Debenture Securitisation Services Limited are Mark Howard Filer and Richard David Rance, each of whose business address is Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as directors.

The company secretary of the Issuer is:

Name	Business Address
Law Debenture Corporate Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX

The company secretary of the Issuer is not a director of the Issuer.

In accordance with the Corporate Services Agreement, the Seller and the Corporate Services Provider will each provide directors and other corporate services for the Issuer in consideration for the payment of an annual fee to the Corporate Services Provider.

The Issuer's activities will principally comprise the issue of the Notes, the entering into of all documents relating to such issue and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

Capitalisation and Borrowings

The following table shows the unaudited capitalisation and borrowings of the Issuer as at the date of this Prospectus adjusted for the issue of Notes and drawing of the Sterling denominated loan made to the Issuer by the Subordinated Loan Provider on the Closing Date (the "**Initial Subordinated Loan**"):

	£
Share Capital	
Issued Share Capital	
49,999 issued ordinary shares of £1 each one quarter paid up and one issued ordinary share of £1 fully paid up	12,500.75

	£
Borrowings	
Class A1 Notes	£425,760,293
Class A2 Notes	£409,935,000
Class A3 Notes	£441,684,000
Class M Notes	£49,956,000
Class Z Notes	£99,911,000
Initial Subordinated Loan	£29,546,706
	£1,456,792,999

The Sterling amount stated above in respect of the Class A1 Notes has been calculated using the Original Exchange Rate.

As at the date of this Prospectus, save as disclosed in this Prospectus, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of the Prospectus.

The current financial period of the Issuer will end on 31 December 2019.

THE MORTGAGES TRUSTEE

Introduction

The Mortgages Trustee was incorporated in England and Wales as a private company limited by shares under the Companies Act 2006 on 2 July 2018 with registered number 11444216. The registered office of the Mortgages Trustee is Fifth Floor, 100 Wood Street, London EC2V 7EX, telephone number +44 (0)20 7606 5451. The issued share capital of the Mortgages Trustee comprises 1 ordinary share of £1 which is owned by Holdings. As at the date of this Prospectus, the Mortgages Trustee does not have any borrowings or contingent liabilities. The Mortgages Trustee is organised as a special purpose company. The Mortgages Trustee has no subsidiaries. The Seller does not own, directly or indirectly, any of the share capital of the Mortgages Trustee.

Since its incorporation, the Mortgages Trustee has not engaged in any material activity other than those incidental to the settlement of the Trust Property on the Mortgages Trustee, the authorisation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to those activities.

Directors and Secretary

The directors of the Mortgages Trustee and their respective business addresses and principal activities or business occupations are:

Name	Business Address	Principal Activities/Business Occupation
Mark Howard Filer	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as individual director of special purpose companies
L.D.C. Securitisation Director No. 1 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate directors of special purpose companies
L.D.C. Securitisation Director No. 2 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate directors of special purpose companies

The affairs of L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited are represented by their directors, Mark Howard Filer, Ian Kenneth Bowden and Law Debenture Securitisation Services Limited. The directors of Law Debenture Securitisation Services Limited are Mark Howard Filer and Richard David Rance, each of whose business address is Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as directors.

The company secretary of the Mortgages Trustee is:

Name	Business Address
Law Debenture Corporate Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX

The company secretary of the Mortgages Trustee is not a director of the Mortgages Trustee.

In accordance with the Corporate Services Agreement, the Seller and the Corporate Services Provider will each provide directors and other corporate services for the Mortgages Trustee in consideration for the payment of an annual fee to the Corporate Services Provider.

The Mortgages Trustee's activities will principally comprise the acquisition of the Mortgage Loans, the entering into of all documents relating to such acquisition and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

The current financial period of the Mortgages Trustee will end on 31 December 2019.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales as a private company limited by shares under the Companies Act 2006 on 2 July 2018 with registered number 11444180. The registered office of Holdings is at Fifth Floor, 100 Wood Street, London EC2V 7EX, telephone number +44(0)20 7607 5451. The issued share capital of Holdings comprises 1 ordinary share of £1 each which is owned by The Law Debenture Intermediary Corporation plc, in its capacity as trustee pursuant to a Share Trust Deed dated 31 July 2018. On 7 August 2018, Holdings borrowed £12,501.75 from Law Debenture Trustees Limited (the "**Holdings Loan**"). As at the date of this Prospectus, Holdings does not have any borrowings or contingent liabilities other than the Holdings Loan. Holdings is organised as a special purpose company. Other than the Issuer and the Mortgages Trustee, Holdings has no subsidiaries. The Seller does not own, directly or indirectly, any of the share capital of Holdings.

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

Directors and Secretary

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

Name	Business Address	Principal Activities/Business Occupation
Mark Howard Filer	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as individual director of special purpose companies
L.D.C. Securitisation Director No. 1 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate directors of special purpose companies
L.D.C. Securitisation Director No. 2 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Acting as corporate directors of special purpose companies

The affairs of L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited are represented by their directors, Mark Howard Filer, Ian Kenneth Bowden and Law Debenture Securitisation Services Limited. The directors of Law Debenture Securitisation Services Limited are Mark Howard Filer and Richard David Rance, each of whose business address is Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as directors.

The company secretary of Holdings is:

Name	Business Address
Law Debenture Corporate Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX

The company secretary of Holdings is not a director of Holdings.

In accordance with the Corporate Services Agreement, the Seller and the Corporate Services Provider will each provide directors and other corporate services for Holdings in consideration for the payment of an annual fee to the Corporate Services Provider.

Holdings' activities will principally comprise the holding of the shares in each of the Issuer and Mortgages Trustee, the entering into of all documents relating thereto and the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

The current financial period of Holdings will end on 31 December 2019.

THE MORTGAGE LOANS

Introduction

The following is a description of some of the characteristics of the Mortgage Loans and includes details of Mortgage Loan types, the underwriting process, lending criteria and selected statistical information. In selecting which mortgage loans to assign to the Mortgages Trustee, the Seller has compiled a portfolio of mortgage loans (the "**Provisional Mortgage Portfolio**"). Each mortgage loan in the Provisional Mortgage Portfolio is a Mortgage Loan in respect of a property located in England & Wales or Scotland, and incorporates one or more of the features referred to in this section. From the Provisional Mortgage Portfolio, the Seller will assign (or transfer its beneficial interest in, as the case may be) a portfolio of Mortgage Loans and Related Security to the Mortgages Trustee on the Closing Date (the "**Initial Mortgage Portfolio**"). It is not expected that the Initial Mortgage Portfolio will differ materially from the Provisional Mortgage Portfolio.

The Seller may also sell New Mortgage Loans to the Mortgages Trustee which shall be added to the Mortgage Portfolio on a Transfer Date, subject to satisfaction of the Replenishment Criteria (see "*Assignment of the Mortgage Loans and Related Security*" for further information) (such Mortgage Loans together with the Initial Mortgage Portfolio, the "**Mortgage Portfolio**").

The Mortgage Portfolio will from time to time comprise:

(a) the Mortgage Loans and Related Security assigned to the Mortgages Trustee on the Closing Date together with any New Mortgage Loans sold to the Mortgages Trustee on any Transfer Date,

less:

(b) any Mortgage Loans repurchased by the Seller as a result of an un-remedied breach of any of the warranties set out in the Mortgage Sale Agreement or prior to a Product Switch or Further Advance being made on the relevant Mortgage Loan,

other than, in any such case, Mortgage Loans which have been discharged or in respect of which funds representing principal outstanding have otherwise been received in full by the Mortgages Trustee.

Each Borrower may have more than one Mortgage Loan incorporating different features, but all Mortgage Loans secured on the same Mortgaged Property will be incorporated in a single account with the Seller (the "**Mortgage Account**"). If a Mortgage Loan to a particular Borrower is included in the Mortgage Portfolio, all of the Mortgage Loans under the Mortgage Account of that Borrower will be included in the Mortgage Portfolio. Each Mortgage Loan when advanced is secured by a first priority legal charge over freehold or leasehold Mortgaged Property located in England or Wales (an "**English Mortgage**) or a first ranking Standard Security over heritable or long leasehold Mortgaged Property located in Scotland (a "**Scottish Mortgage**" and together, a "**Mortgage**").

The Seller will select randomly which Mortgage Loans from the Provisional Mortgage Portfolio will be assigned to the Mortgages Trustee. In making its selection, the Seller will exclude from the Provisional Mortgage Portfolio those Mortgage Loans that have been repaid in full.

The Provisional Mortgage Portfolio was drawn up as at the Provisional Mortgage Portfolio Information Date and comprised 10,856 Mortgage Loans having an aggregate Current Balance of £1,930,312,088 as at that date. The NRAM Originator initially originated the NRAM-originated Mortgage Loans in the Provisional Mortgage Portfolio between January 2003 and December 2009. The VM Originator initially originated the VM-originated Mortgage Loans in the Provisional Mortgage Portfolio between January 2010 and April 2018.

The NRAM Originator (Landmark Mortgages Limited, formerly NRAM plc and Northern Rock (Asset Management) plc) was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as a public limited company on 30 October 1996, with company registration number 03273685. The NRAM Originator was acquired from UK Asset Resolution by Cerberus Capital Management LLP on May 2016 and was subsequently renamed "Landmark Mortgages Limited". The registered office of the NRAM Originator is Admiral House, Harlington Way, Fleet, Hampshire, GU51 4YA. Its principal activities are the management of portfolios of residential mortgages and unsecured loans.

Characteristics of the Mortgage Loans

Mortgage loan products

The Mortgage Loans in the Provisional Mortgage Portfolio fall into the categories described below.

Fixed Rate Mortgage Loans: Mortgage Loans subject to a fixed interest rate for a specified period of time and at the expiration of that period are generally subject to the Seller's standard variable rate.

Standard Variable Rate Mortgage Loans: Mortgage Loans subject to the Seller's standard variable rate.

Discount Rate Mortgage Loans: Mortgage Loans, the terms of which allow the Borrower to pay interest at a specified discount to the Seller's standard variable rate for a specified period of time or for the life of the Mortgage Loan.

Flexible Tracker Rate Mortgage Loans: Mortgage Loans which are subject to a variable rate of interest that is linked to the Bank of England base rate plus an additional fixed percentage. This mortgage loan gives the Borrower a range of flexible features including the ability to make unlimited overpayments without incurring an early repayment charge. Subject to agreement the Borrower can also borrow back amounts previously overpaid, use previous overpayments to fund underpayments and/or apply for a payment holiday (one-month payment holiday for every nine consecutive full monthly payments made. The maximum payment holiday period is three months, which can be applied for following the completion of 27 consecutive full monthly payments) (the "**Flexible Tracker Rate Mortgage Loans**").

Everyday Fixed Rate Mortgage Loans: Mortgage Loans subject to a fixed interest rate for a specified period of time and at the expiration of that period are generally subject to the Seller's standard variable rate. This mortgage loan also gives the Borrower the ability to make over payments of up to 10% of the outstanding mortgage balance per calendar year without incurring an early repayment charge. The Borrower can also apply for a payment holiday (see the **Flexible Tracker Rate Mortgage Loans** for payment holiday rules). Borrow-backs and underpayments are not permitted.

Everyday Tracker Mortgage Loans: Mortgage Loans which are subject to a variable rate of interest that is linked to the Bank of England base rate plus an additional fixed percentage. This mortgage loan gives the Borrower the ability to make over payments of up to 10% of the outstanding mortgage balance per calendar year without incurring an early repayment charge. The Borrower can also apply for a payment holiday (see the **Flexible Tracker Rate Mortgage Loans** for payment holiday rules). Borrow-backs and underpayments are not permitted (the "**Everyday Tracker Mortgage Loans**" and, together with the Flexible Tracker Rate Mortgage Loans, the "**Tracker Rate Mortgage Loans**").

Mortgage Loans

Under the Mortgage Loans, interest is charged daily at either a fixed rate or a variable rate and each Borrower may make some or all of the following: (i) cash redraws, (ii) overpayments, (iii) underpayments and (iv) an application for a payment holiday of one month per every nine consecutive full monthly payments made, with a maximum payment holiday of three months**.**

The Seller has undertaken to certain Borrowers that for variable rate Mortgage Loans that are eligible for interest to be charged at the Seller's standard variable rate (including Fixed Rate Mortgage Loans which become variable after the expiry of the fixed period), during the period in which the Seller may impose an Early Repayment Charge, the actual gross interest rate that the Seller charges will be the lower of:

(a) the Seller's standard variable rate; or

(b) the Bank of England base rate plus a margin which is determined by the Seller.

Repayment terms

All payments due under the Mortgage Loans which are included in the Mortgage Portfolio are to be made by electronic direct debit authorised by the relevant Borrower and made monthly from such Borrower's bank account to a collection account ("**direct debit**") or, if such payment is late or Borrowers choose not to pay by direct debit, by cheque, by debit card or other means into accounts in the name of the Administrator as more fully described

under "*The Administrator, the Administration Agreement and the Collection Account – The Administration Agreement – Collection of Payments*".

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

(a) **repayment**: the Borrower makes monthly payments of both interest and principal so that, at the end of the mortgage term, the Borrower will have repaid the full amount of the principal of the Mortgage Loan;

(b) **interest-only (with a repayment vehicle)**: the Borrower makes monthly payments of interest but not of principal; at the end of the mortgage term, the entire principal amount of the Mortgage Loan is still outstanding and the Borrower must repay that amount in one lump sum or by way of regular payments (such Mortgage Loans, "**Interest-Only Mortgage Loans**"). The Seller reminds Borrowers periodically of the need to have a suitable means to repay the Mortgage Loan in place. The Borrower typically arranges a separate investment plan which will be administered by an organisation separate from the Seller, which plan provides a lump sum payment to coincide with the end of the mortgage term. Although these investment plans are forecast to provide sufficient sums to repay the principal balance of the Mortgage Loan upon its maturity, to the extent that the lump sum payment is insufficient to pay the principal amount owing, the Borrower will be liable to make up any shortfall. On 1 June 2010 the Seller changed its interest-only lending policy and as a result the Seller no longer accepts the following repayment plans: inheritance dividends, regular overpayments, remuneration and intention to convert to repayment at a future date. The Seller accepts the following repayment plans: investment plan, individual savings account, personal pension plan, endowment, share portfolio, sale of second property with equity and sale of residential property.

On 4 January 2013 the Seller changed its interest-only lending policy by introducing a minimum loan size of £300,000. On 9 December 2013 the Seller made further changes to its interest-only lending policy. The minimum loan size of £300,000 was removed and replaced with a minimum property value of £500,000 and a minimum gross annual income for all Borrowers of £100,000 and no longer accepted Borrowers who are first time buyers or those who are debt consolidating. The Seller no longer accepts cash repayment plans. The Seller now requires documentary evidence of the repayment plan and all interest only mortgages must be approved by an accredited underwriter. All asset based repayment strategies, for example, sale of other property or shares, must have a current value of at least 110% of the interest only mortgage loan amount.

The types of plans, or a combination of, now accepted include:

(i) ***endowment***: the Borrower makes regular payments to a life assurance company which invests the premia; the endowment policy is intended to repay the Mortgage Loan at maturity;

(ii) ***pension policy***: the Borrower makes regular payments to a personal financial plan arranged by such Borrower to provide for that Borrower's expenses during retirement; upon retirement, or plan maturity, the Borrower will receive a tax-free lump sum which is intended to repay the Mortgage Loan;

(iii) ***managed investment plans (including Unit trusts / Open Ended Investment Companies (UK), Investment Bonds (UK), Stocks and Shares ISA)***: The Borrower makes regular payments to a managed investment plan. The accumulated fund(s) will be used to repay the Mortgage Loan by the end of its term;

(iv) ***managed share portfolio (only UK based investments quoted within the FTSE index held in sterling are acceptable)***: The Borrower has built up a portfolio of shares, the value of the portfolio must cover the interest only Mortgage Loan by 110% at the time of the application;

(v) ***sale of a property (not the property to be mortgaged)***: the Borrower has an interest in property where there is sufficient equity (value less any outstanding commitments secured against that property) to cover the interest only Mortgage Loan by 110% at the time of the application; and

(vi) ***sale of the mortgaged property***: the Borrower intends to sell the mortgaged property in order to repay the balance of the Mortgage Loans;

(c) **interest-only (without a repayment vehicle)**: similar to the Interest-Only Mortgage Loans described above, where the Borrower makes monthly payments of interest but not of principal and when the Mortgage Loan matures, the entire principal amount of the Mortgage Loan is due. However, the Borrower has no formal repayment vehicle in place to repay the Mortgage Loan in full; and

(d) **combination repayment and interest-only (with or without a repayment vehicle)**: this situation most often occurs when the Borrower had an interest-only Mortgage Loan with a repayment vehicle on a prior mortgaged property, and after selling that mortgaged property the Borrower purchased a property with a Mortgage Loan where the subsequent home was either more expensive than the prior home or the Borrower took out a larger Mortgage Loan or further advance. The Borrower used the existing interest-only repayment vehicle for the substitute Mortgage Loan or further advance and made up the difference between the anticipated maturity value of the interest only repayment vehicle and the higher Mortgage Loan amount with a repayment mortgage.

The required monthly payment in connection with repayment Mortgage Loans or Interest-Only Mortgage Loans may vary from month to month for various reasons, including changes in interest rates. See "– *Maximum LTV ratio*" described below.

The Seller does not (and in some cases cannot) take security over repayment plans.

On 20 October 2015 the Seller changed its interest-only lending policy where all repayment plans must pay out in Sterling.

In February 2016, the Seller changed its interest-only lending policy by decreasing the minimum gross annual income for all Borrowers to £50,000, removing the minimum valuation of £500,000 and introducing a Loan to income cap of 3.5 times. In June 2018 the interest-only policy was amended by increasing the Loan to Income cap to 4 times and increasing the minimum gross annual income for all Borrowers to £75,000.

In addition, the acceptance of sale of main property as a repayment vehicle was limited to cases with a maximum of 65% LTV, a minimum income of £75,000 and a £300,000 minimum equity. In June 2018, the Seller changed its interest-only lending policy by increasing the maximum LTV from 70% to 75% and, where the sale of other property is used as a repayment vehicle, by increasing the maximum LTV from 60% to 65%.

The Mortgage Loans are subject to a range of options that give the Borrower greater flexibility in the timing and amount of payments made under the Mortgage Loan as well as access to Borrow-backs under the Mortgage Loan. All of the Mortgage Loans included in the Mortgage Portfolio offer certain of the flexible features described below.

Overpayments and underpayments: A Borrower may make overpayments or may repay the entire current balance under its Mortgage Loan at any time without incurring any Early Repayment Charge. Any overpayment immediately reduces the Current Balance of the Mortgage Loan from the day the Seller receives payment. Any overpayment on a Mortgage Loan will result in the immediate reduction in the amount of interest payable by the relevant Borrower.

A Borrower may use certain amounts that it has previously overpaid to the Seller to fund future underpayments under its Mortgage Loan (an "**Authorised Underpayment**"). If a Borrower makes an Authorised Underpayment under its Mortgage Loan, the Current Balance of that Mortgage Loan will be increased at the end of the month in which the Authorised Underpayment has been made and there will be an immediate effect on the amount of interest payable by the Borrower. An Authorised Underpayment is also called a "**Non-Cash Borrow-back**" for the purposes of this Prospectus. A Borrower under a Mortgage Loan may offset Authorised Underpayments up to the aggregate amount of any overpayments previously made (but not yet used to fund an Authorised Underpayment or redrawn in cash by the Borrower) during the lifetime of the Mortgage Loan. The increase in Current Balance as a result of any Authorised Underpayment will increase the Trust Property and thereby increase the Seller Share of the Trust Property.

Any underpayment made by a Borrower (a) which cannot be funded by prior overpayments and (b) where the Borrower is not entitled to a payment holiday (an "**Unauthorised Underpayment**") will be treated by the Seller as arrears.

Payment Holidays: A Borrower that has made nine consecutive scheduled monthly payments (or an equivalent sum of payments) on its Mortgage Loan may apply for a one month payment holiday even if that Borrower has not made prior overpayments. A Borrower may apply for this payment holiday facility once in each rolling nine

month period and may accumulate the right to take up to a maximum of three monthly payment holidays in any one calendar year if the Borrower has not used the payment holiday facility in a given 27-month period. In addition, a Borrower may apply for a payment holiday of up to six months in certain limited cases (generally, where the Borrower can demonstrate an extenuating circumstance). The Mortgage Loan will continue to accrue interest and other charges during any payment holiday and accrued interest will be added to the Current Balance of the related Mortgage Loan which will increase the amount of interest payable by the Borrower. Any payment holiday will be funded solely by the Seller in an amount equal to the unpaid interest associated with that payment holiday. The increase in Current Balance as a result of any payment holiday will increase the Trust Property and thereby increase the Seller Share of the Trust Property. A payment holiday is also called a "**Non-Cash Borrow-back**" for the purposes of this Prospectus.

Cash Borrow-backs: A Borrower may request a "**Cash Borrow-back**" (together with a Non-Cash Borrow-back, a "**Borrow-back**") of overpayments that the Borrower has made on its Mortgage Loan by requesting that the Seller refund some or all of such overpayments in cash, **provided that** (i) the aggregate amount of all overpayments not yet used to fund an Authorised Underpayment or otherwise borrowed back in cash by the Borrower from the period commencing with the origination of the Mortgage Loan to the date of the cash redraw is equal to or greater than £500, and that the amount of such Cash Borrow-back is equal to or greater than £500 (if the aggregate amount of all overpayments for such period is less than £500, any Borrower wishing to make a Cash Borrow-back in these amounts may instead make an Authorised Underpayment of the scheduled monthly payment, but is not entitled to a Cash Borrow-back) and (ii) since April 2009, the Borrower passes an affordability assessment at the time of requesting a Cash Borrow-back. Any Cash Borrow-back on a Mortgage Loan will result in the immediate increase in the related Current Balance and will increase the amount of interest payable by the Borrower. Any Cash Borrow-backs will be funded solely by the Seller. The increase in the Current Balance as a result of a Cash Borrow-back will increase the Trust Property and thereby increase the Seller Share of the Trust Property.

Under the mortgage conditions, a Borrower must receive permission from the Seller to make an Authorised Underpayment or take a payment holiday on a Mortgage Loan.

The Seller retains the discretion whether to grant a Cash Borrow-back. The Seller will agree to a Borrower's request for a Cash Borrow-back where an assessment of the Borrower's circumstances at the time of the request indicates that he will continue to be able to afford the revised monthly payment following the advance of the Cash Borrow-back and the Borrower is not otherwise in breach of his obligations under the mortgage contract.

The Seller also retains the discretion whether to provide a further advance (as described under "– *Further Advances*" below) to a Borrower on a Mortgage Loan, and also maintains discretion in some cases to grant a payment holiday to a Borrower, depending on the facts associated with the Borrower's request.

The amount of a Mortgage Loan is agreed at origination.

The Seller currently reviews monthly the interest rate on its variable rate Mortgage Loans. In addition, the Seller will recalculate accrued interest on Mortgage Loans to take account of the exercise of any overpayment or Borrow-back, so that (a) interest on any Borrow-back is charged from the date of the redraw, and (b) Borrowers are given the benefit of any overpayment from the date on which the overpayment is paid.

In addition to the conditions described above, Borrow-back options for Mortgage Loans may cease to be available, at the Seller's sole discretion, if an event of default (as set out in the applicable terms and conditions) occurs. Before agreeing any Borrow-back, the Seller will check that the Borrower is able to afford payments of interest and repayments of principal in respect of any increased mortgage balance.

Further Advances

An existing Borrower may apply to the Seller for a further amount to be lent to him or her under his or her Mortgage Loan, which amount will be secured by the same Mortgaged Property as the Mortgage Loan, in circumstances which do not amount to a Borrow-back (a "**Further Advance**"). Any such application may result from a solicitation made by the Seller, as the Seller may periodically contact Borrowers in respect of the Seller's total portfolio of Mortgage Loans in order to offer to a Borrower the opportunity to apply for a Further Advance.

None of the Mortgage Loans in the Provisional Mortgage Portfolio will oblige the Seller to make Further Advances or Product Switches or to agree to a request for a Borrow-back.

Under the Administration Agreement, the Administrator may not, on behalf of the Seller, accept an application from or issue an offer for a Further Advance to any Borrower in respect of a Mortgage Loan unless the Seller has

confirmed to the Administrator and the Mortgages Trustee that it will purchase that Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement and the Further Advance may not be made until the Seller has repurchased the Mortgage Loan in accordance with the Mortgage Sale Agreement.

See "*Assignment of the Mortgage Loans and Related Security – Product Switches and Further Advances*" below.

Product Switches

From time to time Borrowers may request or the Seller may offer, in limited circumstances, a variation in the mortgage conditions applicable to the Borrower's Mortgage Loan. In addition, in order to promote the retention of Borrowers, the Seller may periodically contact certain borrowers in respect of the Seller's total portfolio of outstanding mortgage loans in order to encourage a Borrower to review the Seller's other mortgage products and to discuss moving that Borrower to an alternative mortgage product. Any such variation, including a change in product type, but excluding the variations listed below, is called a "**Product Switch**". The following variations are not Product Switches:

(a) a change between Interest-Only Mortgage Loans and repayment Mortgage Loans and *vice versa*;

(b) a change of a party to a Mortgage Loan or a release of part of the land subject to the mortgage;

(c) any variation agreed with Borrowers to control or manage existing arrears on a Mortgage Loan; and

(d) any variation imposed by statute.

Under the Administration Agreement, the Administrator may not, on behalf of the Seller, accept an application from or issue an offer for a Product Switch to any Borrower in respect of a Mortgage Loan unless the Seller has confirmed to the Administrator and the Mortgages Trustee that it will purchase that Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement and the Product Switch may not be effected until the Seller has repurchased the Mortgage Loan in accordance with the Mortgage Sale Agreement.

See "*Assignment of the Mortgage Loans and Related Security – Product Switches and Further Advances*" below.

Origination of the Mortgage Loans

Each Originator derived its mortgage lending business from the following sources:

(a) intermediaries that range from mortgage clubs to small independent mortgage advisers;

(b) its branch network throughout the United Kingdom;

(c) its website; and

(d) a centralised telephone-based lending operation.

In each case, the relevant Originator performed all the status checks in relation to the Borrower and determined whether a Mortgage Loan would be offered. At the time of origination of the Mortgage Loans that are Regulated Mortgage Contracts under the FSMA, the relevant Originator was authorised to conduct mortgage lending business under the FSMA and was subject to the requirements of MCOB. MCOB sets out, among other things, what information loan applicants should be provided with before committing to a Mortgage Loan, including the repayment method and repayment period, the financial consequences of early repayment, the type of interest rate, insurance requirements, costs and fees associated with the Mortgage Loan and when an applicant's account details can be given to credit reference agencies. MCOB, as with the CML Code prior to 31 October 2004, also requires that the lender, among other things, acts fairly and reasonably with its borrowers and assists borrowers in choosing a mortgage that fits the needs of the relevant borrower. (See section entitled "*Regulation of Mortgages*").

Each Mortgage Loan was made to a Borrower who was resident in the United Kingdom at the time of origination.

Right to Buy Mortgage Loans

The Mortgage Portfolio includes right to buy mortgage loans ("**Right to Buy Mortgage Loans**"), each being a loan entered into by a borrower as a means to purchase, refinance or improve a residential property from a local authority or certain other landlords under "right to buy" schemes which are subject to the provisions of the Housing Act 1985 (as amended by the Housing Act 2004) (in the case of English Mortgages) or (as applicable) the

Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001) (in the case of Scottish Mortgages).

Underwriting

The decision to offer a Mortgage Loan to a potential Borrower was made by one of the Originators' underwriters and/or mandate holders located in its mortgage service centres, head office in Gosforth or other location, who may have liaised with the intermediaries. Each underwriter and/or mandate holder was required to pass the relevant Originator's formal training programme to gain the authority to approve Mortgage Loans. Mandates were awarded in line with the relevant Originator's documented and approved allocation procedures. Each Originator established various levels of authority for its underwriters who approved Mortgage Loan applications. The levels are related to system rules which are differentiated by, among other things, degree of risk, value of the property, amount of the Mortgage Loan and LTV ratio in the relevant application. Each Originator also monitored the quality of underwriting decisions on a regular basis.

Lending Criteria

Subject to the matters set out in "– *The Originators' discretion to lend outside of their lending criteria*" below, each Mortgage Loan was originated according to the relevant Originator's lending criteria (the "**Lending Criteria**") applicable at the time that the Mortgage Loan was offered. The Lending Criteria are described in this section.

To obtain a Mortgage Loan, each prospective Borrower completed an application form (or submitted an application on-line) which included information about the applicant's income, current employment details, bank account information, if any, current mortgage information, if any, and certain other personal information, including known and future changes to credit commitments and household expenditure of the Borrower(s). The relevant Originator completed a credit reference agency search in all cases against each applicant at their then current address and, if necessary, former addresses, which gave details of public information including any county court judgments, Scottish Court decrees for payment and details of any bankruptcy or Scottish sequestration. Some of the factors used in making a lending decision were as follows:

(1) **Employment details**

The Originators generally operated the following policy in respect of the verification of a prospective Borrower's income details. Under this policy, each of the Originators categorised prospective Borrowers as either "employed", "self-employed", "Retired" or "Contractor". Proof of income for employed prospective Borrowers applying for Mortgage Loans was typically established by two monthly payslips from a four-month period (or four of the last six payslips if paid weekly) prior to the date of the loan application plus the Borrower's most recent form of P60.

Proof of income for self-employed prospective Borrowers was typically established by a certificate from the Borrower's suitably qualified accountant in an acceptable form, the Borrower's accounts for the two years prior to the date of the loan application or the Borrower's tax assessments for the two years prior to the date of the loan application.

(2) **Valuation**

Prior to November 2014 each Originator required that a valuation of the property be obtained either from its in-house Property Risk department or from an independent firm of professional valuers selected from a panel of approved valuers. Each Originator retained details of professional indemnity insurance held by panel valuers. In November 2014 the VM Originator started to use an Automated Valuation Model ("**AVM**") to value the property securing the Mortgage Loans for low risk re-mortgage applications. In order to qualify for an AVM the LTV Ratio must be no greater than 65%, the value of the property must be at least £80,000 and no greater than £750,000, the Mortgage Loan must be no greater than £400,000, the property must be of standard construction, be in the UK mainland, must not have been constructed within the last 24 months and not be a former local authority, Ministry of Defence or housing association property. The valuation will be accepted if there is a high confidence level associated with the AVM. The person underwriting the Mortgage Loan and/or the Property Risk team reviewed the valuation of each property securing the Mortgage Loans. The valuations are made prior to the date of origination of the Mortgage Loan and if a Further Advance is made, an additional valuation will be obtained at such time. All valuations quoted in this Prospectus relate to the original valuation conducted at the time of

origination or, if later, at the time of the most recent further advance under the Mortgage Loan. No additional valuations have been made in respect of the issuance of the Notes. For more information on the valuation process and criteria used for a Further Advance, including the use of desktop valuations, see section headed "– *Characteristics of the Mortgage Loans – Maximum LTV Ratio*".

(3) **Property types**

Each Originator applied the criteria set out below in determining the eligibility of properties to serve as security for Mortgage Loans. Under these criteria, eligible property types included freehold, heritable and leasehold houses, leasehold and heritable flats and mixed commercial and residential use properties where there is a separate entrance for the residential part of the property (none of the Mortgage Loans are commercial mortgage loans). In the case of a Mortgage Loan secured by a leasehold property, the relevant Originator required that the unexpired term of the lease be at least 30 years from the end of the agreed Mortgage Loan term. Applications received from November 2016 must have a minimum unexpired lease term of 70 years, and this was increased to 85 years in April 2018.

Each Originator considered some property types that did not meet its usual Lending Criteria on a case-by-case basis. However, some property types were not considered for the purposes of providing security for a Mortgage Loan. The types of property falling within this category comprise freehold flats in England and Wales or shared equity schemes and properties of non-standard construction of a type considered to be defective.

(4) **Loan amount**

Generally, the maximum loan amount was £2,000,000, but this varied according to the application in question. The amount borrowed may have exceeded this limit in exceptional cases. Usually these exceptional cases were confined to existing Borrowers wishing to move home where the current mortgage balance at that time was more than £2,000,000. These were considered on a case-by-case basis. The Seller will warrant in the Mortgage Sale Agreement that, as of the date of assignment, no Mortgage Loan in the Mortgage Portfolio has a Current Balance greater than £750,000.

(5) **Term**

Each Mortgage Loan must have had an initial term of between 2 and 35 years.

(6) **Age of applicant**

All Borrowers were required to be aged 18 or over. From January 2009, Borrowers were required to be aged 75 or under at the end of the mortgage term. For Mortgage Loans originated prior to January 2009, there was no maximum age limit.

(7) **Status of applicant(s)**

The maximum loan amount of the Mortgage Loan(s) under a Mortgage Account was determined by a number of factors, including the applicant's income. In determining income, the relevant Originator included basic salary along with performance or profit-related pay, allowances, mortgage subsidies, pensions, annuities, overtime, bonus and commission.

Each of the Originators deducted the annual cost of existing commitments of twelve months or more from the applicant's gross income. Positive proof of the applicant's identity and address was obtained in all cases. In cases where an applicant requested that the relevant Originator take a secondary income into account, the relevant Originator considered the sustainability of the applicant's work hours, the similarity of the jobs and/or skills, the commuting time and distance between jobs, the length of employment at both positions and whether the salary was consistent with the type of employment. The relevant Originator determined, after assessing the above factors, if it was appropriate to use both incomes. If so, a portion of the secondary income was used as part of the normal income calculation.

Prior to October 2010, where there were two applicants, each Originator added joint incomes together for the purposes of calculating the applicants' total income. In determining the loan amount available to the applicants each Originator was entitled to use the higher of the joint income multiplied by the appropriate income multiple or the higher of the two incomes multiplied by the appropriate income multiple plus the

lower income. Each Originator at its discretion considered the income of one additional applicant as well, but only at a maximum income multiple of 1.

Post October 2010, details of the applicant's income and regular and essential outgoings were obtained in order to assess that the required loan was affordable. Each originator assessed how much the Borrower could afford by using a combination of Debt to Income ratios, income multiples and the customers net disposable income (after the deduction of outstanding credit commitments and regular and essential outgoings). Affordability was stress tested against possible future increases in interest rates.

Each Originator exercised discretion within its Lending Criteria in applying those factors that were used to determine the maximum amount an applicant could borrow. Accordingly, these parameters varied for some Mortgage Loans. Each Originator took the following into account when applying discretion: credit score result, existing customer relationship, LTV and total income needed to support the Mortgage Loan.

(8) **Credit history**

(a) Credit search

A credit search was carried out in respect of all applicants. Each Originator was entitled to decline applications where an adverse credit history (for example, county court judgment, Scottish Court decree for payment, default or bankruptcy notice or Scottish sequestration) was revealed.

(b) Existing lender's reference

In some cases the relevant Originator sought a reference from any existing and/or previous lender in the form of a mortgage statement. Any reference must have demonstrated to the relevant Originator that the account had been properly conducted and that no history of material arrears existed.

(9) **Scorecard**

Each Originator used some of these criteria and various other criteria to produce an overall score for the application that reflected a quantitative measure of the risk of advancing the Mortgage Loan. The scorecard was developed using the relevant Originator's own data and experience of its own mortgage accounts. The lending policies and processes were determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use was made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data, closed user group data obtained from credit reference agencies and customer-provided data to assess the likelihood of a mortgage account going into arrear. Each Originator also used behavioural scoring, which used customer data on existing accounts and closed user group data obtained from credit reference agencies to make further lending decisions, calculate impairment allowances and prioritize action in case of arrears.

Each Originator reserved the right to decline an application that achieved a passing score. Each Originator had an appeals process if an applicant believed that his/her application had been unfairly declined. It was each Originator's policy to allow only authorised individuals to exercise discretion in granting variances from the scorecard.

The Originators' discretion to lend outside their Lending Criteria

On a case-by-case basis, and within approved limits as detailed in the relevant Originator's Retail Credit and Responsible Lending Policy, the relevant Originator 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 relevant Originator may have taken 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.

Maximum LTV Ratio

For Mortgage Loans originated on or after 12 May 2008 the maximum LTV Ratio (excluding capitalised fees) permitted for prospective Borrowers applying for Mortgage Loans secured by Mortgaged Properties valued up to £500,000 was 85% of the lower of the purchase price or valuation of the Mortgaged Property determined by the relevant valuation (which, in the case of a Further Advance, is the valuation obtained at the time of the Further

Advance, as described below). The valuations are made prior to the date of origination of the Mortgage Loan and if a Further Advance is made, an additional valuation will be obtained at such time. In February 2011, this was increased to 90% for purchase customers. In December 2013 the VM Originator joined the Help to Buy Mortgage Guarantee scheme and the VM Originator increased its maximum LTV ratio to 95% for purchases and increased the LTV for re-mortgages to 90%. The VM Originator agreed not to originate any new Mortgage Loans above 90% LTV that do not benefit from the Help to Buy Guarantee. Following the withdrawal of the Help to Buy guarantee scheme on 31 December 2016 the Originator continued to write new Mortgage Loans above 90% LTV (subject to a maximum of 95%) without any additional security.

Other than as described below, for Mortgage Loans originated before 12 May 2008 the following maximum LTV Ratios applied:

Valuation / purchase price (lower of):	**Maximum LTV:**
£0 to £300,000	95%
£300,001 to £1,000,000	90%
£1,000,000+ to £2,000,000	85%
£2,000,000+ to £3,000,000	80%
£3,000,000+ to £5,000,000	75%

The maximum LTV was reduced to 90% in May 2008 and later that year reduced further to 85%. In February 2011 the maximum LTV was increased to 90%.

In terms of current policy, the following maximum LTV Ratios apply:

Valuation / purchase price (lower of):	**Maximum LTV (Purchase):**	**Maximum LTV (Remortgage):**
£0 to £500,000	95%	95%
£500,001+	80%	80%

Interest-Only Mortgage Loans (without a repayment vehicle) were originated prior to November 2002 only and were subject to a maximum LTV Ratio of 75% of the lower of the purchase price or the valuation of the Mortgaged Property determined by the relevant valuation. Interest-Only Mortgage Loans (with a repayment vehicle) were not subject to a specific maximum LTV Ratio for this type of product, but were subject to standard lending policy, including LTV limits, at the time the loan was written. Allowable repayment vehicles included the sale of the Mortgaged Property, provided there is a minimum of £50,000 of equity in the Mortgaged Property and the LTV Ratio of the relevant Mortgage Loan is 75% or less. On 22 March 2010, Interest-Only Mortgage Loans were limited to a LTV Ratio of 75%. On 1 June 2010, the acceptance of the sale of the main property as a repayment vehicle was limited to those loans with a maximum LTV Ratio of 60% and where the property is worth at least £150,000. On the 31 May 2012 the Seller further changed its interest-only lending policy by reducing the maximum LTV from 75% to 70% and, where the sale of other property is used as a repayment vehicle, by reducing the maximum LTV from 75% to 60%. On 4 January 2013 the Seller changed its interest-only lending policy by introducing a minimum loan size of £300,000. On 9 December 2013 the Seller made further changes to its interest-only lending policy. The minimum loan size of £300,000 was removed and replaced with a minimum gross income of all Borrowers of £100,000, a minimum purchase price / valuation of £500,000 and no longer accepted Borrowers who are first time buyers or those who are debt consolidating. The Seller no longer accepts the following repayment plans: cash ISA and will only accept the sale of main property as a repayment vehicle with a maximum of 65% LTV, a minimum income of £75,000 and a £300,000 minimum equity. The Seller now requires documentary evidence of the repayment plan and all interest only mortgages must be approved by an accredited underwriter. All asset based repayment strategies, for example, sale of other property or shares, must have a current value of at least 110% of the interest only mortgage loan amount. On 4 March 2016 the Seller changed its interest-only lending policy by reducing the minimum gross annual income for all Borrowers to £50,000, removing the minimum purchase price / valuation of £500,000 and introducing a Loan to Income cap of 3.5 times. In June 2018 the Seller changed its interest-only lending policy by increasing the minimum gross annual income for all Borrowers to £75,000 and increasing the Loan to Income cap to 4 times.

In the case of a purchase of a Mortgaged Property, each Originator determined the current market value of that Mortgaged Property (which was used to determine the maximum amount of the Mortgage Loan permitted to be made by the relevant Originator) to be the lower of:

(a) the valuation made by an independent valuer from the panel of valuers appointed by the relevant Originator or an employee valuer of the relevant Originator; or

(b) the purchase price for the Mortgaged Property paid by the prospective Borrower.

By exception to the approach set out above, in the case of a purchase of a Mortgage Property at a price set under special arrangements, such as for a Right to Buy Mortgage Loan, each Originator determined the current market value of that Mortgaged Property (which was used to determine the maximum amount of the Mortgage Loan permitted to be made by the relevant Originator) to be the valuation made by an independent valuer from the panel of valuers appointed by the relevant Originator or an employee valuer of the relevant Originator.

If a Borrower or a prospective Borrower applied to remortgage its current Mortgaged Property, the relevant Originator determined the then current market value of the Mortgaged Property (for the purpose of determining the maximum amount of the loan available) by using the then current valuation of the Mortgaged Property as determined using the process described under "*– Lending Criteria – (2) Valuation*".

If the Borrower applied for a Further Advance, each Originator determined the then current market value of the Mortgaged Property by using either an indexed valuation figure provided by a UK pricing index, a desktop valuation by an employee valuer of the relevant Originator (including by way of automated valuation methodology) or the then current valuation of the Mortgaged Property as determined using the process described under "*– Lending Criteria – (2) Valuation*".

"**LTV Ratio**" or "**Loan to Value Ratio**" means in respect of (a) any Mortgage Loan assigned to the Mortgages Trust, the ratio of the outstanding balance of such Mortgage Loan to the Current Valuation of the Mortgaged Property securing such Mortgage Loan and (b) the relevant Originator's decision as to whether to make a mortgage loan to a prospective Borrower, the ratio of the outstanding balance of such mortgage loan to the lower of the purchase price or valuation of the Mortgaged Property securing such mortgage loan as determined by the relevant valuation by the relevant Originator.

"**Current Valuation**" means, with respect to a Mortgage Loan, the most recent valuation carried out with respect to the relevant Mortgaged Property for the purpose of making an advance under the relevant Mortgage Loan.

Buildings Insurance Policies

Insurance on the property

A Borrower is required to arrange for insurance on the Mortgaged Property for an amount equal to the full rebuilding cost of the property and in all cases the solicitor, licensed or qualified conveyancer acting for the relevant Originator is required to ensure that buildings insurance cover is taken out by the relevant Borrower prior to the completion of each Mortgage Loan.

A Borrower is not required to obtain insurance arranged through the Seller as a condition of any Mortgage Loan. A Borrower may make their own arrangements to obtain suitable insurance, which may include through the Seller's insurance panel or the Mortgaged Property may be leasehold where the relevant landlord may be obliged to arrange buildings insurance, particularly in the case of blocks of flats.

Seller arranged buildings insurance policies

Between 12 October 2015 and 9 January 2018, the Seller sold home buildings and contents insurance covers arranged by Ageas Retail Limited ("**Ageas**"). Ageas is registered under the Company Number 13249655, and its address is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA (authorised and regulated by the Financial Conduct Authority No. 312468).

The policies were offered on a new business basis by Ageas to provide customers with buildings and/or contents insurance through products underwritten by Ageas Insurance Limited. Through Ageas the Seller offered a tiered product choice allowing customers to select a variety of cover options over and above the minimum cover requirements. Borrowers paid premiums directly to Ageas and the Seller did not offer premium funding facilities in relation to Seller arranged insurance policies.

Until 31 December 2014 the Seller's new business buildings and contents insurance policies were arranged by BDML Connect Limited ("**BDML**"). BDML continued to administer existing customers. BDML is registered under Company number 02785540, and its address is 1000 Lakeside, North Harbour, Western Road, Portsmouth, PO6 3EN (authorised and regulated by the Financial Conduct Authority No. 309140). BDML is part of the Markerstudy Group of Companies.

The policies previously offered by BDML provided the Borrower with buildings and/or contents insurance, with cover up to an amount equal to the actual rebuilding cost of their policy. BDML provided the Seller with home insurance products from a panel of insurers. A variety of policies were offered via the Seller's panel, offering a variety of cover options over and above the minimum cover requirements. Borrowers paid premiums directly to the chosen insurer and the Seller did not offer premium funding facilities in relation to Seller arranged insurance policies.

Between 1 January 2016 and 31 December 2016 the Seller migrated its existing customers from their BDML relationship to Ageas as the Seller's customers' renewal dates became due, which resulted in the Seller having one partner for buildings and contents insurance policies. Ageas continue to administer existing policies, although they ceased offering renewals for policies due for renewal from 1 February 2018.

Mortgagee's Interest Building Insurance policies

Where the Seller becomes aware of a buildings insurance policy being lapsed or cancelled the Borrower(s) are contacted and asked to confirm that they have appropriate buildings insurance in place. If such confirmation is not received in a reasonable time period then the Seller will arrange a "lender's interest only" insurance policy to protect the Seller's interest in the property (the outstanding mortgage balance). The premium (based on a percentage of outstanding mortgage balance) will be charged to the Borrower's mortgage account and the cover will be limited to the value of the outstanding mortgage balance. The maximum sum insured by location is £2.5m and a £1,000 policy excess applies to each and every claim, increasing to £2,500 in the event of flood damage.

Contingent Buildings Insurance Policy

The "omission to insure" policy provides further protection to the Seller in the event of Borrower(s) not having appropriate insurance in place at the time of a loss. The policy provides contingent buildings insurance in the event of damage to the mortgaged property where the Seller is unaware that the Borrower did not have the appropriate buildings insurance in place. The policy also provides cover if the customer has alternative buildings insurance in place but this cover is either insufficient or becomes invalidated by the actions of the Borrower. A £5m aggregate policy limit is in place, although individual claims will be limited to the lower of a) the cost to repair, b) the reduction in resale value or c) the outstanding mortgage. A policy excess of £10,000 applies to each and every claim.

Properties in possession policy

The Seller also operates a "properties in possession" insurance policy which provides cover for repossessed properties. These properties are notified to the insurer on a quarterly basis, with quarterly premiums being charged to the mortgage account. The policy provides cover for damage occurring to these properties whilst in possession and also liability cover for injuries that may be incurred in connection with the property. An aggregate policy excess of £15,000 applies to the policy and claims settlement will be limited to the lower of a) the cost to repair or b) the reduction in resale value.

All the above policies are currently placed with Royal & Sun Alliance Insurance plc (registered in England and Wales with company number 93792 and whose registered office is at St Marks Court, Chart Way, Horsham, West Sussex, RH12 1XL).

Scottish Mortgage Loans

A proportion of the Mortgage Loans in the Mortgage Portfolio are or will be secured over properties in Scotland. Under Scots law, the only means of creating a fixed charge or a fixed security interest over heritable property is the statutorily prescribed Standard Security. In relation to the Scottish Mortgage Loans, references in this Prospectus to a "mortgage" are to be read as references to such Standard Security and references to a "mortgagee" are to be read as references to the security holder (under Scots law, termed the "**heritable creditor**").

In practice, the Seller has advanced and intends to advance Mortgage Loans on a similar basis in England & Wales and Scotland. While there are certain differences in law and procedure in connection with the enforcement of

Scottish Mortgages, the Seller does not consider that these differences make Scottish Mortgages significantly different or less effective than the English Mortgages. A break-down of the Mortgage Loans assigned to the Mortgages Trustee as of the Provisional Mortgage Portfolio Information Date is set out in "*The Provisional Mortgage Portfolio – Geographical Distribution of Mortgaged Properties*".

Credit Risk Mitigation

The VM Originator has internal policies and procedures in relation to the granting of credit, administration of the residential mortgage credit-risk bearing portfolio and risk mitigation.

The policies and procedures of the VM Originator in this regard broadly include the following:

(a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits (as to which, in relation to the Mortgage Loans, please see the information set out in the section of this Prospectus headed "*The Mortgage Loans*");

(b) systems in place to administer and monitor the residential mortgage credit-risk bearing portfolio and exposures (as to which it should be noted that the Mortgage Portfolio will be serviced in line with the servicing procedures of the VM Originator and the Administrator – please see further the section of this Prospectus headed "*The Administrator, the Administration Agreement and the Collection Account*");

(c) adequate diversification of the residential mortgage credit portfolio given the VM Originator's target market and overall credit strategy (as to which, in relation to the Mortgage Portfolio, please see the section of this Prospectus headed "*The Provisional Mortgage Portfolio*"); and

(d) policies and procedures in relation to risk mitigation techniques (as to which, please see further the section of this Prospectus headed "*The Mortgage Loans*").

THE PROVISIONAL MORTGAGE PORTFOLIO

Introduction

The Provisional Mortgage Portfolio is the pool of loans from which the Mortgage Loans comprising the Initial Mortgage Portfolio on the Closing Date will be selected.

The following tables have been compiled by the Seller and (except where otherwise noted) provide information in respect of the Provisional Mortgage Portfolio as at 30 April 2018 (the "**Provisional Mortgage Portfolio Information Date**").

Where the following tables make reference to property valuations, the valuations quoted are as at the date of the original initial valuation except (i) that valuations are as at the date of the most recent further advance in respect of a Mortgage Loan, if subsequent valuations have been obtained upon the Seller making that further advance; or (ii) in situations where the Related Security for a Mortgage Loan has been released, substituted or otherwise restructured, in which case the valuation quoted is at the date of the most recent release, substitution or restructuring. No revaluation of any of the Mortgaged Properties for the purposes of the issue of the Notes has been obtained.

The Current Balances of the Mortgage Loans comprised in the Provisional Mortgage Portfolio may have increased or decreased between 30 April 2018 and the date of this Prospectus as a result of, *inter alia*, the repayment or prepayment of the Mortgage Loans and the ongoing servicing of the Provisional Mortgage Portfolio which may result in a change of the terms of some of the agreements in relation to the Mortgage Loans.

Subject to certain limited circumstances described under "*The Mortgage Loans – The Originators' discretion to lend outside of their lending criteria*", the Mortgage Loans in the Provisional Mortgage Portfolio were selected on the basis of the Lending Criteria the material aspects of which are described in the section entitled "*The Mortgage Loans – Origination of the Mortgage Loans*". The information presented under "*– Arrears and loss experience*" in this section reflects the arrears and losses experience as of the Provisional Mortgage Portfolio Information Date.

No self-certified mortgages are included in the Provisional Mortgage Portfolio.

Some of the totals shown in the tables below may not be arithmetically correct due to the rounding of figures.

The Provisional Mortgage Portfolio was drawn up as at the Provisional Mortgage Portfolio Information Date and comprised 10,856 Mortgage Loans having an aggregate Current Balance of £1,930,312,088 as at that date. The NRAM Originator initially originated the NRAM-originated English Mortgage Loans in the Provisional Mortgage Portfolio between January 2003 and December 2009 and the NRAM-originated Scottish Mortgage Loans in the Provisional Mortgage Portfolio between February 2003 and December 2009. The VM Originator initially originated the VM-originated English Mortgage Loans in the Provisional Mortgage Portfolio between January 2010 and April 2018 and the VM-originated Scottish Mortgage Loans in the Provisional Mortgage Portfolio between January 2010 and April 2018.

The Borrowers in respect of £1,864,785,003 of the Mortgage Loans in the Provisional Mortgage Portfolio (or 96.61% of the aggregate Current Balance of the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date) have agreed to have their monthly mortgage payments to the Seller directly debited from their bank accounts.

£1,826,879,623 of the Mortgage Loans in the Provisional Mortgage Portfolio (or 94.64% of the aggregate Current Balance of the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date) were Fixed Rate Mortgage Loans. The remaining £103,432,465 of the Mortgage Loans in the Provisional Mortgage Portfolio (or 5.36% of the aggregate Current Balance of the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date) were Standard Variable Rate Mortgage Loans and Tracker Rate Mortgage Loans, as described below.

46 Mortgage Loans in the Provisional Mortgage Portfolio (or 0.13% of the aggregate Current Balance of the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date) were Right to Buy Mortgage Loans.

613 of the Mortgage Loans in the Provisional Mortgage Portfolio (or 5.02% of the aggregate Current Balance of the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date) were subject to an original valuation obtained from the AVM.

As of the Provisional Mortgage Portfolio Information Date, the Seller's standard variable rate for existing and new borrowers was 4.79% per annum.

The weighted average remaining term of the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date was 21.96 years and the maximum remaining term as of the Provisional Mortgage Portfolio Information Date was 34.91 years.

As at the Provisional Mortgage Portfolio Information Date:

(A) the weighted average original Loan to Value Ratio of the Mortgage Loans does not exceed 75 per cent.; and

(B) no individual Mortgage Loan has an original Loan to Value greater than 100 per cent.

Types of Property

The following table shows the range of types of Mortgaged Properties securing the Mortgage Loans as of the Provisional Mortgage Portfolio Information Date.

Property Type	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
Detached House	691,196,936.34	35.81%	3,217	29.63%
Semi Detached House	518,592,889.29	26.87%	3,192	29.40%
Terraced House	422,858,136.19	21.91%	2,656	24.47%
Flat	175,681,222.63	9.10%	1,038	9.56%
Detached Bungalow	78,676,892.76	4.08%	461	4.25%
Semi Detached Bungalow	20,751,692.43	1.08%	168	1.55%
Maisonette	22,554,318.57	1.17%	124	1.14%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**

Seasoning

Seasoning Band (Months)	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
0.00 - 11.99	584,650,506.27	30.29%	2,881	26.54%
12.00 - 23.99	539,422,100.75	27.94%	2,674	24.63%
24.00 - 35.99	345,922,710.95	17.92%	1,761	16.22%
36.00 - 47.99	155,167,521.90	8.04%	1,007	9.28%
48.00 - 59.99	104,872,343.77	5.43%	694	6.39%
60.00 - 71.99	89,551,128.80	4.64%	647	5.96%
72.00 - 83.99	49,916,360.58	2.59%	439	4.04%
84.00 - 95.99	29,105,592.43	1.51%	317	2.92%
96.00 - 107.99	15,238,885.26	0.79%	188	1.73%
108.00 - 119.99	1,892,966.49	0.10%	22	0.20%
120.00 - 131.99	2,711,963.19	0.14%	43	0.40%
132.00 - 143.99	4,763,300.96	0.25%	66	0.61%
144.00 - 155.99	2,155,022.74	0.11%	34	0.31%
156.00 - 167.99	2,033,156.68	0.11%	34	0.31%
168.00 - 179.99	2,329,579.26	0.12%	36	0.33%
180.00 - 191.99	578,948.18	0.03%	13	0.12%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**
Maximum Seasoning	183.58			
Minimum Seasoning	0.39			
Weighted Average Seasoning	27.55			

Years to Maturity

Years to Maturity	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
0.00 - 1.99	0.00	0.00%	0	0.00%
2.00 - 3.99	5,756,806.43	0.30%	148	1.36%
4.00 - 5.99	17,981,994.32	0.93%	296	2.73%
6.00 - 7.99	37,126,319.09	1.92%	436	4.02%
8.00 - 9.99	46,562,490.61	2.41%	509	4.69%
10.00 - 11.99	62,085,668.50	3.22%	550	5.07%
12.00 - 13.99	98,336,489.08	5.09%	727	6.70%
14.00 - 15.99	116,415,582.79	6.03%	760	7.00%
16.00 - 17.99	136,730,321.32	7.08%	835	7.69%
18.00 - 19.99	193,596,049.17	10.03%	1,044	9.62%
20.00 - 21.99	189,200,567.28	9.80%	929	8.56%
22.00 - 23.99	270,796,175.94	14.03%	1,284	11.83%
24.00 - 25.99	202,163,961.23	10.47%	906	8.35%
26.00 - 27.99	127,815,438.56	6.62%	566	5.21%
28.00 - 29.99	189,067,140.16	9.79%	820	7.55%
30.00 – 35.00	236,677,083.73	12.26%	1,046	9.64%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**
Maximum Years to Maturity	34.91			
Minimum Years to Maturity	2.07			
Weighted Average Years to Maturity	21.96			

Geographical distribution of Mortgaged Properties

The following table shows the spread of Mortgaged Properties securing the Mortgage Loans throughout England & Wales and Scotland as of the Provisional Mortgage Portfolio Information Date. No Mortgaged Properties are situated outside England & Wales or Scotland. The geographical location of a Mortgaged Property securing a Mortgage Loan has no impact upon the Seller's lending criteria and credit scoring tests.

Geographical Region	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
South East	534,116,036.16	27.67%	2,477	22.82%
Greater London	472,533,490.34	24.48%	1,779	16.39%
South West	160,236,970.05	8.30%	911	8.39%
Scotland	179,240,967.96	9.29%	1,519	13.99%
North West	139,138,254.94	7.21%	966	8.90%
Yorks & Humberside	106,405,997.92	5.51%	796	7.33%
West Midlands	94,475,825.00	4.89%	628	5.78%
East Midlands	97,203,290.47	5.04%	667	6.14%
North	51,347,860.34	2.66%	475	4.38%
Wales	39,509,485.66	2.05%	314	2.89%
East Anglia	56,103,909.37	2.91%	324	2.98%
Northern Ireland[1]	0.00	0.00%	0	0.00%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**

[1] Northern Irish Mortgage Loans are not eligible to be included in the Mortgage Pool.

Current Loan to Value Ratios

The following table shows the range of current loan to value, or LTV, ratios, which express the Current Balance of a Mortgage Loan as at the Provisional Mortgage Portfolio Information Date divided by the value of the Mortgaged Property securing that Mortgage Loan at the same date. The Seller has not revalued any of the Mortgaged Properties since the date of the origination of the related Mortgage Loan, other than in respect of a Mortgaged Property of a relevant Borrower that has remortgaged its property or to which the Seller has made a Further Advance, as described in the section entitled "*The Mortgage Loans – Characteristics of the Mortgage Loans – Maximum LTV ratio*".

Current LTV Band	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
0.00% - 29.99%	118,423,277.32	6.13%	1,491	13.73%
30.00% - 34.99%	51,591,755.34	2.67%	386	3.56%
35.00% - 39.99%	71,114,170.56	3.68%	460	4.24%
40.00% - 44.99%	96,877,881.35	5.02%	576	5.31%
45.00% - 49.99%	128,608,919.93	6.66%	695	6.40%
50.00% - 54.99%	162,085,975.64	8.40%	907	8.35%
55.00% - 59.99%	204,150,277.83	10.58%	1,061	9.77%
60.00% - 64.99%	229,886,670.31	11.91%	1,091	10.05%
65.00% - 69.99%	172,959,845.59	8.96%	814	7.50%
70.00% - 74.99%	189,954,097.24	9.84%	865	7.97%
75.00% - 79.99%	215,012,986.06	11.14%	986	9.08%
80.00% - 84.99%	289,646,231.04	15.01%	1,524	14.04%
85.00% - 89.99%	0.00	0.00%	0	0.00%
90.00% - 94.99%	0.00	0.00%	0	0.00%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**
Maximum Current LTV	84.99%			
Minimum Current LTV	0.91%			
Weighted Average Current LTV	61.01%			

Current indexed LTV Ratios

The following table shows the range of current indexed loan-to-value, or LTV, ratios, which express the Current Balance of a Mortgage Loan as of the Provisional Mortgage Portfolio Information Date divided by the indexed value of the Mortgaged Property securing that Mortgage Loan as of the same date (calculated using the regional Halifax House Price Index on a quarterly basis).

Indexed LTV Band	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
0.00% - 29.99%	149,719,974.52	7.76%	1,772	16.32%
30.00% - 34.99%	68,402,062.55	3.54%	482	4.44%
35.00% - 39.99%	90,217,283.78	4.67%	588	5.42%
40.00% - 44.99%	124,902,661.53	6.47%	744	6.85%
45.00% - 49.99%	151,863,436.72	7.87%	826	7.61%
50.00% - 54.99%	179,944,317.45	9.32%	955	8.80%
55.00% - 59.99%	195,391,291.58	10.12%	975	8.98%
60.00% - 64.99%	211,971,889.71	10.98%	973	8.96%
65.00% - 69.99%	176,193,165.72	9.13%	812	7.48%
70.00% - 74.99%	188,755,529.15	9.78%	893	8.23%
75.00% - 79.99%	191,920,832.42	9.94%	917	8.45%
80.00% - 84.99%	165,118,973.72	8.55%	755	6.95%
85.00% - 89.99%	35,910,669.36	1.86%	164	1.51%
90.00% - 94.99%	0.00	0.00%	0	0.00%

95.00% - 100.00%	0.00	0.00%	0	0.00%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**
Maximum Indexed LTV	89.47%			
Minimum Indexed LTV	0.52%			
Weighted Average Indexed LTV	58.24%			

Outstanding balances

The following table shows the outstanding balances of the Mortgage Loans (including capitalised fees and/or charges, if applicable) as of the Provisional Mortgage Portfolio Information Date:

Current Balance Band	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
0.00 - 49,999.99	33,806,525.00	1.75%	1,049	9.66%
50,000.00 - 99,999.99	147,289,314.08	7.63%	1,931	17.79%
100,000.00 - 149,999.99	276,599,751.92	14.33%	2,202	20.28%
150,000.00 - 199,999.99	342,897,734.79	17.76%	1,976	18.20%
200,000.00 - 249,999.99	296,006,705.26	15.33%	1,323	12.19%
250,000.00 - 299,999.99	264,029,226.95	13.68%	967	8.91%
300,000.00 - 349,999.99	168,461,210.69	8.73%	521	4.80%
350,000.00 - 399,999.99	132,112,086.03	6.84%	354	3.26%
400,000.00 - 449,999.99	82,304,961.09	4.26%	195	1.80%
450,000.00 - 499,999.99	63,385,876.12	3.28%	134	1.23%
500,000.00 - 999,999.99	123,418,696.28	6.39%	204	1.88%
Greater or Equal to 1,000,000.00	0.00	0.00%	0	0.00%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**
Maximum Current Balance:	748,578.72			
Minimum Current Balance:	10,010.68			
Average Current Balance:	177,810.62			

Interest Rate Type

Interest Rate Type	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
Discount	0.00	0.00%	0	0.00%
Fixed	1,826,879,622.77	94.64%	10,226	94.20%
Tracker	78,615,982.95	4.07%	349	3.21%
Variable	24,816,482.49	1.29%	281	2.59%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**

Employment status

Employment Status	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
Full Time	1,393,602,123.28	72.20%	8,351	76.93%
Self Employed	497,676,405.07	25.78%	2,142	19.73%
Part Time	28,079,473.57	1.45%	224	2.06%
Retired	10,856,552.85	0.56%	137	1.26%
Other	97,533.44	0.01%	2	0.02%
Total	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**

Repayment Type[2]

Repayment Type	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loan Elements	% of Loan Elements
Repayment	1,840,005,044.89	95.32%	12,554	95.82%
Interest Only	90,307,043.32	4.68%	547	4.18%
Total:	**1,930,312,088.21**	**100.00%**	**13,101**	**100.00%**

[2] This table refers to loan elements whereas other tables refer to the number of loans. This is because a loan may have more than one repayment type element.

Fixed Rate Loans – Interest Rate Bands

Interest Rate Band	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
0.00% - 0.99%	0.00	0.00%	0	0.00%
1.00% - 1.99%	1,147,984,968.76	62.84%	5,865	57.35%
2.00% - 2.99%	634,535,009.50	34.73%	4,039	39.50%
3.00% - 3.99%	37,496,429.84	2.05%	250	2.44%
4.00% - 4.99%	5,363,081.21	0.29%	41	0.40%
5.00% - 5.99%	1,460,999.49	0.08%	30	0.29%
6.00% - 6.99%	39,133.97	0.00%	1	0.01%
7.00% - 7.99%	0.00	0.00%	0	0.00%
Total:	**1,826,879,622.77**	**100.00%**	**10,226**	**100.00%**
Maximum Current Fixed Interest Rate	6.09%			
Minimum Current Fixed Interest Rate	1.24%			
Weighted Average Fixed Interest Rate	1.99%			

Fixed Rate Loans - Roll Date

The date shown is the date when a currently fixed rate loan will reach its product maturity and will revert to the standard variable rate at that time.

Fixed Roll Off Months	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
2018-04	0.00	0.00%	0	0.00%
2018-05	0.00	0.00%	0	0.00%
2018-06	36,776,804.66	2.01%	218	2.13%
2018-07	1,641,737.28	0.09%	9	0.09%
2018-08	51,042,820.67	2.79%	296	2.89%
2018-09	46,475,422.03	2.54%	261	2.55%
2018-10	5,410,184.93	0.30%	28	0.27%
2018-11	46,058,395.22	2.52%	221	2.16%
2018-12	1,498,718.61	0.08%	7	0.07%
2019-01	47,291,497.69	2.59%	234	2.29%
2019-02	6,845,892.23	0.37%	32	0.31%
2019-03	0.00	0.00%	0	0.00%
2019-04	59,094,176.92	3.23%	299	2.92%
2019-05	46,408,405.62	2.54%	275	2.69%
2019-06	8,675,824.74	0.47%	50	0.49%
2019-07	54,623,424.27	2.99%	282	2.76%
2019-08	8,228,029.07	0.45%	45	0.44%
2019-09	56,599,066.28	3.10%	301	2.94%
2019-10	57,127,564.18	3.13%	264	2.58%

Fixed Roll Off Months	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
2019-11	45,951,683.01	2.52%	243	2.38%
2019-12	2,608,112.56	0.14%	16	0.16%
2020-01	49,480,450.32	2.71%	291	2.85%
2020-02	6,111,027.51	0.33%	32	0.31%
2020-03	25,119,358.04	1.37%	140	1.37%
2020-04	39,932,099.87	2.19%	232	2.27%
2020-05	48,784,411.31	2.67%	262	2.56%
2020-06	10,118,953.31	0.55%	68	0.66%
2020-07	39,226,414.50	2.15%	216	2.11%
2020-08	0.00	0.00%	0	0.00%
2020-09	52,219,631.61	2.86%	283	2.77%
2020-10	51,959,129.48	2.84%	267	2.61%
2020-11	22,500,849.15	1.23%	165	1.61%
2020-12	5,568,014.50	0.30%	35	0.34%
2021-01	37,116,971.67	2.03%	235	2.30%
2021-02	20,389,298.03	1.12%	104	1.02%
2021-03	18,384,028.01	1.01%	137	1.34%
2021-04	20,129,432.00	1.10%	140	1.37%
2021-05	27,908,700.80	1.53%	184	1.80%
2021-06	37,751,932.43	2.07%	231	2.26%
2021-07	4,703,637.31	0.26%	33	0.32%
2021-08	31,369,013.60	1.72%	182	1.78%
2021-09	56,922,200.68	3.12%	319	3.12%
2021-10	37,608.59	0.00%	1	0.01%
2021-11	57,527,089.09	3.15%	317	3.10%
2021-12	0.00	0.00%	0	0.00%
2022-01	60,267,385.10	3.30%	341	3.33%
2022-02	0.00	0.00%	0	0.00%
2022-03	33,492.20	0.00%	2	0.02%
2022-04	71,942,441.04	3.94%	380	3.72%
2022-05	59,931,292.02	3.28%	311	3.04%
2022-06	0.00	0.00%	0	0.00%
2022-07	66,674,609.37	3.65%	337	3.30%
2022-08	0.00	0.00%	0	0.00%
2022-09	75,380,613.76	4.13%	376	3.68%
2022-10	72,143,976.13	3.95%	387	3.78%
2022-11	52,957,982.51	2.90%	317	3.10%
2022-12	0.00	0.00%	0	0.00%
2023-01	45,191,068.79	2.47%	272	2.66%
2023-02	0.00	0.00%	0	0.00%
2023-03	29,021,770.62	1.59%	193	1.89%
2023-04	12,966,015.58	0.71%	104	1.02%
2023-05	21,574,690.08	1.18%	157	1.54%
2023-06	6,217,415.27	0.34%	48	0.47%
2023-07	6,958,858.52	0.38%	46	0.45%
2023-08	0.00	0.00%	0	0.00%
2023-09	0.00	0.00%	0	0.00%
2023-10	0.00	0.00%	0	0.00%
2023-11	0.00	0.00%	0	0.00%
2023-12	0.00	0.00%	0	0.00%
Total:	**1,826,879,622.77**	**100.00%**	**10,226**	**100.00%**
Max Term to Reversion (years)	5.17			

Fixed Roll Off Months	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
Min Term to Reversion (years)	0.09			
WA Term to Reversion (years)	2.59			

Originators

Originator	Aggregate Current Balance (£)	% of Balance	Number of Mortgage Loans	% of Loans
VM Plc	1,905,034,525.13	98.69%	10,510	96.81%
NRAM	25,277,563.08	1.31%	346	3.19%
Total:	**1,930,312,088.21**	**100.00%**	**10,856**	**100.00%**

THE ADMINISTRATOR, THE ADMINISTRATION AGREEMENT AND THE COLLECTION ACCOUNT

The Administrator

The Mortgages Trustee, the Seller and the Issuer will appoint Virgin Money (in such capacity the "**Administrator**") under the terms of the Administration Agreement as the initial Administrator of the Mortgage Loans. The Administrator will perform the day-to-day servicing of the Mortgage Loans. The Administrator will continue to administer other mortgage loans in addition to those Mortgage Loans included in the Mortgage Portfolio.

The primary obligations of the Administrator are:

(a) the collection of monies from Borrowers due under the terms of the relevant Mortgage Loans by direct debit, debit card, standing order, cheque and/or cash and the payments of those monies into the Collection Account;

(b) the transfer of monies in relation to the Mortgage Loans in the Collection Account to the Mortgages Trustee Transaction Accounts and/or the VM Mortgages Trustee Account; and

(c) the calculation of interest and principal due on the Mortgage Loans.

Certain other ancillary services are undertaken in order to allow the Administrator to fulfil its primary obligations.

Collection of Payments

Payments from Borrowers under the Mortgage Loans included in the Mortgage Portfolio are made into various bank accounts held in the name of Virgin Money with other banks. Amounts standing to the credit of these accounts are transferred into an account in the name of the Administrator (the "**Collection Account**") currently held with Virgin Money (the "**Collection Bank**") on a daily basis, and under the Administration Agreement the Administrator agrees to use best efforts to ensure that all such payments are transferred into the Collection Account within one Business Day of receipt by Virgin Money.

Administration of Mortgage Loans

Administration procedures include monitoring compliance with and administering the Mortgage Loan features and facilities applicable to the Mortgage Loans, responding to customer enquiries and management of Mortgage Loans in arrears.

Under the terms and conditions of the Mortgage Loans, generally Borrowers must pay the monthly payment required under the terms and conditions of the Mortgage Loans on each monthly payment due date. Interest accrued in accordance with the terms and conditions of each Mortgage Loan is collected from Borrowers monthly.

The Administrator determines the standard variable rate applicable to Mortgage Loans from time to time. In the case of variable rate Mortgage Loans, except in certain limited circumstances, the Administrator will continue to determine the standard variable rate applicable to such Mortgage Loans on behalf of the Mortgages Trustee and the Beneficiaries. The Administrator will take all necessary steps to notify Borrowers of any change in the interest rates applicable to the Mortgage Loans (whether or not due to a change in the standard variable rate).

Payments of interest and, in the case of repayment Mortgage Loans, principal, are payable monthly in advance. Where a Borrower defaults in the payment of interest and/or principal under a Mortgage Loan, the Administrator will follow the usual arrears procedures described in the section entitled "*– Arrears and default procedures*" below.

Arrears and default procedures

The Administrator collects all payments due under or in connection with Mortgage Loans in accordance with its administration procedures in force from time to time, but having regard to the circumstances of the relevant Borrower in each case. In accordance with standard market practice in the UK mortgage loan servicing business, the Administrator identifies a Mortgage Loan as being "in arrear" when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full current monthly payments. In

making an arrears determination, the Administrator calculates as of the date of determination the difference between:

(a) the sum of all monthly payments that were due and payable by a Borrower on any due date up to that date of determination (less the aggregate amount of all Authorised Underpayments made by such Borrower up to such date of determination); and

(b) the sum of all payments actually made by that Borrower up to that date of determination.

The Administrator will determine that a Mortgage Loan is in arrear if the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1. A Mortgage Loan will continue to be in arrear for each calendar month in which the result of the foregoing arrears calculation equals or exceeds one monthly payment, and subsequent payments by that Borrower (if any) have not reduced the amount of missed payments to less than one monthly payment. As the Administrator determines its arrears classification based upon the number of full monthly payments that have been missed by a Borrower, a Borrower that has missed payments that in the aggregate equal or exceed 2 monthly payments (but for which the aggregate of missed payments is fewer than 3 monthly payments) would be classified by the Administrator as being 2-3 months in arrear, and so on.

The formula that the Administrator uses to determine arrears means that there may be Mortgage Loans on which Borrowers have paid less than the monthly payment due, but which have not been classified as being in arrear, as the aggregate of the amount of deficient payments does not equal or exceed one monthly payment. This also means that there may be a significant period of time between the due date on which a Borrower pays less than the monthly payment due on that due date and the date that the aggregate amount of those deficient payments equals or exceeds one monthly payment, at which time the Administrator will classify that Mortgage Loan as being in arrears. In addition, there may be a significant period of time between the classification of a Borrower as being, for example, one month in arrears, and (assuming the Borrower continues to make deficient monthly payments) the time at which those deficient payments in the aggregate result in the Administrator classifying the Borrower as being two months in arrears. For the purposes of operational arrears management, accounts with arrears representing 0.01 monthly payments or greater are identified and managed in the collections department and, if reduced payments are arranged, they are monitored until full payments are resumed and the arrears cleared.

The arrears are reported at each calendar month end. After the arrears are first reported the Borrower is contacted and asked for payment of the arrears. The Administrator will continue to contact the Borrower asking for payment of the arrears. The Administrator classifies a Mortgage Loan that is in arrears as a "non-performing Mortgage Loan" if the related Borrower is three or more contractual monthly payments in arrears.

In seeking to control and manage arrears, the Administrator from time to time enters into arrangements with Borrowers regarding the arrears, including:

(a) arrangements to make each monthly payment as it falls due plus an additional amount to pay the arrears over a period of time;

(b) arrangements to pay only a portion of each monthly payment as it falls due;

(c) a deferral for a period of time of all payments, including interest and principal or parts of any of them;

(d) switching the Mortgage Loan from a repayment to an interest-only basis, for a fixed period, or extending the term of the loan.

The Administrator may vary any of these arrangements from time to time at its discretion, the primary aim being to rehabilitate the Borrower and recover the arrears.

Legal proceedings do not usually commence until the arrears are equal to at least two times the monthly payment then due. However, the Administrator has committed not to initiate legal action within 3 months of a customer falling into arrears and not to repossess a property within 6 months of a customer falling into arrears. No assurance can be given that this commitment will be maintained throughout the life of the transaction.

Once legal proceedings have commenced, the Administrator may send further letters to the Borrower encouraging the Borrower to enter into discussions to pay the arrears. The Administrator may still enter into an arrangement with a Borrower until repossession, or it may request an adjournment of a court hearing if an arrangement has been agreed and paid prior to the court hearing date. If the Administrator (on behalf of the mortgagee) applies to the

court for an order of possession following a default of the Borrower, the court has discretion as to whether it will grant the order requiring the Borrower to vacate the Mortgaged Property, and discretion as to the terms upon which the order is granted (although the exact scope of these discretions differs between England and Scotland). If, after the possession order has been granted, the Borrower does not voluntarily vacate the property, then the Administrator will be required to request a warrant for execution by a court officer of the possession order. Where a court order for possession is deferred to allow time for payment and the Borrower subsequently defaults in making the payment, the Administrator may take any action it considers appropriate, including entering into a further arrangement with the Borrower or requesting a warrant where no arrangement can be reached. MCOB requires the Administrator to act honestly, fairly and professionally in accordance with the best interests of the Borrower.

The Administrator has discretion to deviate from these arrears procedures. In particular, the Administrator may deviate from these procedures where a Borrower suffers from a mental or physical infirmity or is deceased or where the Borrower is otherwise prevented from making payment due to causes beyond the Borrower's control. This is the case for both sole and joint Borrowers.

The Administrator (on behalf of the mortgagee) may take any action it considers appropriate, subject to any fiduciary duties which the mortgagee may owe to the Borrower, including but not limited to:

(a) securing, maintaining or protecting the property and putting it into a suitable condition for sale;

(b) creating or maintaining (other than in Scotland) any estate or interest on the property, including a leasehold;

(c) disposing of the property (in whole or in parts) or of any interest in the property, by auction, private sale or otherwise, for a price it considers appropriate; and/or

(d) letting the property for any period of time.

Subject as provided above, the Administrator (on behalf of the mortgagee) has discretion as to the timing of any of these actions, including whether to postpone the action for any period of time. The Administrator (on behalf of the mortgagee) may also carry out works on the property as it considers appropriate, including the demolition of the whole or any part of it.

However, the Administrator's ability to exercise its power of sale in respect of a Mortgaged Property is dependent upon mandatory legal restrictions as to notice requirements. In addition, there may be factors outside the Administrator's control, such as its condition, whether the Borrower contests the sale and the market conditions at the time of sale, that may affect the length of time between the Administrator's decision (on behalf of the mortgagee) to exercise the power of sale and final completion of the sale.

The Administrator will apply the net proceeds of sale of the Mortgaged Property against the sums owed by the Borrower to the extent necessary to discharge the mortgage including any accumulated fees and interest.

At this point the Administrator will close the Borrower's account. However, the Borrower remains liable for any deficit remaining after the Mortgaged Property is sold. The Administrator may pursue the Borrower to the extent of any deficiency resulting from the sale if the Administrator deems it appropriate to do so.

These arrears and security enforcement procedures may change over time as a result of a change in the Administrator's business practices, legislative or regulatory changes or business codes of practice.

The Administration Agreement

Appointment

On the Closing Date, each of the Mortgages Trustee, the Issuer and the Seller will appoint Virgin Money under the Administration Agreement to be the Administrator.

Subject to the provisions of the Administration Agreement, the Mortgage Loans, and the Transaction Documents, the Administrator has the power to do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the administration of the Mortgage Loans and their Related Security or the exercise of such rights, powers and discretions or the performance of such duties.

Subject to the provisions of the Administration Agreement, each of the Beneficiaries and the Mortgages Trustee will grant the Administrator full right, liberty and authority from time to time to determine, in accordance with the mortgage conditions, the mortgage rate or mortgage rates and any other discretionary rate or margin applicable to the Mortgage Loans chargeable to Borrowers from time to time.

If the Issuer Cash Manager determines, having regard to the Issuer Available Revenue Receipts which the Issuer would expect to receive during the next succeeding Interest Period, that there will be a Revenue Shortfall in the next succeeding Interest Period, it will give written notice to the Administrator, the Trust Property Cash Manager, the Mortgages Trustee, each Beneficiary and the Security Trustee (as applicable) within one Business Day of such determination. The Administrator shall determine and notify the minimum standard variable rate and the other discretionary rates or margins which would need to be set in relation to the Mortgage Loans in order for no Revenue Shortfall to arise having regard to the obligations of the Issuer and, where Virgin Money has ceased to be the Basis Rate Swap Provider, set the rate at the higher of (i) the minimum standard variable rate and the other discretionary rates or margins which would need to be set in relation to the Mortgage Loans in order for no Revenue Shortfall to arise, and (ii) the equivalent of three month GBP LIBOR plus 2.25 per cent. If the Mortgages Trustee and the Issuer notify the Administrator that the discretionary rates or margins for Mortgage Loans included in the Mortgages Trust should be increased, the Administrator will take all steps which are necessary, including publishing any notice required under the mortgage conditions, to effect such increase in those rates or margins. The Mortgages Trustee and/or the Beneficiaries and/or (following the delivery of an Enforcement Notice) the Security Trustee may terminate the authority of the Administrator to set the standard variable rate and the other discretionary rates or margins applicable to Mortgage Loans included in the Mortgages Trust in certain limited circumstances set out in the Administration Agreement including upon the occurrence of any Administrator Termination Event (as defined below), in which case the Mortgages Trustee shall set such standard variable rate and the other discretionary rates or margins.

The Administrator will agree to comply with any direction, order and instruction which the Mortgages Trustee or, following the service of an Enforcement Notice, the Security Trustee, may from time to time give to it in accordance with the provisions of the Administration Agreement.

The Administrator has agreed to administer and service the Mortgage Loans and their Related Security in accordance with:

(a) the terms and conditions of the Mortgage Loans;

(b) the Administrator's administration procedures. The Administrator's administration procedures are the administration, arrears and enforcement policies and procedures, as amended from time to time pursuant to which the Administrator administers and enforces Mortgage Loans and their Related Security which are beneficially owned by the Seller; and

(c) the terms and provisions of the Administration Agreement.

Undertakings by the Administrator

Under the Administration Agreement, the Administrator will undertake, among other things:

(a) not at any time, without the prior consent of the Mortgages Trustee, the Beneficiaries and the Security Trustee set or maintain the standard variable rate (or any other discretionary rate or margin) at a rate which is higher than the then prevailing rates for Mortgage Loans which are beneficially owned by the Seller outside the Mortgages Trust unless required to do so to avoid a Revenue Shortfall or as a result of Virgin Money ceasing to be Basis Rate Swap Provider as described above;

(b) not to accept an application from, or issue to any Borrower an offer for a Further Advance or a Product Switch without having received confirmation that the Seller will repurchase the relevant Mortgage Loan(s) together with the Related Security from the Mortgages Trustee in accordance with the terms of the Mortgage Sale Agreement and not to make a Further Advance or effect a Product Switch unless and until the Seller has repurchased the relevant Mortgage Loan(s) together with the Related Security from the Mortgages Trustee in accordance with the terms of the Mortgage Sale Agreement;

(c) to take all steps necessary under the mortgage conditions and applicable law to notify Borrowers of each change in interest rates, whether due to a change in the standard variable rate (including any such change effected at the request of the Mortgages Trustee or a Beneficiary or as a consequence of the mortgage

conditions). The Administrator will also notify the Mortgages Trustee and each Beneficiary of any change in the standard variable rate, and shall notify the Security Trustee if required to do so;

(d) to comply with the Data Protection Act 2018, Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and all other such data protection legislation, guidelines and industry standards that are applicable at the relevant time ("**Data Protection Laws**"), to the extent that the Administrator processes any personal data as defined in the Data Protection Act 2018 ("**Personal Data**") under the Mortgage Sale Agreement;

(e) to maintain such records as are necessary to enforce each Mortgage Loan and its Related Security and to keep and maintain, on a loan by loan basis, records and accounts on behalf of the Mortgages Trustee in relation to the Mortgage Loans;

(f) to keep or cause to be kept the Mortgage Loan files and title deeds (if any) in safe custody and to the order of the Mortgages Trustee and in such a manner that they are readily identifiable and accessible;

(g) to provide the Mortgages Trustee, each Beneficiary and the Security Trustee and their agents with access to the title deeds if any and Mortgage Loan files at all reasonable times;

(h) to prepare (i) in cooperation with the Trust Property Cash Manager and the Issuer Cash Manager, a monthly report substantially in the form set out in the Administration Agreement (the "**Monthly Investor Report**") which will include, without limitation, information on the loans and payments in arrears and the Seller's holding of the Notes and its compliance with the EU Risk Retention Requirements and (ii) monthly reports providing certain loan level data in relation to the Mortgage Portfolio, and to publish such reports on the Virgin Money website (http://uk.virginmoney.com/virgin/investor-relations/securitisation.jsp) (please note, the content of the www.virginmoney.com website does not form part of this Prospectus);

(i) to take all reasonable steps to recover all sums due to the Mortgages Trustee, including without limitation instituting proceedings and enforcing any relevant Mortgage Loan, or any Related Security; and

(j) not knowingly fail to comply with any legal requirements in the performance of its obligations under the Administration Agreement.

Redemption

Pursuant to the Administration Agreement, the Administrator is responsible for handling the procedures connected with the redemption of Mortgage Loans and is authorised to release the relevant title deeds (if any) to the person or persons entitled thereto upon redemption. The Administrator is also responsible for submitting the EDS-1 to HM Land Registry in order to release any legal charge(s) held over the property in respect of an English Mortgage and for submitting a discharge to the Registers of Scotland in the case of a Scottish Mortgage.

Fees

The Administrator will be entitled to receive a fee for servicing the Mortgage Loans as described in the section entitled "*Fees*" above.

Removal or Resignation of the Administrator

The appointment of the Administrator may be terminated by the Mortgages Trustee or the Issuer immediately upon written notice to the Administrator, on the occurrence of certain events (each an "**Administrator Termination Event**") including:

(a) the Administrator defaults in the payment on the due date of any payment due and payable by it under the Administration Agreement and such default continues unremedied for a period of 20 Business Days after the Administrator becomes aware of such default;

(b) the Administrator defaults in the performance or observance of any of its other covenants, undertakings and obligations under the Administration Agreement or any of the other Transaction Documents which in the opinion of the Security Trustee is materially prejudicial to the interests of the Noteholders and (except where, in the opinion of the Security Trustee, such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned will be required) such default continues

unremedied for a period of 60 days after the Administrator becomes aware of such event **provided however that** where the relevant default occurs as a result of a default by any person to whom the Administrator has sub-contracted or delegated part of its obligations under the Administration Agreement, such default shall not constitute an Administrator Termination Event if within such 60 day period the Administrator terminates the relevant sub-contracting or delegation arrangements and indemnifies the Mortgages Trustee, the Issuer and the Security Trustee against the consequences of such default;

(c) the Administrator fails to obtain or maintain the necessary licences or regulatory approval enabling it to continue administering Mortgage Loans; or

(d) the Administrator becomes subject to an Insolvency Event (an "**Administrator Insolvency Event**").

Pursuant to the Administration Agreement, Law Debenture Corporate Services Limited has agreed to act as Back-Up Administrator Facilitator.

Following the occurrence of an Administrator Termination Event, the Back-Up Administrator Facilitator shall use its best efforts to identify and thereafter appoint an alternative successor Administrator on substantially the same terms as the Administration Agreement and at fees which are consistent with those payable generally at the relevant time for the provision of property loan administration services.

Subject to the fulfilment of certain conditions including, without limitation, that a substitute administrator has been appointed, the Administrator may voluntarily resign by giving not less than 12 months' notice of termination to the Mortgages Trustee, the Issuer, the Security Trustee and the Seller.

Any such substitute administrator will be required to, if possible, have experience administering mortgage loans secured on residential mortgaged properties in England & Wales and Scotland and enter into an agreement on substantially the same terms as the Administration Agreement.

Forthwith upon termination of the appointment of the Administrator, the Administrator must deliver the title deeds, the mortgage loan files and all books of account and other records maintained by the Administrator relating to the Mortgage Loans and/or the Related Security to, or at the direction of, the Mortgages Trustee and shall take such further action as the Mortgages Trustee shall reasonably direct to enable the services due to be performed by the Administrator under the Administration Agreement to be performed by any delegate or substitute administrator.

The Administration Agreement will terminate automatically upon a termination of the Mortgages Trust when neither of the Beneficiaries has an interest in the Trust Property any longer.

Delegation by the Administrator

The Administrator may sub-contract or delegate the performance of any of its obligations under the Administration Agreement to sub-contractors and delegates, **provided that** the Administrator shall act as a prudent residential mortgage lender in selecting any such delegate or sub-contractor and in agreeing the terms on which such delegation or sub-contracting takes place. Upon the appointment of any such delegate or sub-contractor the Administrator will nevertheless remain responsible for the performance of those duties to the Mortgages Trustee, the Issuer and the Security Trustee.

17g-5 Information Provider

On the Closing Date, each of the Issuer and the Seller will also appoint Virgin Money under the Administration Agreement as the 17g-5 information provider to provide certain services in relation to Rule 17g-5 under the Exchange Act.

Governing Law

The Administration Agreement and any non-contractual obligation arising out of or in relation to the Administration Agreement will be governed by English law.

Collection Account

Pursuant to the collection account arrangements in place on the Closing Date, collections received in respect of other mortgage loans owned by the Seller which do not constitute part of the Mortgage Portfolio will also be transferred into the Collection Account. The Seller, in its capacity as trustee, declared a trust over a portion of the funds in the Collection Account on the Closing Date in favour of itself and Gosforth Mortgages Trustee 2018-1 Limited.

The collection account arrangements in respect of the Mortgage Loans may change after the Closing Date, but in all circumstances there will be a trust declared over the funds in the collection account which relate to the Mortgage Loans in favour of the Mortgages Trustee.

The Trust Property Cash Manager may direct the Administrator to credit cleared amounts applicable to the Mortgage Loans which stand to the credit of the Collection Account up to the VM Mortgages Trustee Permitted Cash Amount into the VM Mortgages Trustee Account provided that the balance of the VM Mortgages Trustee Account does not exceed the VM Mortgages Trustee Permitted Cash Amount at any time.

All cleared amounts applicable to the Mortgage Loans which stand to the credit of the Collection Account shall be transferred (to the extent that such amounts have not been credited to the VM Mortgages Trustee Account as set out above) to either or both of the Mortgages Trustee Transaction Accounts on a daily basis and in any event within three Business Days of being credited to the Collection Account.

If an unpaid direct debit is returned in circumstances where the Administrator has credited the monthly payment to the VM Mortgages Trustee Account and/or the Mortgages Trustee Transaction Accounts, the Administrator will be permitted to reclaim from any such account(s) the corresponding amounts previously credited.

The Collection Account will be operated by the Administrator in accordance with the Administration Agreement and the Collection Account Declaration of Trust. The Collection Bank will operate the Collection Account in accordance with the instructions of the Administrator.

For further details as to collection of payments under the Mortgage Loans, please refer to the section entitled "*Collection of Payments*" above.

ASSIGNMENT OF THE MORTGAGE LOANS AND RELATED SECURITY

The Mortgage Sale Agreement

Under the Mortgage Sale Agreement the Seller will agree to sell and assign the Initial Mortgage Portfolio, comprising the Mortgage Loans together with all Related Security, to the Mortgages Trustee on the Closing Date and, subject to the satisfaction of the Replenishment Criteria, may sell and assign New Mortgage Loans to the Mortgages Trustee on a Transfer Date. In addition to providing for the sale and assignment of the Initial Mortgage Portfolio and New Mortgage Loans, the Mortgage Sale Agreement also sets out or provides for the following:

(a) the representations and warranties to be given by the Seller in relation to the Mortgage Loans and the Related Security (including any New Mortgage Loans and their Related Security);

(b) the undertaking of the Seller to (i) retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the EU Risk Retention Requirements and (ii) comply with its obligations under Article 409 of the CRR;

(c) the repurchase by the Seller of Mortgage Loans together with their Related Security which are the subject of a Product Switch or in respect of which a Further Advance is made;

(d) the repurchase of Mortgage Loans together with their Related Security where the Seller has materially breached any of the Loan Warranties in respect of such Mortgage Loans or their Related Security (the repurchase to include all Mortgage Loans of a Borrower included in the Mortgage Portfolio if such a breach occurs in respect of any Mortgage Loan of such Borrower);

(e) the making of Borrow-backs in respect of Mortgage Loans comprised in the Trust Property; and

(f) the circumstances for the transfer of legal title to the Mortgage Loans and their Related Security to the Mortgages Trustee.

The term "**Seller**" means Virgin Money.

The Initial Mortgage Portfolio

The Seller will contract to sell and assign to the Mortgages Trustee on the Closing Date a portfolio of residential mortgage loans (the "**Mortgage Loans**") and their associated mortgages (the "**Mortgages**" and, together with the other security for the Mortgage Loans, the "**Related Security**") and all monies derived therefrom from time to time (collectively referred to herein as the "**Initial Mortgage Portfolio**"). In respect of Mortgage Loans governed by English law ("**English Mortgage Loans**"), the assignment will be an assignment which takes effect in equity only. In respect of Mortgage Loans governed by Scots law ("**Scottish Mortgage Loans**"), the Mortgage Sale Agreement will provide for the transfer and assignment of the beneficial interest in such Mortgage Loans and their Related Security to be effected by the Scottish Declaration of Trust by the Seller in favour of the Mortgages Trustee (and in relation to Scottish Mortgage Loans, references in this Prospectus to the "assignment" of Mortgage Loans are to be read as references to the transfer of the beneficial interest therein by the making of such declaration of trust and the terms "assign" and "assigned" shall in that context be construed accordingly). The assignment will be an assignment which takes effect in equity only. The transfer of legal title to the Mortgage Loans and their Related Security may not occur or, if it does occur, will not occur until a later date, as described further in the section entitled "*Transfer of legal title to the Mortgages Trustee*" below.

The consideration for the sale and assignment of the Initial Mortgage Portfolio on the Closing Date will consist of:

(a) the Initial Consideration payable by the Mortgages Trustee to the Seller on the Closing Date which shall be paid (i) to the extent relating to the Issuer Share, out of funds received by the Mortgages Trustee from the Issuer in respect of the Issuer's Initial Contribution for the Issuer Share of the Closing Trust Property pursuant to the Mortgages Trust Deed, which contribution will be funded out of the proceeds of the issue of the Notes and (ii) through the granting to the Seller of the Seller Share in the Trust Property;

(b) the covenant of the Mortgages Trustee to hold the Trust Property on trust for the Issuer (as to the Issuer Share) and the Seller (as to the Seller Share) and to distribute Revenue Receipts and Principal Receipts in accordance with the terms of the Mortgages Trust Deed;

(c) the covenant of the Mortgages Trustee (in its capacity as the All Monies Mortgage Trustee) to hold the trust property under the All Monies Mortgage Trust upon trust for itself and the Seller (as beneficiaries) upon, and with and subject to the trusts, powers and provisions set out in the Mortgage Sale Agreement; and

(d) the covenant of the Mortgages Trustee to pay or procure the payment to the Seller of amounts of Deferred Consideration in accordance with the provisions of the Mortgage Sale Agreement, the Mortgages Trust Deed and in accordance with the Priority of Payments.

"**Initial Consideration**" means an amount (not less than zero) equal to the Current Balance of the Mortgage Loans payable by the Mortgages Trustee to the Seller as part of the consideration provided by the Mortgages Trustee to the Seller for the sale and assignment of the Mortgage Portfolio together with its Related Security.

"**Deferred Consideration**" means the deferred portion of the purchase price for the Mortgage Portfolio payable by the Mortgages Trustee to the Seller on each Payment Date in an amount, if any, equal to the amount of Deferred Contribution payable by the Issuer to the Mortgages Trustee on such date.

Warranties

The Mortgage Sale Agreement will contain warranties to be given by the Seller to the Mortgages Trustee and the Issuer in relation to each Mortgage Loan and its Related Security originated by the Originators to be assigned to the Mortgages Trustee on the Closing Date, and in relation to any New Mortgage Loans and their Related Security to be acquired by the Mortgage Trustee on a relevant Transfer Date. None of the Mortgages Trustee, the Issuer or the Security Trustee has carried out or will carry out any search, inquiry or independent investigation of the type which a prudent purchaser or mortgagee would normally be expected to carry out. Each is relying entirely on the Seller's warranties under the Mortgage Sale Agreement. Subject to agreed exceptions and materiality qualifications, the Seller's warranties under the Mortgage Sale Agreement (the "**Loan Warranties**") include, *inter alia*, the following:

(a) immediately prior to the Closing Date or, as applicable, Transfer Date, the Seller was the absolute legal and beneficial owner of the Mortgage Loans, the Related Security and the other property to be assigned and transferred by the Seller pursuant to the Mortgage Sale Agreement;

(b) each related mortgage and the Related Security secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the Seller under the relevant Mortgage Loan in priority to any other charges registered against the relevant Mortgaged Property;

(c) at the time that it was made, each Mortgage Loan complied in all respects with applicable laws, regulations and rules including, without limitation, consumer protection, data protection and contract law;

(d) each Mortgage constitutes a first ranking charge by way of legal mortgage (in England and Wales) or a first ranking Standard Security (in Scotland) over the relevant Mortgaged Property;

(e) each relevant Mortgaged Property is located in England, Wales or Scotland;

(f) no lien or right of set off or counterclaim has been created or arisen between the Seller and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under the relevant mortgage conditions and the Mortgage Loan Agreement save in relation to the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contracts Regulations 1999 or in relation to section 75 of the CCA;

(g) prior to making each Mortgage Loan, the relevant Originator instructed or required to be instructed on its behalf solicitors to carry out in relation to the relevant Mortgaged Property all investigations, searches and other actions that would have been undertaken by the relevant Originator acting in accordance with standards consistent with those of a reasonable and prudent mortgage lender, lending to borrowers in England and Wales in relation to English Mortgage Loans, and in Scotland in relation to Scottish Mortgage Loans when advancing money in an amount equal to such advance to an individual to be secured on a property of the relevant kind;

(h) the Lending Criteria in force at the time of origination of each Mortgage Loan were consistent with the criteria that would be used by a reasonable and prudent mortgage lender at that time;

(i) in relation to each English Mortgage Loan, the Borrower has a good and marketable title to the relevant Mortgaged Property;

(j) in relation to each Scottish Mortgage Loan, the Borrower has a valid and marketable heritable or long lease title to the relevant Mortgaged Property;

(k) prior to making a Mortgage Loan (other than a Further Advance), either:

(i) an independent valuer from the panel of valuers appointed by the relevant Originator or an employee valuer of such Originator valued the relevant Mortgaged Property; or

(ii) if the relevant Mortgage Loan is an AVM Mortgage Loan, an AVM was used to value the relevant Mortgaged Property

and, in each case, the results of such valuation would be acceptable to a reasonable and prudent mortgage lender.

In respect of a Further Advance, such Originator valued the relevant Mortgaged Property by using either an indexed valuation figure provided by a UK pricing index, a desktop valuation by an employee valuer of the relevant Originator (including by way of automated valuation methodology) or by using the then current valuation of the Mortgaged Property;

(l) prior to making a Mortgage Loan, the nature and amount of such Mortgage Loan, the circumstances of the relevant Borrower and nature of the relevant Mortgaged Property satisfied the Lending Criteria in force at that time in all material respects;

(m) no payment of interest (or in the case of repayment Mortgage Loans, principal and interest) equivalent to an amount in excess of one month's instalment at the applicable rate in respect of a Mortgage Loan was at any time during the 12 months before the Closing Date or, as applicable, the relevant Transfer Date in arrears, or if the Mortgage Loan was originated less than 12 months prior to the Closing Date or relevant Transfer Date (as applicable), since the date of origination;

(n) each Mortgage Loan and its related Mortgage has been made on the terms of the Standard Mortgage Documentation applicable thereto at the time of origination (so far as applicable) which has not been varied in any material respect other than in respect of any variations which were consistent with the practice of a reasonable and prudent residential mortgage lender;

(o) so far as the Seller is aware, no Borrower is in material breach of the conditions of its Mortgage Loan;

(p) as at the Closing Date (or, as applicable, Transfer Date) the first payment due has been paid by the relevant Borrower in respect of each Mortgage Loan and each Mortgage Loan is fully performing;

(q) each insurance contract arranged by the relevant Originator, as the case may be, in respect of any Mortgaged Property is in full force and effect and all premia due on or before the date of the Mortgage Sale Agreement have been paid in full and the Seller is not aware of any circumstances giving the insurer under any such insurance contract the right to avoid or terminate such policy in so far as it relates to the Mortgaged Properties or the Mortgage Loans;

(r) at all times since each Mortgage Loan was acquired by the Seller (in the case of Mortgage Loans originated by the NRAM Originator) or since their origination (in the case of Mortgage Loans originated by the VM Originator), the Seller has procured that full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts and proceedings relating to that Mortgage Loan and its Mortgage;

(s) the Seller has not received written notice of any litigation or claim calling into question in any material way its title to any Mortgage Loan and its Mortgage or the value of any security. The Seller is not engaged in any litigation, and no litigation is pending or threatened by the Seller against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any Mortgage Loan received by the Seller in connection with the origination of any Mortgage Loan;

(t) each Borrower is a natural person, and no Borrower is, as of the Closing Date (or, as applicable, Transfer Date), an employee or an officer of the Seller;

(u) subject to completion of any registration or recording which may be pending at the Land Registry or the Registers of Scotland, all Property Deeds and Mortgage Loan Files are held by, or to the order of, the Seller;

(v) all formal approvals, consents and other steps necessary to permit a legal or an equitable or beneficial transfer or a transfer of the servicing away from the Seller of the Mortgage Loans and their related Mortgages to be sold under the Mortgage Sale Agreement whenever required under the Transaction Documents have been obtained or taken and there is no requirement in order for such transfer to be effective to notify the Borrower before, on or after any such equitable or beneficial transfer;

(w) no Mortgage Loan has a Current Balance of more than £750,000;

(x) no Mortgage Loan has a current Loan to Value Ratio greater than 85 per cent.;

(y) each Mortgage Loan was originated by the relevant Originator in Sterling and is denominated in Sterling and is currently repayable in Sterling;

(z) each Mortgage Loan and its Related Security is valid, binding and enforceable in accordance with its terms (subject to certain exceptions) and is non-cancellable;

(aa) no Mortgage Loan is a Help to Buy Mortgage Loan;

(bb) in relation to each Right to Buy Mortgage Loan;

(i) except in relation to the Scottish Mortgage Loans, the relevant Originator was, at the time of origination of such Right to Buy Mortgage Loan, an approved lending institution within the meaning given to that expression in the Housing Act 1985 (as amended by the Housing Act 2004);

(ii) the original advance was made to the person exercising the right to buy;

(iii) the original advance was made wholly for the purposes of enabling the recipient thereof to purchase the relevant Mortgaged Property, home improvements and solicitors or licensed or qualified conveyancer's fees only; and

(iv) is not subject to a shared ownership arrangement where the related Mortgage is only secured over part (rather than the whole) of the beneficial interest in the Mortgaged Property;

(cc) no Mortgage Loan is a buy-to-let mortgage loan under the Lending Criteria of the relevant Originator;

(dd) no Mortgage Loan is an Equity Release Mortgage Loan;

(ee) no Mortgage Loan has been subject to any variation, amendment, modification, waiver or exclusion of any kind which in any material way adversely affects the enforceability or collectability of such Mortgage Loan;

(ff) each Mortgage Loan was made to a Borrower who was resident in the United Kingdom at the time of origination;

(gg) to the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree entered or awarded against him in the six-year period prior to the date they executed the relevant Mortgage; and

(hh) no Mortgage Loan was made to a Borrower pursuant to any fast track programme or was granted on a self-certification basis.

"**Equity Release Mortgage Loan**" means a mortgage loan originated under an equity release plan in the form of either a lifetime mortgage or a home reversion plan and where repayment of such mortgage loan is due on the earlier to occur of the death of the borrower and the sale of the relevant property.

"**AVM Mortgage Loan**" means a mortgage loan which at the time of origination qualified for a property valuation conducted by reference to an AVM rather than a valuation obtained either from the in house Property Risk department or from an independent firm of professional valuers selected from a panel of approved valuers.

Repurchase by the Seller

The Seller will agree in the Mortgage Sale Agreement to repurchase any Mortgage Loan (including any accrued interest thereon) together with its Related Security and all other Mortgage Loans in the relevant Mortgage Account if a Mortgage Loan or its Related Security does not materially comply on the Closing Date (or, in the case of any New Mortgage Loans, on the relevant Transfer Date) with Loan Warranties given by the Seller under the Mortgage Sale Agreement and the Seller does not remedy such breach within 60 days of the Seller or the Administrator becoming aware of such breach and providing written notice of such breach to any of the Mortgages Trustee, the Issuer or the Security Trustee.

The Seller will have no other liability for breach of a Loan Warranty other than the obligation to repurchase.

If the Seller fails to comply with its obligation to repurchase, a Denominator Reduction Event will occur, the result of which will be a reduction in the denominator for the purposes of calculating the Issuer Share Percentage without any effect on the Issuer Share, and correspondingly, will increase the Issuer Share Percentage. The result of this is that the Seller Share Percentage will be reduced and the Seller will be entitled to a reduced share of distributions of revenue and, in certain circumstances, distributions of principal, thus compensating the Issuer for the Seller's failure to repurchase (see the section entitled "*The Mortgages Trust*" below).

For so long as the Seller is the Administrator, it must notify the Mortgages Trustee, the Issuer and the Security Trustee of any material breach of a Loan Warranty as soon as it becomes aware of such breach.

In addition, the Seller will be required to repurchase Mortgage Loans and their Related Security where the Seller has accepted an application from or issued an offer to the relevant Borrower for a Product Switch or Further Advance as described under "*Product Switches and Further Advances*" below.

The price payable by the Seller upon the repurchase of any Mortgage Loan and its Related Security is an amount (not less than zero) equal to the Current Balance plus accrued and unpaid interest on such Mortgage Loan as of the date of completion of such repurchase plus expenses payable thereon to the date of repurchase (the "**Repurchase Price**"). If the Seller fails to pay all or part of the Repurchase Price due for any repurchase or otherwise fails to complete such repurchase in accordance with the terms of the Mortgage Sale Agreement, then it will constitute a Denominator Reduction Event and, as a consequence, the Seller Share of the Trust Property shall be reduced by an amount equal to the Repurchase Price or the portion thereof that has not been paid, as the case may be.

Product Switches and Further Advances

Under the Administration Agreement, the Administrator may, on behalf of the Seller, accept an application from or issue an offer for a Product Switch or Further Advance to any Borrower in respect of a Mortgage Loan only where the Seller has confirmed to the Administrator and the Mortgages Trustee that it will purchase that Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement. Upon receipt of such confirmation from the Seller, the Administrator on behalf of the Seller may then issue an offer for a Product Switch or Further Advance and accept the mortgage documentation duly completed by the Borrower, **provided that** the Product Switch or the Further Advance may not be effected or advanced, as the case may be, unless and until the Seller has repurchased the Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement. The Mortgages Trustee may not itself offer or make any Product Switch or Further Advance.

If the Administrator and the Mortgages Trustee are notified or are otherwise aware that a Borrower has requested a Product Switch or Further Advance and the Administrator and the Mortgages Trustee have received confirmation that the Seller will repurchase the relevant Mortgage Loan and its Related Security, the Mortgages Trustee shall at any time upon notice from the Seller assign to the Seller and the Seller shall purchase such Mortgage Loan together with its Related Security (and, for the avoidance of doubt, together with any other Mortgage Loans secured on the same property) in accordance with the Mortgage Sale Agreement at the Repurchase Price.

In considering whether to grant a request of a Borrower for a Product Switch or Further Advance, or whether to offer a Product Switch or Further Advance to a Borrower, the Administrator shall act in accordance with the practices of a prudent residential mortgage administrator acting reasonably and in accordance with the lending criteria and its administration policy (see "*The Mortgage Loans – Characteristics of the Mortgage Loans –*

Lending Criteria" and "*The Administrator, and the Administration Agreement and the Collection Account – The Administration Agreement*" above).

Replenishment of the Mortgage Portfolio

Pursuant to the terms of the Mortgage Sale Agreement, at any time prior to the occurrence of a Pass-Through Trigger Event, the Seller shall be entitled (but not obliged) to sell, and the Mortgages Trustee shall be entitled to purchase additional Mortgage Loans ("**New Mortgage Loans**") and their Related Security from the Seller, subject to satisfaction of the following criteria (the "**Replenishment Criteria**") on the date of transfer (the "**Transfer Date**"):

(a) the New Mortgage Loan is not in breach of the Loan Warranties as at the Transfer Date;

(b) the Transfer Date falls before the Step-Up Date;

(c) no Pass-Through Trigger Event has occurred or will occur as a result of the transfer;

(d) if the Seller's short term issuer default rating is below F1 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-1 by Moody's (or such other lower short term rating acceptable to the relevant Rating Agency), the Seller has provided to the Mortgages Trustee a solvency certificate (in form and substance acceptable to the Mortgages Trustee) signed by an authorised signatory of the Seller dated no earlier than the day falling three months prior to the relevant Transfer Date;

(e) following the addition of the New Mortgage Loans to the Portfolio, the weighted average Current LTV Ratio of all Mortgage Loans in the Mortgage Portfolio will not exceed 65 per cent.;

(f) following the addition of the New Mortgage Loans to the Portfolio, the outstanding Current Balance of any Mortgage Loans in the Mortgage Portfolio (including the relevant Further Advances) with an Original LTV ratio (calculated by dividing the original principal balance of the Mortgage Loan by the Original Valuation) of more than 85 per cent. will not exceed 15 per cent. of the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio;

(g) following the addition of the New Mortgage Loans to the Portfolio, the outstanding Current Balance of the interest-only parts of the Mortgage Loans in the Mortgage Portfolio will not exceed 15 per cent. of the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio;

(h) following the addition of the New Mortgage Loans to the Portfolio, the weighted average portfolio yield is not less than 3 Month LIBOR + 1.15 per cent. (the LIBOR rate applicable to the Basis Rate Swap(s)), after taking into account of the Basis Rate Swap;

(i) the Issuer has, where required, entered into appropriate hedging arrangements in respect of the New Mortgage Loans;

(j) following the addition of the New Mortgage Loans to the Mortgages Portfolio, the weighted average life of the fixed rate period of the Fixed Rate Mortgage Loans in the Mortgage Portfolio is not more than 3 years;

(k) following the addition of the New Mortgage Loans to the Mortgages Portfolio, the weighted average life of the variable rate period linked to the Bank of England base rate of the Tracker Rate Mortgage Loans in the Mortgage Portfolio is not more than 3 years;

(l) the fixed rate period, or the variable rate period linked to the Bank of England base rate (as applicable), of each New Mortgage Loan ends before 25 August 2028; and

(m) following the addition of the New Mortgage Loans to the Portfolio, the outstanding Current Balance of the Mortgage Loans in the Mortgage Portfolio where the primary borrower's employment status is classified as self-employed will not exceed 30 per cent. of the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio.

"**Current Balance**" in relation to a Mortgage Loan at a particular date means the outstanding principal amount of such Mortgage Loan at such date (for the avoidance of doubt, as adjusted to reflect any changes to the principal

amount outstanding of such Mortgage Loan due to an increase in the principal amount outstanding due to a Borrow-back or any unpaid interest in respect of an Underpayment or a reduction to the principal amount outstanding due to repayments or overpayments, the exercise of a right of set-off (without double counting for any set-off losses which are reflected in the Denominator Reduction Amount) or any amount in respect of a Loss which has been written off by the Administrator) including any capitalised interest and fees.

"**Current LTV Ratio**" means, in respect of a Mortgage Loan, the Current Balance divided by the Current Valuation.

"**Current Valuation**" means, with respect to a Mortgage Loan, the most recent valuation carried out with respect to the relevant Mortgaged Property for the purpose of making an advance under the relevant Mortgage Loan.

Purchases of New Mortgage Loans by the Mortgages Trustee may be funded from the proceeds of any Seller Cash Contributions made on such date (with the respective cash payments being set off against each other) or from any amounts standing to the credit of the Trust Replenishment Ledger on the relevant Transfer Date. See "*The Mortgages Trust – Contributions to the Mortgages Trust*" below for further information. The Issuer shall not be obliged to make any contributions to the Mortgages Trustee for the purposes of replenishment of the Mortgage Portfolio.

Borrow-backs under Mortgage Loans

The Seller is solely responsible for funding all future Cash Borrow-backs and the unpaid interest portion of Borrow-backs as a result of payment holidays in respect of Mortgage Loans contained in the Mortgages Trust. The Seller Share of the Trust Property will increase by the amount of any Borrow-backs.

Transfer of legal title to the Mortgages Trustee

The Mortgage Loans and their Related Security will be assigned to the Mortgages Trustee by way of an assignment which takes effect in equity or (in relation to Scottish Mortgage Loans and their Related Security) by the declaration of the Scottish Declaration of Trust. As a result, legal title to the Mortgage Loans and their Related Security will remain with the Seller until such time as certain additional steps have been taken including the giving of notices of the assignment to the Borrowers or (in relation to Scottish Mortgage Loans and their Related Security) the execution of assignations by the Seller in favour of the Mortgages Trustee together with notification of the assignation to the Borrowers.

In relation to the mortgages of registered land in England or Wales or over any land in Scotland, which will be transferred to the Mortgages Trustee on the Closing Date or on a subsequent Transfer Date, until such time as transfers of such Mortgages have been completed and registered at the Land Registry or the Registers of Scotland, the sale to the Mortgages Trustee will take effect in equity and transfer beneficial title only or, in the case of the Scottish Mortgages, the Mortgages Trustee will hold the beneficial interests therein under the Scottish Declaration of Trust. In the case of mortgages of unregistered land in England and Wales, in order for legal title to pass to the Mortgages Trustee, conveyances of the relevant mortgages would have to be completed in favour of the Mortgages Trustee.

Under the Mortgage Sale Agreement, none of the Seller, the Mortgages Trustee or the Security Trustee will require the execution and completion of such transfers, assignations and conveyances in favour of the Mortgages Trustee or the registration or recording of such transfers or service of notice on Borrowers in order to effect the transfer of legal title to the Mortgage Loans and their Related Security (including, where appropriate, their registration), except in the limited circumstances described below.

The Seller shall be obliged to give notice of assignment of the Mortgage Loans to the Borrower following the occurrence of a Relevant Event (as described below). The execution of transfers or assignations of legal title to the Mortgage Loans and their Related Security to the Mortgages Trustee (together with the relevant notices to the Borrowers) will be required to be completed by the Seller within 60 Business Days of receipt of written notice from the Mortgages Trustee, the Issuer or the Security Trustee upon the occurrence of any of the following (each a "**Relevant Event**"):

(a) the valid service of a Note Acceleration Notice;

(b) following the termination of the Seller's role as Administrator under the Administration Agreement, the failure of any substitute Administrator to administer the Mortgage Portfolio in accordance with the terms of the Administration Agreement;

(c) the Seller being required, by an order of a court of competent jurisdiction, or by a change in law occurring after the Closing Date, or by a regulatory authority or organisation whose members include mortgage lenders of which the Seller is a member or with whose instructions it is customary for the Seller to comply, to perfect the transfer of legal title to the Mortgage Loans and Related Security in favour of the Mortgages Trustee;

(d) the Issuer Security or any material part of the Issuer Security being in jeopardy and it being necessary to perfect the transfer of legal title to the Mortgage Loans and their Related Security in favour of the Mortgages Trustee in order to materially reduce such jeopardy;

(e) notice in writing from the Seller to the Mortgages Trustee and the Issuer (with a copy to the Security Trustee) requesting such a transfer or assignation;

(f) the Seller becomes subject to an Insolvency Event (a "**Seller Insolvency Event**"); or

(g) it becoming necessary by law to do any or all of the perfection acts referred to in the Mortgage Sale Agreement.

If such transfer of legal title is not completed within this period, the Seller, if in its reasonable opinion it is able to do so, shall continue to seek such transfer until it is completed. The Mortgages Trustee shall, following a Relevant Event, register any transfer or assignation of the legal title to a Mortgage at the Land Registry or Registers of Scotland as soon as reasonably practicable following receipt (or execution by the Mortgages Trustee) of such transfer or assignation and shall respond expeditiously to all requisitions raised by the Land Registry or Registers of Scotland.

"**Insolvency Event**" means, in respect of Virgin Money, the Seller, the Administrator, the Issuer Cash Manager, the Trust Property Cash Manager, the VM Issuer Account Bank and the VM Mortgages Trustee Account Bank (each, for the purposes of this definition, a "**Relevant Entity**"):

(i) an order is made or an effective resolution passed for the winding up of the Relevant Entity or the appointment of an administrator over the Relevant Entity (except, in any such case, a winding-up or dissolution for the purpose of a reconstruction or amalgamation the terms of which have been previously approved by the Security Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding);

(ii) the Relevant Entity ceases or threatens to cease to carry on its business (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (i) above) 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) (on the basis that the reference in such section to £750 was read as a reference to £10 million), (b), (c) (on the basis that the words "for a sum exceeding £10 million" were inserted after the words "extract registered bond" and "extract registered protest"), (d) or (e) of the Insolvency Act (as amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets is less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or otherwise becomes insolvent; or

(iii) proceedings are initiated against the Relevant Entity or any steps are taken in respect of a Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent), insolvency 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 a distress, execution, 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 30 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.

All Monies Mortgage Trust

In relation to those Mortgages for the Mortgage Loans which constitute all monies security ("**All Monies Mortgages**") which secure the repayment of Associated Debt as well as the relevant Mortgage Loan (for these purposes "**Associated Debt**" means the indebtedness a Borrower owes or may owe to the Seller from time to time which is not a Mortgage Loan) and which the Seller will contract to sell and assign to the Mortgages Trustee on

the Closing Date or on a subsequent Transfer Date, the proceeds of enforcement of such All Monies Mortgages will not form part of the Trust Property so long as there is Associated Debt outstanding. Instead, following the enforcement of any All Monies Mortgage, the proceeds of such enforcement will be held upon trust by the Mortgages Trustee for itself (in its capacity as Mortgages Trustee, as bare trustee for the Beneficiaries according to the terms of the Mortgages Trust Deed) and the Seller as beneficiaries, as applicable (the "**All Monies Mortgage Trust**"), the Mortgages Trustee being, in such capacity, the "**All Monies Mortgage Trustee**".

The Mortgage Sale Agreement will provide that the All Monies Mortgage Trustee, upon receipt of the proceeds of enforcement of any All Monies Mortgage, shall distribute such proceeds (a) first, to the All Monies Mortgage Trustee in an amount sufficient to pay in full all amounts due and payable under such Mortgage Loan and (b) second, to the Seller in or towards discharge of the Associated Debt, such amounts in (b) referred to as the "**All Monies Mortgage Consideration**".

Title Deeds

The title deeds and mortgage loan files relating to the Mortgage Loans are currently held by or to the order of the Seller or by solicitors acting for the Seller in connection with the creation of the Mortgage Loans and their Related Security. Under the Administration Agreement the Administrator will undertake that from the Closing Date all the title deeds and mortgage loan files at any time in its possession or under its control or held to its order relating to the Mortgage Loans which are on the Closing Date or at any time thereafter assigned to the Mortgages Trustee will be held to the order of the Mortgages Trustee. The Administrator will keep, or cause to be kept, the title deeds and mortgage loan files relating to each Mortgage Loan and each Mortgaged Property in safe custody and shall not part with possession, custody or control of them except in the limited circumstances specified in the Administration Agreement.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligation arising out of or in relation to the Mortgage Sale Agreement will be governed by English law although terms thereof particular to Scots law shall be construed in accordance with Scots law.

THE MORTGAGES TRUST

General Legal Structure

The "**Mortgages Trust**" will be a bare trust formed under English law with the Mortgages Trustee as bare trustee for the benefit of the Seller and the Issuer. Under the terms of a mortgages trust deed to be entered into on the Closing Date between the Mortgages Trustee, the Issuer and the Seller (the "**Mortgages Trust Deed**"), the Mortgages Trustee agrees that it will hold, on and from the date on which it is received, all Trust Property, other than amounts allocated for distribution on any Distribution Date, on trust absolutely for the Issuer (as to the Issuer Share) and for the Seller (as to the Seller Share) and as to amounts allocated for distribution on any Distribution Date (whether as Mortgages Trustee Available Principal Receipts or Mortgages Trustee Available Revenue Receipts) on trust absolutely for the Issuer and the Seller in accordance with their respective entitlements established as described under "– *Mortgages Trustee Revenue Priority of Payments*" and "– *Mortgages Trustee Principal Priority of Payments*" below. The property comprising the Mortgages Trust (the "**Trust Property**") will consist (without double counting) of:

(i) the sum of £100 settled on the date of the Mortgages Trust Deed by the Seller and the Issuer (as to £50 each);

(ii) the Initial Mortgage Portfolio beneficially assigned to the Mortgages Trustee by the Seller on the Closing Date including the Mortgage Loans and their Related Security (save that, following the enforcement of any All Monies Mortgage where Associated Debt exists in relation to that All Monies Mortgage, the enforcement proceeds will not form part of the Trust Property until they are released from the All Monies Mortgage Trust in accordance with the Mortgage Sale Agreement) and any additions thereto, resulting from Borrow-backs made by Borrowers, and, if it is transferred at any time to the Mortgages Trustee, the legal title to the Initial Mortgage Portfolio including the Mortgage Loans and their Related Security to the extent that the same have not been repurchased by the Seller pursuant to the terms of the Mortgage Sale Agreement;

(iii) any New Mortgage Loans beneficially assigned to the Mortgages Trustee by the Seller on a Transfer Date including the New Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement;

(iv) any interest and principal paid by Borrowers on their Mortgage Loans on or after the Closing Date;

(v) any other amounts received under or in connection with the Mortgage Loans and Related Security on or after the Closing Date and any amount paid under any insurance policy in relation to a Mortgaged Property and warranty and indemnity payments to the Mortgages Trustee pursuant to the Transaction Documents, other than any Non-Trust Amounts;

(vi) any contribution, including any Seller Cash Contribution and any Mandatory Seller Cash Contribution, paid by the Seller to the Mortgages Trustee on or after the Closing Date for application in accordance with the terms of the Mortgages Trust Deed;

(vii) amounts on deposit (and interest earned on such amounts) in the Mortgages Trustee Transaction Accounts and the VM Mortgages Trustee Account and amounts invested (and interest earned on such amounts) in Permitted Investments; and

(viii) the proceeds of the repurchase of any Mortgage Loan and its Related Security by the Seller pursuant to the terms of the Mortgage Sale Agreement.

For the purposes of making calculations with respect to the Trust Property at any time (including, without limitation, calculating the Seller Share), the amount of the Trust Property shall be an amount equal to the sum of the aggregate Current Balance of all Mortgage Loans in the Mortgage Portfolio at such time, plus such other amounts as are held in the Mortgages Trustee Transaction Accounts and the VM Mortgages Trustee Account and invested in Permitted Investments, at such time representing items (i) and (iv) to (viii) above.

The Issuer will not be entitled to any interest in particular Mortgage Loans and their Related Security separately from the Seller. Instead each of the Beneficiaries will have an absolute undivided beneficial interest in the Trust Property.

Seller Contributions to the Mortgages Trust

The Seller may make a Seller Cash Contribution to the Mortgages Trust from time to time, the proceeds of which may be applied by the Mortgages Trustee, *inter alia*, as consideration for the purchase of New Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement. Any Seller Cash Contribution shall be credited by the Trust Property Cash Manager to the Trust Replenishment Ledger in one or both of the Mortgages Trustee Transaction Accounts and/or the VM Mortgages Trustee Account and shall form part of the Trust Property. In the case of any Seller Cash Contribution made for the purposes of the acquisition by the Mortgages Trustee of New Mortgage Loans and their Related Security, the Seller and the Mortgages Trustee shall be entitled to set-off the cash payment comprising such Seller Cash Contribution against the purchase price payable by the Mortgages Trustee to the Seller in respect of such New Mortgage Loans and their Related Security.

Pursuant to the terms of the Mortgages Trust Deed, on any Distribution Date the Seller shall be entitled to set-off any amount of principal allocated to the Seller on the immediately preceding Trust Calculation Date and due to be distributed to the Seller in accordance with the Mortgages Trustee Principal Priority of Payments (such principal amount distributed to the Seller the "**Seller Principal Payment Amount**") against any Seller Cash Contribution to be made by the Seller on such date.

Any amounts credited to the Trust Replenishment Ledger that are not applied towards the purchase of New Mortgage Loans and their Related Security on or prior to the next following Trust Calculation Date will be applied as Mortgages Trustee Available Principal Receipts on the following Distribution Date in accordance with the Mortgages Trustee Principal Priority of Payments.

Subject to satisfaction of the Replenishment Criteria, the Mortgages Trustee may purchase New Mortgage Loans from the Seller using the proceeds of a Seller Cash Contribution at any time. See also "*Sale of the Mortgage Portfolio under the Mortgage Sale Agreement – Replenishment of the Mortgage Portfolio*" above.

For the avoidance of doubt, where amounts are stated as being credited to or, as applicable, debited from, a ledger of the Mortgages Trustee, there shall be a corresponding retention in, or payment from, the relevant Mortgages Trustee Transaction Account and/or the VM Mortgages Trustee Account in respect of such credit or debit.

Mandatory Seller Cash Contributions

On each Distribution Date the Seller shall be obliged to make a Mandatory Seller Cash Contribution in a minimum amount equal to the Mandatory Seller Cash Contribution Amount as determined with respect to such Distribution Date in order to ensure that, taking into account the Seller Principal Payment Amount due to be paid to the Seller on such Distribution Date, the Seller Share will not fall below the Minimum Seller Share. Such Mandatory Seller Cash Contribution Amount will be set off against a portion of the Seller Principal Payment Amount (such that an amount equal to the Mandatory Seller Cash Contribution Amount shall be retained by the Mortgages Trustee in the Mortgages Trustee Transaction Accounts and/or the VM Mortgages Trustee Account and credited to the Trust Replenishment Ledger) and no Seller Share Event shall occur as a result.

"**Mandatory Seller Cash Contribution Amount**" means, with respect to a Distribution Date, the amount (if any) by which the distribution of all Mortgages Trustee Available Principal Receipts required to be distributed to the Seller on such Distribution Date pursuant to the Mortgages Trustee Principal Priority of Payments would cause the Seller Share to fall below the Minimum Seller Share.

Trust Replenishment Ledger

The Mortgages Trustee (or the Trust Property Cash Manager on its behalf) will establish a replenishment ledger in each of the Mortgages Trustee Transaction Accounts and/or the VM Mortgages Trustee Account (the "**Trust Replenishment Ledger**") and will record as a credit to the Trust Replenishment Ledger any Seller Cash Contribution. The Mortgages Trustee (or the Trust Property Cash Manager on its behalf) will record as a debit to the Trust Replenishment Ledger any cash payment made as consideration for the purchase of New Mortgage Loans from the Seller.

Any amounts credited to the Trust Replenishment Ledger that are not applied in or towards the purchase of New Mortgage Loans and their Related Security on or prior to the next following Trust Calculation Date will be applied as Mortgages Trustee Available Principal Receipts on the following Distribution Date in accordance with the Mortgages Trustee Principal Priority of Payments.

Fluctuation of the Seller Share/Issuer Share of the Trust Property

The Issuer Share and the Seller Share of the Trust Property will fluctuate depending on a number of factors including, but not limited to:

(a) the distribution of Principal Receipts from the Mortgage Loans to the Issuer and/or the Seller on each Distribution Date;

(b) Losses arising on the Mortgage Loans;

(c) the occurrence of a VM Mortgages Trustee Account Loss;

(d) the Seller increasing the Trust Property, and as a result the Seller Share of the Trust Property, by making Seller Cash Contribution to the Mortgages Trustee in accordance with the Mortgages Trust Deed (including for the purposes of funding the purchase of New Mortgage Loans and their Related Security by the Mortgages Trustee); and

(e) a Borrower making a Borrow-back under a Mortgage Loan.

The Issuer Share and the Seller Share of the Trust Property may not be reduced below zero.

Trust Property Calculations

The Trust Property Cash Manager will recalculate the Issuer Share and the Seller Share on (i) each Trust Calculation Date, and (ii) such date as the Mortgages Trust terminates, in order to determine the percentage shares of the Issuer and the Seller in the Trust Property for the then current Trust Calculation Period. The percentage shares that each of the Issuer and the Seller has in the Trust Property will determine their entitlement to (i) Mortgages Trustee Available Revenue Receipts, (ii) in certain circumstances, Mortgages Trustee Available Principal Receipts, and (iii) the allocation of Losses arising on the Mortgage Loans for each Trust Calculation Period.

"**Trust Calculation Date**" means one Business Day prior to each Distribution Date.

"**Trust Calculation Period**" means the period from (and including) the first day of each calendar month (or, in the case of the first Trust Calculation Period, the Closing Date) to (and including) the last day of the same calendar month.

Recalculating the Issuer Share and Issuer Share Percentage of the Trust Property on a Trust Calculation Date

On each Trust Calculation Date and on such date as the Mortgages Trust terminates (each a "**Relevant Trust Calculation Date**"), the interest of the Issuer in the Trust Property will be recalculated for the then current Trust Calculation Period in accordance with the following formulae:

(a) The Issuer's share (the "**Issuer Share**") of the Trust Property on each Relevant Trust Calculation Date will be an amount equal to:

$$A-B-C$$

(b) The Issuer's share percentage (the "**Issuer Share Percentage**") of the Trust Property on each Relevant Trust Calculation Date will be an amount expressed as a percentage equal to:

$$\frac{A-B-C}{D}\times 100$$

(in the case of the Issuer Share Percentage, subject to a maximum of 100% and a minimum of 0%) in each case rounded upwards (i) on the Closing Date, to two decimal places and (ii) on any other Trust Calculation Date, to five decimal places), where:

A = the amount of the Issuer Share as determined on the Trust Calculation Date immediately preceding the Relevant Trust Calculation Date (or, in the case of the first Trust Calculation Date, the Issuer Share of the Trust Property on the Closing Date (which will be an amount calculated by the Trust Property Cash Manager and notified by the Trust Property Cash Manager to the

Mortgages Trustee, the Issuer and the Seller) equal to the amount to be paid by the Issuer to the Mortgages Trustee as its Initial Contribution for its share of the Trust Property on the Closing Date);

B = the amount of Mortgages Trustee Available Principal Receipts to be distributed to the Issuer on the Distribution Date immediately following the Relevant Trust Calculation Date (as described in the section entitled "– *Mortgages Trustee Principal Priority of Payments*");

C = the amount of Losses sustained on the Mortgage Loans during the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date and allocated to the Issuer in accordance with the provisions of the Mortgages Trust Deed; and

D = an amount equal to the sum of the following amounts:

(a) the aggregate Current Balance of all the Mortgage Loans as at the last day of the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date, *plus*

(b) subject to the caveat below, the aggregate of all VM Mortgages Trustee Account Recovered Amounts received during the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date, *plus*

(c) (i) any Seller Cash Contribution made by the Seller to the Mortgages Trustee on or prior to the Relevant Trust Calculation Date, and/or (ii) any Seller Cash Contribution that the Seller is committed to make on or prior to the immediately following Distribution Date, *minus*

(d) subject to the caveat below, the aggregate of all Denominator Reduction Amounts in relation to Denominator Reduction Events occurring during the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date.

For the avoidance of doubt if the Seller fails to make a Seller Cash Contribution that it was committed to make on or prior to the immediately following Distribution Date in accordance with D(c)(ii) above, and such failure is not cured within the Seller Share Event Cure Period, for the purpose of determining the Issuer Share Percentage on the Relevant Trust Calculation Date, item D(c)(ii) above shall not take into account any amount of such Seller Cash Contribution that the Seller was committed to make, but did not make, on or prior to that Distribution Date or within the Seller Share Event Cure Period.

If a VM Mortgages Trustee Account Loss occurs after the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date, for the purpose of determining the Issuer Share Percentage on the Relevant Trust Calculation Date, item D(d) above shall reflect such VM Mortgages Trustee Account Loss as a Denominator Reduction Amount notwithstanding the fact that such VM Mortgages Trustee Account Loss occurred after the relevant Trust Calculation Period.

If a VM Mortgages Trustee Account Recovered Amount is received after the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date, for the purpose of determining the Issuer Share Percentage on the Relevant Trust Calculation Date, item D(b) above shall include such VM Mortgages Trustee Account Recovered Amount notwithstanding the fact that such VM Mortgages Trustee Account Recovered Amount was received after the relevant Trust Calculation Period.

If a VM Mortgages Trustee Account Loss occurs between the Trust Calculation Date and the Trust Distribution Date, for the purpose of determining the Issuer Share Percentage in respect of payments to be made on such Trust Distribution Date, item D(d) above shall reflect such VM Mortgages Trustee Account Loss as a Denominator Reduction Amount notwithstanding the fact that such Insolvency Event occurred during the current Trust Calculation Period.

"**Current Balance**" in relation to a Mortgage Loan at a particular date means the outstanding principal amount of such Mortgage Loan at such date (for the avoidance of doubt, as adjusted to reflect any changes to the principal amount outstanding of such Mortgage Loan due to an increase in the principal amount outstanding due to a Borrow-back or any unpaid interest in respect of an Underpayment or a reduction to the principal amount outstanding due to repayments or overpayments, the exercise of a right of set-off (without double counting for any set-off losses which are reflected in the Denominator Reduction Amount) or any amount in respect of a Loss which has been written off by the Administrator) including any capitalised interest and fees.

"**Denominator Reduction Amount**" means the amount specified as such for each Denominator Reduction Event and "**Denominator Reduction Amounts**" means the amounts for more than one Denominator Reduction Event.

"**Denominator Reduction Event**" means each of the following events and "**Denominator Reduction Events**" means any one or more of the following events:

(a) any Borrower exercises a right of set-off (whether such right has arisen as a result of the Seller failing to make a Borrow-back or otherwise) so that the amount of principal and interest owing under a Mortgage Loan is reduced but no corresponding payment is received by the Mortgages Trustee, in which event the Denominator Reduction Amount will be an amount equal to the total amount of such set-off; and/or

(b) an obligation to repurchase a Mortgage Loan arises under the Mortgage Sale Agreement and the Seller fails to repurchase such Mortgage Loan as required by the terms of the Mortgage Sale Agreement or such Mortgage Loan is not capable of being repurchased, in which event the Denominator Reduction Amount will be an amount equal to the relevant Repurchase Price; and/or

(c) an Insolvency Event in respect of Virgin Money has occurred and amounts standing to the credit of the VM Mortgages Trustee Account on the date of such Insolvency Event cannot be withdrawn from the VM Mortgages Trustee Account and transferred to a Mortgages Trustee Transaction Account on such date, in which event the Denominator Reduction Amount will be an amount equal to the balance of the VM Mortgages Trustee Account to the extent that such balance cannot be withdrawn on such date (such balance the "**VM Mortgages Trustee Account Loss**").

Set-off rights referred to in (a) above may arise (including, without limitation) if the Seller fails to advance a Cash Borrow-back to a Borrower under the relevant Mortgage Loan. In such a situation, the Borrower may argue that it is entitled to set-off any damages claim arising from the Seller's breach of contract against the Seller's claim for payment of principal and/or interest under the relevant Mortgage Loan as and when it becomes due.

A Denominator Reduction Event will reduce the denominator for the purposes of the calculation of the Issuer Share Percentage on the Relevant Trust Calculation Date, but will not have any effect on the Issuer Share. As a result, the Issuer Share Percentage will increase (thereby reducing the Seller Share Percentage) and the Issuer will be entitled to a greater share of Mortgages Trustee Available Revenue Receipts and, in certain circumstances, Mortgages Trustee Available Principal Receipts on the Distribution Date falling in the immediately succeeding Trust Calculation Period, than if the Denominator Reduction Event had not occurred, thus compensating the Issuer for the Seller's failure to repurchase, the Seller allowing the set-off to arise, or a VM Mortgages Trustee Account Loss as the case may be.

Any subsequent recovery (whether principal or interest) in respect of a Denominator Reduction Amount other than a recovery of a VM Mortgages Trustee Account Recovered Amount in respect of a prior VM Mortgages Trustee Account Loss will constitute Revenue Receipts and will be distributed in accordance with the Mortgages Trustee Revenue Priority of Payments. In respect of any VM Mortgages Trustee Account Recovered Amount, such amount will be allocated either as a Mortgages Trustee Available Revenue Receipt (to the extent applied against a previous Mortgages Trustee Revenue Receipts Reduction) or as a Mortgages Trustee Available Principal Receipt (to the extent applied against a previous Mortgages Trustee Principal Receipts Reduction). See "*VM Mortgages Trustee Account Losses – Impact on Mortgages Trustee Available Revenue Receipts and Mortgages Trustee Available Principal Receipts*".

At the Closing Date, the initial amount of the Issuer's beneficial interest in the Trust Property is expected to be approximately £1,427,246,293 (which will include an amount of £1,427,246,293 in respect of the Issuer's initial contribution (the "**Initial Contribution**") to the Mortgages Trust) which corresponds to approximately 82.73 per cent. of the Trust Property. The actual share of the Issuer's beneficial interest in the Trust Property will not be determined until the Closing Date.

The Issuer Share of the Trust Property may not be reduced below zero.

Recalculating the Seller Share and Seller Share Percentage of Trust Property on a Trust Calculation Date

On each Relevant Trust Calculation Date, the Seller's then current share (the "**Seller Share**") of the Trust Property and the Seller's then current share percentage (the "**Seller Share Percentage**") of the Trust Property will be recalculated for the then current Trust Calculation Period in accordance with the following:

(a) the Seller Share of the Trust Property will be an amount equal to:

the aggregate amount of the Trust Property as at the Relevant Trust Calculation Date *minus* the amount of Mortgages Trustee Available Revenue Receipts and Mortgages Trustee Available Principal Receipts to be distributed on the Distribution Date immediately following the Relevant Trust Calculation Date *minus* the current Issuer Share as calculated on such Relevant Trust Calculation Date *plus* any Seller Cash Contribution that the Seller is committed to make on or prior to the immediately following Distribution Date;

(b) the Seller Share Percentage of the Trust Property will be an amount equal to:

100 per cent. *minus* the Issuer Share Percentage as calculated on such Relevant Trust Calculation Date,

in each case rounded (i) on the Closing Date, to two decimal places and (ii) on any other Relevant Trust Calculation Date, to five decimal places.

At the Closing Date, the initial amount of the Seller's beneficial interest in the Trust Property is expected to be approximately £297,835,667 which corresponds to approximately 17.27 per cent. of the Trust Property. The actual share of the Seller's beneficial interest in the Trust Property will not be determined until the Closing Date.

The Seller Share of the Trust Property may not be reduced below zero.

Minimum Seller Share and Seller Share Events

The Seller Share of the Trust Property includes a minimum amount (the "**Minimum Seller Share**"). As at the Closing Date, the Minimum Seller Share will be approximately £17,250,820, but the amount of the Minimum Seller Share will change as payments of principal are made on the Mortgage Loans and as the aggregate total amount of potential Cash Borrow-backs in respect of Mortgage Loans fluctuates. Following a Pass-Through Trigger Event, the Seller will not be entitled to receive Principal Receipts until the Rated Notes have been redeemed in full.

Although there are consequences for the Seller if the Seller Share drops below the Minimum Seller Share, save to the extent that the Seller is required to make a Mandatory Seller Cash Contribution, there is no direct obligation on the Seller to maintain the Seller Share at or above the Minimum Seller Share level. However, reduction of the Seller Share to below the Minimum Seller Share that is not cured within a particular timeframe will result in a Pass-Through Trigger Event

The Minimum Seller Share will be the amount determined on each Trust Calculation Date in accordance with the following formula:

$$X + Y$$

where,

X = 0.15% of the aggregate Current Balance of Mortgage Loans in the Trust Property as at the last day of the immediately preceding Trust Calculation Period; and

Y = the product of: p and q where:

p = 24%; and

q = the "flexible cash Borrow-back capacity", being an amount equal to the difference between (1) the maximum amount of Cash Borrow-backs that Borrowers may make under Mortgage Loans included in the Trust Property (whether or not drawn) as at the last day of the immediately preceding Trust Calculation Period and (2) the aggregate current balance of Cash Borrow-backs on Mortgage Loans included in the Trust Property as at the last day of the immediately preceding Trust Calculation Period.

The Seller Share may be reduced below the Minimum Seller Share by the allocation of Losses and as a result of Denominator Reduction Amounts increasing the Issuer Share Percentage.

If, on a Trust Calculation Date which occurs whilst any Notes remain outstanding, the Seller Share on that Trust Calculation Date either is or would be less than the Minimum Seller Share for such Trust Calculation Date (determined, for the purposes of this calculation only, on the assumption that distributions of the Mortgages

Trustee Available Principal Receipts due on the immediately following Distribution Date are made in accordance with the Mortgages Trustee Principal Priority of Payments as if no Seller Share Event had occurred but taking into account any Mandatory Seller Cash Contribution made on or prior to the immediately following Distribution Date) then a "**Seller Share Event**" will occur. A Seller Share Event may be cured by either:

(a) a Seller Cash Contribution; and/or

(b) the assignment of New Mortgage Loans by the Seller to the Mortgages Trustee for no cash consideration,

on or before the immediately following Trust Calculation Date (the "**Seller Share Event Cure Period**").

The occurrence of a Seller Share Event, unless cured within the Seller Share Event Cure Period, will (i) result in an increase in the Liquidity Reserve Required Amount (see "*Credit Structure – Subordinated Loan Agreement and Liquidity Reserve Fund*" below) and (ii) constitute a Pass-Through Trigger Event. Following a Pass-Through Trigger Event, the Seller shall not be entitled to receive Principal Receipts until the Rated Notes have been redeemed in full.

The Seller may, but is not obliged to, make a Seller Cash Contribution (which may applied by the Mortgages Trustee towards the purchase of New Mortgage Loans and their Related Security) in order to cure a Seller Share Event or ensure that a Seller Share Event does not occur or otherwise to increase the Seller Share of the Trust Property. See also "*The Mortgages Trust – Contributions to the Mortgages Trust*" above.

Cash Management of Trust Property – Revenue Receipts

Under the Trust Property Cash Management Agreement, the Trust Property Cash Manager is responsible for distributing Mortgages Trustee Available Revenue Receipts on behalf of the Mortgages Trustee on each Distribution Date in accordance with the order of priority described in the following section.

Mortgages Trustee Revenue Priority of Payments

"**Mortgages Trustee Available Revenue Receipts**" will be calculated by the Trust Property Cash Manager on each Trust Calculation Date and will be an amount equal to the sum of (in each case in the immediately preceding Trust Calculation Period):

(a) Revenue Receipts on the Mortgage Loans received during the immediately preceding Trust Calculation Period;

  (i) *less* the amount of any Mortgages Trustee Revenue Receipts Reduction, and

  (ii) *plus* any VM Mortgages Trustee Account Recovered Amount, to the extent that such amount is applied to reduce the Mortgages Trustee Revenue Receipts Reduction; and

(b) interest payable to the Mortgages Trustee on the Mortgages Trustee Transaction Accounts and the VM Mortgages Trustee Account, and income received from any Permitted Investments, which has been received prior to the relevant Distribution Date; and

(c) payments made by the Seller to the Mortgages Trustee to fund any Non-Cash Borrow-back as a result of payment holidays with respect to any Mortgage Loan in the Mortgage Portfolio during the immediately preceding Trust Calculation Period.

(Please see for further information, "*VM Mortgages Trustee Account Losses*" below.)

"**Revenue Receipts**" means any payment received in respect of any Mortgage Loan, whether as all or part of a monthly payment in respect of such Mortgage Loan, on redemption (including partial redemption) of such Mortgage Loan, on enforcement of such Mortgage Loan (including the proceeds of sale thereof and including all proceeds of enforcement of an All Monies Mortgage representing revenues that are due to the Mortgage Trustee), on the disposal of such Mortgage Loan or otherwise (including payments pursuant to any insurance policy and payments of Repurchase Price by the Seller) which in any such case is not a Principal Receipt and any recovery (whether of principal or interest) in respect of a Denominator Reduction Amount (other than a recovery of a VM Mortgages Trustee Account Recovered Amount in respect of a prior VM Mortgages Trustee Account Loss), other than any Non-Trust Amounts.

The recovery of any VM Mortgages Trustee Account Recovered Amount in respect of a previous VM Mortgages Trustee Account Loss shall be allocated as either a Mortgages Trustee Available Revenue Receipt or a Mortgages Trustee Available Principal Receipt as described under "*VM Mortgages Trustee Account Losses – Impact on Mortgages Trustee Available Revenue Receipts and Mortgages Trustee Available Principal Receipts*" below.

"**Non-Trust Amounts**" means:

(a) amounts received from a Borrower in respect of:

(i) payments of insurance premia (if any) due to the Seller in respect of any Seller-arranged insurance policy to the extent not paid or payable by the Seller (or, to the extent that such insurance premia have been paid by the Seller in respect of any Further Advance granted in respect of any Mortgage Loan which is not re-purchased by the Seller, to reimburse the Seller);

(ii) amounts under a direct debit which are repaid to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account, which amounts may be paid daily from monies on deposit in the Mortgages Trustee Transaction Accounts or the VM Mortgages Trustee Account;

(iii) other charges which are due to the Seller including, for the avoidance of doubt, Early Repayment Charges;

(iv) any amount which represents an amount received from a Borrower which does not form part of that Borrower's Mortgage Account or comprises unpaid interest (but excluding, for the avoidance of doubt, any payments in arrear) as at the Closing Date and which is an amount owed by such Borrower in respect of any period prior to the Closing Date as and when identified by the Trust Property Cash Manager, which amount shall be for the account of the Seller; and

(b) any All Monies Mortgage Consideration,

and to the extent that the Mortgages Trustee has received such an amount, an amount equal to such amount may be paid on any day to the third party to which such amount is due from monies on deposit in the Mortgages Trustee Transaction Accounts or the VM Mortgages Trustee Account. For the avoidance of doubt, Non-Trust Amounts do not form part of the Trust Property and the Mortgages Trustee shall hold any Non-Trust Amounts received by it on trust for the Seller or such other third party beneficial owner of such sums as the case may be.

"**Early Repayment Charge**" means any charge or fee which the mortgage conditions applicable to a Mortgage Loan require the relevant Borrower to pay if all or part of that Mortgage Loan is repaid before a certain date.

On each Trust Calculation Date, the Trust Property Cash Manager will calculate and allocate the Issuer Revenue Share and the Seller Revenue Share and will then apply Mortgages Trustee Available Revenue Receipts on the following Distribution Date in the following order of priority (the "**Mortgages Trustee Revenue Priority of Payments**"):

(a) in or towards payment of *pari passu* and *pro rata* (according to the respective amounts thereof), in each case from the Issuer Revenue Share and the Seller Revenue Share *pro rata* to the respective proportions of the Issuer Share Percentage and the Seller Share Percentage, amounts due to:

(i) the Mortgages Trustee in respect of its fees, expenses and remuneration payable under the provisions of the Mortgages Trust Deed;

(ii) third parties in respect of fees and expenses and all amounts due 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;

(iii) the Mortgages Trustee Account Banks (including any amounts due in respect of the VM Mortgages Trustee Account) and in respect of Permitted Investments under the terms of the relevant Account Bank Agreement;

(b) on any Distribution Date (i) occurring after the service of a Note Acceleration Notice and (ii) immediately preceding a Payment Date, from the Issuer Revenue Share only, to pay to the Issuer an amount equal to all amounts that the Issuer is required to pay to the Security Trustee (and any receiver appointed under the Deed of Charge) under paragraph (i) of the relevant Priority of Payments on the immediately following Payment Date plus, if applicable, the aggregate of any such amounts remaining unpaid in respect of previous Payment Dates;

(c) *pari passu* and *pro rata* (according to the respective amounts thereof), in each case from the Issuer Revenue Share and the Seller Revenue Share *pro rata* to the respective proportions of the Issuer Share Percentage and the Seller Share Percentage, in or towards payment of amounts due or to become due prior to the next following Distribution Date:

(i) to the Administrator under the Administration Agreement;

(ii) to the Back-Up Administrator Facilitator under the Administration Agreement;

(iii) to the Corporate Services Provider under the Corporate Services Agreement for services provided to the Mortgages Trustee; and

(iv) to the Trust Property Cash Manager under the Trust Property Cash Management Agreement; and

(d) to allocate and pay:

(i) the remainder of the Seller Revenue Share to the Seller; and

(ii) the remainder of the Issuer Revenue Share to the Issuer.

"**Seller Revenue Share**" means, in respect of any Trust Calculation Date, the total amount of the Mortgages Trustee Available Revenue Receipts on such Trust Calculation Date minus the Issuer Revenue Share as at such Trust Calculation Date.

"**Issuer Revenue Share**" means, in respect of any Trust Calculation Date, the lesser of:

(a) Mortgages Trustee Available Revenue Receipts on such Trust Calculation Date; and

(b) (i) an amount determined by multiplying the total amount of the Mortgages Trustee Available Revenue Receipts on such Trust Calculation Date by the Issuer Share Percentage (as determined on the Trust Calculation Date falling in the immediately preceding Trust Calculation Period or, in the case of the first Trust Calculation Date, as of the Closing Date);

plus

(ii) an amount equal to the Basis Rate Swap Shortfall Amount in respect of such Trust Calculation Date.

"**Basis Rate Swap Shortfall Amount**" means, in respect of any Trust Calculation Date (a) the Net Monthly Issuer Amount in relation to such Trust Calculation Date, multiplied by (b) the Seller Share Percentage (as determined on the Trust Calculation Date falling in the immediately preceding Trust Calculation Period or, in the case of the first Distribution Date, as of the Closing Date).

"**Net Issuer Amount**" means, in relation to any Interest Period the amount, if any, by which the amount paid by the Issuer under a Basis Rate Swap exceeds the amount paid by the Basis Rate Swap Provider.

"**Net Monthly Issuer Amount**" means, in relation to a Trust Calculation Date, the Net Issuer Amount for the Interest Period in which such Trust Calculation Date occurs, divided by three.

See the section entitled "*The Swap Agreements*" below for a detailed description of the Basis Rate Swap.

Deferred Contribution

On each Payment Date prior to the delivery of a Note Acceleration Notice, the Issuer will make payments of Deferred Contribution to the Mortgages Trustee in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments and the Issuer Pre-Acceleration Principal Priority of Payments, **provided that** no payments of Deferred Contribution will be made in accordance with the Issuer Pre-Acceleration Principal Priority of Payments

until the occurrence of a Pass-Through Trigger Event. Following the delivery of a Note Acceleration Notice the Issuer will make payments of Deferred Contribution to the Mortgages Trustee on each Distribution Date in accordance with the Issuer Post-Acceleration Priority of Payments.

Upon receipt of such payments of Deferred Contribution, the Mortgages Trustee will pay to the Seller by way of Deferred Consideration an amount, if any, equal to the amount of such Deferred Contribution received from the Issuer on such Payment Date or Distribution Date (as applicable). Any such amount received by the Mortgages Trustee will not form part of the Trust Property but will instead be held by the Mortgages Trustee on a separate trust wholly for the benefit of the Seller until such amount is paid to the Seller.

The Mortgages Trustee may direct the Issuer to pay amounts of Deferred Contributions due under item (xix) of the Issuer Pre-Acceleration Revenue Priority of Payments and item (viii) of the Issuer Pre-Acceleration Principal Priority of Payments (or, as the case may be, item (xvi) of the Issuer Post-Acceleration Priority of Payments) directly to the Seller in satisfaction of the Mortgages Trustee's obligation to pay Deferred Consideration to the Seller.

"**Deferred Contribution**" means the further cash contributions to the Mortgages Trustee to be made by the Issuer on each Payment Date (or, following service of a Note Acceleration Notice, each Distribution Date), subject to and in accordance with the relevant Priority of Payments, as part of the consideration provided by the Issuer to the Mortgages Trustee for the Issuer Share in the Trust Property.

The Trust Property Cash Manager shall distribute the Mortgages Trustee Available Revenue Receipts apportioned to the Issuer to the Issuer Transaction Accounts.

"**Pass-Through Trigger Event**" means the occurrence of one of the following:

(a) the Step-Up Date;

(b) an Insolvency Event in respect of the Seller;

(c) a material breach of the Transaction Documents by the Seller;

(d) a debit entry is made on the Principal Deficiency Sub-Ledger for the Class Z Notes, that is in excess of 1% of the total balance outstanding in respect of all Note Classes, that has not been cured on the next following Payment Date;

(e) a Seller Share Event that has not been cured prior to the expiration of the Seller Share Event Cure Period;

(f) the Liquidity Reserve Fund is not fully funded;

(g) the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio which are then in arrears for 3 months or more is greater than or equal to 4% of the aggregate Current Balance of all Mortgage Loans in the Mortgage Portfolio;

(h) a Relevant Event has occurred and is continuing; or

(i) if on a Trust Calculation Date immediately prior to performing the calculations, the balance on the Trust Replenishment Ledger is greater than or equal to 5% of the aggregate Current Balance of all the Mortgage Loans in the Mortgage Portfolio as at the last day of the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date.

Cash Management of Trust Property – Principal Receipts

Under the Trust Property Cash Management Agreement, the Trust Property Cash Manager will also be responsible for distributing Mortgages Trustee Available Principal Receipts on behalf of the Mortgages Trustee on each Distribution Date in accordance with the order of priority described in the following section.

"**Mortgages Trustee Available Principal Receipts**" means any Principal Receipts received during the previous Trust Calculation Period:

(a) *less* the amount of any Mortgages Trustee Principal Receipts Reduction, and

(b) *plus*

(i) any VM Mortgages Trustee Account Recovered Amount, to the extent that such amount is applied to reduce the Mortgages Trustee Principal Receipts Reduction; and

(ii) any cash amounts standing to the credit of the Trust Replenishment Ledger at the relevant Trust Calculation Date.

(Please see for further information, "*VM Mortgages Trustee Account Losses*" below.)

"**Principal Receipts**" means any payment which the records of the Administrator show is received in respect of principal in respect of any Mortgage Loan, whether as all or part of a Mortgage Payment in respect of such Mortgage Loan, on redemption (including partial redemption) of such Mortgage Loan, on enforcement or on the disposal of such Mortgage Loan or otherwise (including payments pursuant to any insurance policy and such portion of the Repurchase Price in respect of any repurchases of Mortgage Loans by the Seller pursuant to the Mortgage Sale Agreement that represents the principal amount outstanding of such Mortgage Loan and including all proceeds of enforcement of an All Monies Mortgage representing principal that are due to the Mortgages Trustee) (and which may include the amount of any overpayment in respect of any Mortgage Loan), but excluding any amount of principal recovered in respect of a Denominator Reduction Amount and any Non-Trust Amounts.

Mortgages Trustee Principal Priority of Payments

On each Trust Calculation Date, the Trust Property Cash Manager shall calculate the amounts available for distribution to the Beneficiaries in accordance with the following provisions.

Mortgages Trustee Available Principal Receipts will be distributed on each Distribution Date to each of the Seller and the Issuer in accordance with the following provisions (the "**Mortgages Trustee Principal Priority of Payments**" and together with the Mortgages Trustee Revenue Priority of Payments, the "**Mortgages Trustee Priority of Payments**"):

(a) on any Distribution Date prior to a Pass-Through Trigger Event:

(i) an amount equal to the lesser of (a) the amounts required by the Issuer to pay all amounts due under items (i), (ii)(a) and (iii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments on the immediately following Payment Date, (b) all of the Mortgages Trustee Available Principal Receipts received during the previous Trust Calculation Period and (c) the Issuer Share of the Trust Property, shall be distributed to the Issuer; and

(ii) the Seller Principal Payment Amount shall be distributed to the Seller;

(b) on any Distribution Date following a Pass-Through Trigger Event:

(i) an amount equal to the lesser of (a) the Issuer Share of the Trust Property, and (b) all of the Mortgages Trustee Available Principal Receipts received during the previous Trust Calculation Period shall be distributed to the Issuer; and

(ii) the Seller Principal Payment Amount shall be distributed to the Seller.

The "**Seller Principal Payment Amount**" means, with respect to a Trust Calculation Period, the amount of the Mortgages Trustee Available Principal Receipts (if any available) in respect of a Trust Calculation Period which are due to be distributed to the Seller following distribution of the Mortgages Trustee Available Principal Receipts to the Issuer on the immediately following Distribution Date following such Trust Calculation Period in accordance with the Mortgages Trustee Priority of Payments.

If the Issuer Share has been reduced to zero and the Seller Share is above zero, all Mortgages Trustee Available Principal Receipts shall be for the account of the Seller. If and for so long as the Seller Share is zero and the Issuer Share is above zero, all Mortgages Trustee Available Principal Receipts shall be for the account of the Issuer.

The Issuer Share Percentage and the Issuer Share and the Seller Share Percentage and the Seller Share used for the purposes of making distributions on a Distribution Date shall be determined on the Trust Calculation Date falling in the immediately preceding Trust Calculation Period or, in the case of the first Distribution Date, as of the Closing Date.

The Trust Property Cash Manager shall distribute the Mortgages Trustee Available Principal Receipts apportioned to the Issuer to the Issuer Transaction Accounts.

Losses

All Losses arising on the Mortgage Loans will be applied in reducing proportionately the Issuer Share of the Trust Property and the Seller Share of the Trust Property. The Issuer Share and the Seller Share of any Loss occurring in a particular Trust Calculation Period will be determined by multiplying the amount of such Loss by the Issuer Share Percentage determined on the Trust Calculation Date falling in such Trust Calculation Period, which will be allocated to the Issuer, and the remainder, which will be allocated to the Seller, on the Trust Calculation Date immediately following the Trust Calculation Period in which the Loss occurred.

VM Mortgages Trustee Account Losses

Impact on the Seller Share Percentage

If a VM Mortgages Trustee Account Loss occurs the Seller Share Percentage on the Relevant Trust Calculation Date shall be reduced.

If a VM Mortgages Trustee Account Recovered Amount is received the Seller Share Percentage on the Relevant Trust Calculation Date shall be increased.

Impact on Mortgages Trustee Available Revenue Receipts and Mortgages Trustee Available Principal Receipts

Any VM Mortgages Trustee Account Loss shall reduce the Mortgages Trustee Available Principal Receipts to the extent of the Principal Receipts received during the previous Trust Calculation Period (any such reduction in Principal Receipts, the "**Mortgages Trustee Principal Receipts Reduction**"). Any VM Mortgages Trustee Account Loss in excess of the total Principal Receipts received during the previous Trust Calculation Period shall be applied to reduce the Revenue Receipts received during the previous Trust Calculation Period (any such reduction in Revenue Receipts, the "**Mortgages Trustee Revenue Receipts Reduction**").

Following the receipt of any amount of cash that previously represented all or part of a VM Mortgages Trustee Account Loss (such amount a "**VM Mortgages Trustee Account Recovered Amount**"), such VM Mortgages Trustee Account Recovered Amount will be allocated (i) firstly as a Mortgages Trustee Available Revenue Receipt up to an amount equal to any Mortgages Trustee Revenue Receipts Reduction, and (ii) secondly as a Mortgages Trustee Available Principal Receipt up to an amount equal to any Mortgages Trustee Principal Receipts Reduction.

Disposal of Trust Property

The Trust Property will be held on trust for the benefit of the Issuer and the Seller. Following the service of an Enforcement Notice, the Security Trustee (in enforcing the Issuer Security) shall be entitled, among other things, to sell the Issuer's rights as a beneficiary of the Mortgages Trust but shall not be obliged to do so except as set out in the Trust Deed and the Deed of Charge.

Pursuant to the terms of the Mortgages Trust Deed, the Seller has agreed not to sell, assign, transfer, convey, charge, declare a trust over, create any beneficial interest in, or otherwise dispose of the Seller Share in the Trust Property or any part thereof or any of the Seller's rights, title, interest or benefit in the Trust Property, other than pursuant to the Transaction Documents.

Additions to Trust Property – Increasing the Seller Share

The Seller is solely responsible for funding Cash Borrow-backs and the interest portion of non-Cash Borrow-backs resulting from payment holidays under Mortgage Loans. If a Borrower makes such a Borrow-back under a Mortgage Loan included in the Trust Property, then the Seller will be solely responsible for funding that Borrow-back. This means that for any Cash Borrow-back under a Mortgage Loan, the Seller will pay the amount of that Cash Borrow-back to the Borrower. A Cash Borrow-back will increase the Current Balance of the relevant Mortgage Loan by the amount of that cash payment and, therefore, will increase the Trust Property. As a result, the Seller Share of the Trust Property will also be increased by the amount of that cash payment. It also means that for any Non-Cash Borrow-back under a Mortgage Loan resulting from a payment holiday, the Seller will, on a monthly basis, pay to the Mortgages Trustee an amount equal to the unpaid interest associated with that Non-Cash Borrow-back. As the unpaid interest on the Mortgage Loan accrues and is capitalised, the Current Balance of the

relevant Mortgage Loan will increase resulting in an increase in the Trust Property. As a result, the Seller Share of the Trust Property will also be increased by the amount of such unpaid interest.

The Seller may, in order to cure a Seller Share Event or ensure that a Seller Share Event does not occur or otherwise at its discretion, from time to time make a Seller Cash Contribution to the Mortgages Trust as described in "- *Minimum Seller Share*" above or by replenishing the Mortgage Portfolio with New Mortgage Loans as described in "*The Mortgages Trust – Contributions to the Mortgages Trust*" above.

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 (which shall be copied to the Trust Property Cash Manager and the Issuer) being on or after the date on which all of the Notes have been redeemed in full by the Issuer or the Issuer Share of the Trust Property has been reduced to zero or such other date which may be agreed between the Mortgages Trustee, the Issuer and the Seller.

Retirement of Mortgages Trustee

The Mortgages Trustee will not be entitled to retire or otherwise terminate its appointment. The Seller and the Issuer will not be permitted to replace the Mortgages Trustee.

Governing Law

The Mortgages Trust Deed and any non-contractual obligation arising in or out of or in relation to the Mortgages Trust Deed will be governed by English law although terms thereof particular to Scots law shall be construed in accordance with Scots law.

CASHFLOWS

Distribution of Issuer Available Revenue Receipts prior to acceleration of the Notes

Definition of Issuer Available Revenue Receipts

"**Issuer Available Revenue Receipts**" for the Issuer in respect of any Payment Date will be calculated by the Issuer Cash Manager on the Payment Calculation Date immediately preceding that Payment Date and will be an amount equal to (without double counting):

(a) all amounts received by the Issuer in accordance with the Mortgages Trustee Revenue Priority of Payments, in each case during the period from (but excluding) the immediately preceding Payment Date to (and including) that Payment Date; *plus*

(b) amounts to be received by the Issuer under the Basis Rate Swap Agreements from (but excluding) the immediately preceding Payment Date to (and including) the relevant Payment Date (other than (i) swap collateral standing to the credit of or to be credited to the Issuer Swap Collateral Accounts; (ii) any early termination amount received by the Issuer under a Basis Rate Swap Agreement to the extent used to purchase any replacement basis rate swap on or prior to the Payment Date following the Payment Date immediately following the termination of such Basis Rate Swap Agreement; and (iii) any amount received by the Issuer by way of any premium paid by any replacement basis rate swap provider which shall be applied to pay any termination payment under such basis rate swap being replaced); *plus*

(c) interest payable to the Issuer on the Issuer Transaction Accounts and the VM Issuer Account and income received from any Permitted Investments which has been or will be received on or before the relevant Payment Date; *plus*

(d) amounts standing to the credit of the Liquidity Reserve Fund (including the proceeds of any Further Subordinated Loan) (except that such amounts shall not be used to pay item (viii) in the Issuer Pre-Acceleration Revenue Priority of Payments); *less*

(e) the amount of any Issuer Revenue Receipts Reduction; *plus*

(f) any VM Issuer Account Recovered Amount, to the extent that such amount is applied to reduce any Issuer Revenue Receipts Reduction; *plus*

(g) the amount of Issuer Available Principal Receipts (if any) which are to be applied on the relevant Payment Date to pay items (i) to (vii) and item (ix) of the Issuer Pre-Acceleration Revenue Priority of Payments.

On each Payment Calculation Date, the Issuer Cash Manager will calculate whether there will be a deficit of Issuer Available Revenue Receipts to pay or provide for items (i) to (vii) and item (ix) of the Issuer Pre-Acceleration Revenue Priority of Payments on the immediately following Payment Date. If, on such Payment Calculation Date, a Currency Swap Agreement is not in force in relation to the US$ Notes, the Issuer Cash Manager will calculate the payments with respect to the US$ Notes by reference to the Spot Rate (booked on that Payment Calculation Date for conversion for value on the immediately succeeding Payment Date). Subject as provided below, if there is such a deficit (after taking into account the Liquidity Reserve Fund), then the Issuer Cash Manager will pay or provide for that deficit by applying amounts standing to the credit of the Issuer Transaction Accounts and representing a credit to the Principal Ledger, if any, and the Issuer Cash Manager will make a corresponding debit entry in the Principal Deficiency Ledger. Issuer Available Principal Receipts may not, however, be used to pay interest on any Class of Notes if the application of such interest by the Issuer would create or increase a principal deficiency in respect of a more Senior Class of Notes and amounts ranking in priority thereto.

"**Payment Calculation Date**" means the day falling two Business Days prior to each Payment Date.

"**Issuer Swap Collateral Accounts**" means each Issuer Cash Swap Collateral Account and each Issuer Securities Swap Collateral Account.

"**Issuer Cash Swap Collateral Account**" means the account opened in the name of the Issuer at the Issuer Cash Swap Collateral Account Bank for the purposes of holding cash collateral posted in connection with the Swap Agreements.

"**Issuer Securities Swap Collateral Account**" means, in respect of each Swap Agreement, the custody account opened in the name of the Issuer at the Issuer Securities Swap Collateral Account Bank for the purposes of holding securities posted as collateral in connection with that Swap Agreement.

Issuer Pre-Acceleration Revenue Priority of Payments

The Deed of Charge sets out the order of priority of distribution by the Issuer Cash Manager, prior to the service of a Note Acceleration Notice, of Issuer Available Revenue Receipts on each Payment Date. As at the Closing Date, the order of priority will be as described in this section.

Prior to the service of a Note Acceleration Notice, on (a) each Payment Date or (b) the date when due in respect of amounts provided for on the preceding Payment Date under items (i), (ii), (iv) or (v) below or amounts due to third parties under item (iii) below, the Issuer Cash Manager will apply Issuer Available Revenue Receipts in the following order of priority (the "**Issuer Pre-Acceleration Revenue Priority of Payments**"):

(i) *first*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due to the Note Trustee and/or the Security Trustee and/or any Appointee of the Note Trustee in accordance with the Trust Deed and/or the Security Trustee in accordance with the Deed of Charge, in either case, under or in connection with the Transaction Documents, together with interest on those amounts, and to provide for any amounts due or to become due during the following Interest Period to the Note Trustee and the Security Trustee or any such Appointee, under the Trust Deed, the Deed of Charge or any other Transaction Document;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due to the Paying Agents, the Registrar, the Transfer Agent and the Agent Bank together with interest on those amounts, and to provide for any costs, charges, liabilities and expenses due or to become due during the following Interest Period to the Paying Agents, the Registrar, the Transfer Agent and the Agent Bank under the Paying Agent and Agent Bank Agreement;

(iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due to any third party creditor of the Issuer (other than those referred to elsewhere in this Issuer Pre-Acceleration Revenue Priority of Payments or in the Issuer Pre-Acceleration Principal Priority of Payments), of which the Issuer Cash Manager has notice prior to the relevant Payment Date, 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 elsewhere and to provide for any such amounts expected to become due and payable during the following Interest Period by the Issuer;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof in or towards payment to the Issuer of an amount equal to the Issuer's liability or possible liability to account to (a) HMRC for VAT or corporation tax; and (b) any relevant authority for any other Tax including financial transaction tax (which cannot be met out of amounts previously retained by the Issuer as profit under item (xii) below);

(v) *fifth*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due to the Issuer Cash Manager under the Issuer Cash Management Agreement and in respect of any fees and expenses of Holdings, the Corporate Services Provider under the Corporate Services Agreement, the Issuer Account Banks under the Account Bank Agreements or in relation to any Swap Excess Reserve Account, the Issuer Cash Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement, the Issuer Securities Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement, and to provide for any amounts due, or to become due in the immediately succeeding Interest Period, to the Issuer Cash Manager under the Issuer Cash Management Agreement or in respect of any fees and expenses of Holdings, to the Corporate Services Provider under the Corporate Services Agreement, to the Issuer Account Banks under the Account Bank Agreements or in relation to any Swap Excess Reserve Account, to the Issuer Cash Collateral Account Bank under the Swap Collateral Account Bank Agreement, to the Issuer Securities Collateral Account Bank under the Swap Collateral Account Bank Agreement and to the Mortgages Trustee under the Mortgages Trust Deed;

(vi) *sixth*, in or towards payment of amounts due and payable to the Basis Rate Swap Provider (other than amounts due under item (xvi) below);

(vii) *seventh*, *pari passu* and *pro rata* according to the respective GBP Equivalent amounts thereof, in or towards payment of amounts of interest due and payable on:

(a) the Class A1 Notes to the holders of the Class A1 Notes;

(b) the Class A2 Notes to the holders of the Class A2 Notes; and

(c) the Class A3 Notes to the holders of the Class A3 Notes;

provided that for the purposes of making such payments in respect of the Class A1 Notes:

(I) the Issuer Cash Manager (on behalf of the Issuer) shall transfer to the Currency Swap Provider the relevant floating rate amount due under the Currency Swap Agreement and the Currency Swap Provider shall transfer the corresponding floating rate amount in US Dollars to the Principal Paying Agent for the account of the holders of the Class A1 Notes; or

(II) if there is no Currency Swap Agreement in force, the Issuer Cash Manager (on behalf of the Issuer) shall convert an amount equal to the applicable *pro rata* share of the Issuer Available Revenue Receipts into US Dollars at the applicable Spot Rate (booked for conversion for value on that Payment Date) and the Issuer Cash Manager (on behalf of the Issuer) shall transfer the amounts received following such conversion to the Principal Paying Agent for the account of the holders of the Class A1 Notes; and

(d) in or towards payment of amounts due and payable to the Currency Swap Provider under the Currency Swap Agreement (other than amounts described under item (I) above or due under item (xv) below or in accordance with the Issuer Pre-Acceleration Principal Priority of Payments);

(viii) *eighth*, in or towards a credit to the Principal Deficiency Sub-Ledger for the Class A Notes in an amount necessary to eliminate any debit on that ledger;

(ix) *ninth*, in or towards payment of amounts of interest due and payable (including deferred interest) on the Class M Notes to the holders of the Class M Notes;

(x) *tenth*, in replenishment of the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount;

(xi) *eleventh*, in or towards a credit to the Principal Deficiency Sub-Ledger for the Class M Notes in an amount necessary to eliminate any debit on that ledger;

(xii) *twelfth*, in or towards payment to the Issuer of an amount equal to £3,900 on each Payment Date up to and including the Payment Date falling in November 2019 and £630 on each Payment Date thereafter until the Aggregate Dividend Condition has been met after which £300 on each Payment Date thereafter in each case to be credited to the Issuer Transaction Accounts and to be retained by the Issuer as profit in respect of the business of the Issuer (where the "**Aggregate Dividend Condition**" is met if the total aggregate dividends paid by the Issuer on its ordinary shares is sufficient to allow Holdings to repay the Holdings Loan);

(xiii) *thirteenth*, in or towards payment of amounts of interest due and payable (including deferred interest) on the Class Z Notes;

(xiv) *fourteenth*, in or towards a credit to the Principal Deficiency Sub-Ledger for the Class Z Notes in an amount necessary to eliminate any debit on that ledger;

(xv) *fifteenth*, in or towards payment of any termination payment to the Currency Swap Provider following a Currency Swap Provider Default or a Currency Swap Provider Downgrade Event;

(xvi) *sixteenth*, in or towards payment of any termination payment to the Basis Rate Swap Provider following a Basis Rate Swap Provider Default or a Basis Rate Swap Provider Downgrade Event;

(xvii) *seventeenth*, in or towards payment to the Subordinated Loan Provider of amounts due under the Subordinated Loan Agreement other than principal;

(xviii) *eighteenth*, in or towards payment to the Subordinated Loan Provider of principal under the Subordinated Loan Agreement; and

(xix) *nineteenth*, the remainder, if any, in payment of the Deferred Contribution due to the Mortgages Trustee pursuant to the terms of the Mortgages Trust Deed.

For the avoidance of doubt, other than in respect of a debit entry relating to principal losses on the Mortgage Loans, where amounts are stated as being credited to or, as applicable, debited from, a ledger of the Issuer, there shall be a corresponding retention in, or payment from, the relevant Issuer Transaction Account in respect of such credit or debit.

"**Appointee**" means any attorney, manager, agent, delegate, nominee, Receiver, custodian, co-trustee or other person properly appointed by the Note Trustee under the Trust Deed or by the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions.

"**Basis Rate Swap Provider Default**" means the occurrence of an Event of Default (as defined in the Basis Rate Swap Agreements) where the Basis Rate Swap Provider is the Defaulting Party (as defined in the Basis Rate Swap Agreements).

"**Basis Rate Swap Provider Downgrade Event**" means the occurrence of an Additional Termination Event (as defined in the Basis Rate Swap Agreements) following a failure by the Basis Rate Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Basis Rate Swap Agreements.

"**Currency Swap Provider Default**" means the occurrence of an Event of Default (as defined in the Currency Swap Agreement) where the Currency Swap Provider is the Defaulting Party (as defined in the Currency Swap Agreement).

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

"**GBP Equivalent**" means, in relation to an amount:

(a) expressed in Sterling, that amount; and

(b) expressed in US Dollars, the Sterling equivalent of that amount:

(i) if the Original Currency Swap Agreement has not been terminated, determined using the Original Exchange Rate;

(ii) if the Original Currency Swap Agreement has been terminated and a replacement Currency Swap Agreement has been entered into by the Issuer, determined using the Replacement Exchange Rate; or

(iii) if the Original Currency Swap Agreement has been terminated and a replacement Currency Swap Agreement has not been entered into by the Issuer, determined using the prevailing Spot Rate available to the Issuer Cash Manager (booked for conversion for value on the date on which (A) such US Dollars amount is payable; or (B) where the GBP Equivalent is being determined for a purpose other than in the context of a payment, such determination is to be made).

"**Interest Period**" means the period from (and including) a Payment Date (except in the case of the first Payment Date, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Payment Date.

"**Issuer Profit Ledger**" means a ledger of each Issuer Transaction Account which records all amounts retained by the Issuer as profit pursuant to item (xii) of the Issuer Pre-Acceleration Revenue Priority of Payments and item (xiii) of the Issuer Post-Acceleration Priority of Payments.

Distribution of Issuer Available Principal Receipts

"**Issuer Available Principal Receipts**" for the Issuer in respect of any Payment Date will be calculated by the Issuer Cash Manager on the Payment Calculation Date immediately preceding that Payment Date and will be an amount equal to:

(a) the Mortgages Trustee Available Principal Receipts paid by the Mortgages Trustee to the Issuer during the period from (but excluding) the immediately preceding Payment Date to (and including) that Payment Date; *plus*

(b) any amounts already standing to the credit of the Issuer Principal Ledger; *less*

(c) the amount of any Issuer Principal Receipts Reduction; *plus*

(d) any VM Issuer Account Recovered Amount, to the extent that such amount is applied to reduce any Issuer Principal Receipts Reduction; *plus*

(e) all Issuer Available Revenue Receipts which are to be applied on that Payment Date to credit any Principal Deficiency Ledger for any Class of Notes issued by the Issuer.

Distribution of Issuer Available Principal Receipts prior to acceleration of the Notes

Issuer Pre-Acceleration Principal Priority of Payments

Prior to the service of a Note Acceleration Notice, the Issuer, or the Issuer Cash Manager on its behalf, will apply any Issuer Available Principal Receipts on each Payment Date in the following manner (the "**Issuer Pre-Acceleration Principal Priority of Payments**"):

(i) *first*, to the extent that Issuer Available Revenue Receipts are insufficient to pay items (i) to (vii) and item (ix) of the Issuer Pre-Acceleration Revenue Priority of Payments, in or towards the amount of any Revenue Shortfall on such Payment Date to be included in Issuer Available Revenue Receipts and applied in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments;

(ii) *second*,

(a) prior to a Pass-Through Trigger Event, to redeem the Class A1 Notes in an amount equal to the lower of (A) the product of (I) 0.625 and (II) the Issuer Available Principal Receipts available after the payment of item (i) of the Issuer Pre-Acceleration Principal Priority of Payments and (B) the Class A1 Target Amortisation Amount; and

(b) following a Pass-Through Trigger Event, to redeem the Class A1 Notes until the Sterling Equivalent Principal Amount Outstanding of the Class A1 Notes is zero,

provided that for the purposes of making such payments in respect of the Class A1 Notes:

(A) the Issuer Cash Manager (on behalf of the Issuer) shall transfer to the Currency Swap Provider the relevant principal exchange amount due under the Currency Swap Agreement and the Currency Swap Provider shall transfer the corresponding principal exchange amount in US Dollars to the Principal Paying Agent for the account of the holders of the Class A1 Notes; or

(B) if there is no Currency Swap Agreement in force, the Issuer Cash Manager (on behalf of the Issuer) shall convert an amount equal to the applicable share of the Issuer Available Principal Receipts into US Dollars at the applicable Spot Rate (booked for conversion for value on that Payment Date) and the Issuer Cash Manager (on behalf of the Issuer) shall transfer the amounts received following such conversion to the Principal Paying Agent for the account of the holders of the Class A1 Notes;

(iii) *third*,

(a) prior to a Pass-Through Trigger Event, to redeem the Class A2 Notes in an amount equal to the lower of i) the Issuer Available Principal Receipts available after the payment of item (ii) of the

Issuer Pre-Acceleration Principal Priority of Payments and ii) the Class A2 Target Amortisation Amount; and

(b) following a Pass-Through Trigger Event, to redeem the Class A2 Notes until the Class A2 Notes have been redeemed in full;

(iv) *fourth*, on or following the Class A2 Redemption Date, to redeem the Class A3 Notes until the Class A3 Notes have been redeemed in full;

(v) *fifth*, following a Pass-Through Trigger Event, to redeem the Class M Notes until the Class M Notes have been redeemed in full;

(vi) *sixth*, if any Class A1 Notes remain outstanding following the Class A1 Sterling Equivalent Redemption Date, after the application of any Principal Excess Amounts, to redeem the Class A1 Notes until the Class A1 Notes have been redeemed in full, provided that for the purposes of making such payments:

(I) the Issuer Cash Manager (on behalf of the Issuer) shall transfer to the Currency Swap Provider the relevant principal exchange amount due under the Currency Swap Agreement and the Currency Swap Provider shall transfer the corresponding principal exchange amount in US Dollars to the Principal Paying Agent for the account of the holders of the Class A1 Notes; or

(II) if there is no Currency Swap Agreement in force, the Issuer Cash Manager (on behalf of the Issuer) shall convert an amount equal to the applicable share of the Issuer Available Principal Receipts into US Dollars at the prevailing Spot Rate (booked for conversion for value on that Payment Date) and the Issuer Cash Manager (on behalf of the Issuer) shall transfer the amounts received following such conversion to the Principal Paying Agent for the account of the holders of the Class A1 Notes;

(vii) *seventh*, following a Pass-Through Trigger Event, to redeem the Class Z Notes until the Class Z Notes have been redeemed in full; and

(viii) *eighth*, following a Pass-Through Trigger Event, the remainder, if any, in payment of Deferred Contribution due to the Mortgages Trustee pursuant to the terms of the Mortgages Trust Deed.

Prior to the occurrence of a Pass Through Trigger Event, any Issuer Available Principal Receipts standing to the credit of the Issuer Principal Ledger in excess of amounts required to pay items (i), (ii)(a) and (iii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments (above) shall be retained in an Issuer Transaction Account or the VM Issuer Account to be applied as Issuer Available Principal Receipts on the immediately following Payment Date.

Distribution of all receipts following acceleration of the Notes

Issuer Post-Acceleration Priority of Payments

Following the service of a Note Acceleration Notice, the Issuer (or the Issuer Cash Manager on its behalf) or, following the service of an Enforcement Notice, the Security Trustee (or a receiver of the Issuer appointed by the Security Trustee pursuant to the Deed of Charge), will apply all amounts received or recovered by it (other than any amount standing to the credit of any Issuer Swap Collateral Account which is payable to a Swap Provider in accordance with the applicable Swap Agreement) on each Distribution Date in the following manner (the "**Issuer Post-Acceleration Priority of Payments**" and, together with the Issuer Pre-Acceleration Revenue Priority of Payments and the Issuer Pre-Acceleration Principal Priority of Payments, each a "**Priority of Payments**"):

(i) *first*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due to the Note Trustee and/or the Security Trustee and/or any Appointee of the Note Trustee in accordance with the Trust Deed and/or the Security Trustee in accordance with the Deed of Charge, in either case under or in connection with the Transaction Documents together with interest and on those amounts and to provide for any amounts then due or to become due and payable to the Note Trustee and/or the Security Trustee and/or any such Appointee under the provisions of the Trust Deed, the Deed of Charge and any other Transaction Document;

(ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due to the Paying Agents, the Registrar, the Transfer Agent and the Agent Bank together with

interest on those amounts, and to provide for any costs, charges, liabilities and expenses then due or to become due and payable to the Paying Agents, the Registrar, the Transfer Agent and the Agent Bank under the Paying Agent and Agent Bank Agreement;

(iii) *third*, in or towards payment of amounts due and payable to the Corporate Services Provider under the Corporate Services Agreement;

(iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, in or towards payment of amounts due and payable to the Issuer Cash Manager under the Issuer Cash Management Agreement and in respect of any fees and expenses of Holdings, and to the Issuer Account Banks under the Account Bank Agreements or in relation to any Swap Excess Reserve Account, to the Issuer Cash Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement and to the Issuer Securities Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement;

(v) *fifth*, in or towards payment of amounts due and payable to the Basis Rate Swap Provider (other than amounts due and payable under item (x) below);

(vi) *sixth*, *pari passu* and *pro rata* according to the respective GBP Equivalent amounts thereof:

(a) in or towards payment of amounts of interest due and payable on the Class A1 Notes and to repay the Principal Amount Outstanding on the Class A1 Notes to the holders of the Class A1 Notes until the Class A1 Notes have been repaid in full (provided that for the purposes of making such payments, the Issuer Cash Manager (on behalf of the Issuer) shall convert the relevant amount into US Dollars either pursuant to the Currency Swap Agreement, or if the Currency Swap Agreement has been terminated, at the prevailing Spot Rate (booked for conversion for value on that Distribution Date) and the Issuer Cash Manager shall transfer the amounts received following such conversion to the Principal Paying Agent for the account of the holders of the Class A1 Notes);

(b) in or towards payment of amounts of interest due and payable on the Class A2 Notes and to repay the Principal Amount Outstanding on the Class A2 Notes to the holders of the Class A2 Notes until the Class A2 Notes have been repaid in full;

(c) in or towards payment of amounts of interest due and payable on the Class A3 Notes and to repay the Principal Amount Outstanding on the Class A3 Notes to the holders of the Class A3 Notes until the Class A3 Notes have been repaid in full; and

(d) in or towards payment of amounts due and payable to a Currency Swap Provider under a Currency Swap Agreement (other than amounts due under item (ix) below);

(vii) *seventh*, in or towards payment of amounts of interest due and payable (including deferred interest) and to repay principal on the Class M Notes to the holders of the Class M Notes until the Class M Notes have been repaid in full;

(viii) *eighth*, in or towards payment of amounts of interest due and payable (including deferred interest) and to repay principal on the Class Z Notes to the holders of the Class Z Notes until the Class Z Notes have been repaid in full;

(ix) *ninth*, in or towards payment of any termination payment to the Currency Swap Provider following a Currency Swap Provider Default or a Currency Swap Provider Downgrade Event;

(x) *tenth*, in or towards payment of any termination payment to the Basis Rate Swap Provider following a Basis Rate Swap Provider Default or a Basis Rate Swap Provider Downgrade Event;

(xi) *eleventh*, in or towards payment to the Subordinated Loan Provider of amounts due under the Subordinated Loan Agreement other than principal;

(xii) *twelfth*, in or towards payment to the Subordinated Loan Provider of principal under the Subordinated Loan Agreement;

(xiii) *thirteenth*, in or towards payment to the Issuer of an amount equal to £3,900 on each Payment Date up to and including the Payment Date falling in November 2019 and £630 on each Payment Date thereafter

until the Aggregate Dividend Condition has been met after which £300 on each Payment Date thereafter in each case to be credited to the Issuer Transaction Accounts and to be retained by the Issuer as profit in respect of the business of the Issuer (where the "**Aggregate Dividend Condition**" is met if the total aggregate dividends paid by the Issuer on its ordinary shares is sufficient to allow Holdings to repay the Holdings Loan);

(xiv) *fourteenth*, in or towards payment of amounts due to any third party creditor of the Issuer of which the Issuer Cash Manager has notice prior to the relevant date on which amounts are paid out under this Issuer Post-Acceleration Priority of Payments;

(xv) *fifteenth*, *pari passu* and *pro rata* according to the respective amounts thereof in or towards payment to (a) HMRC of an amount equal to the Issuer's liability to account to HMRC for VAT or corporation tax; and (b) any relevant authority for any other Tax including financial transaction tax (which cannot be met out of amounts previously retained by the Issuer as profit under item (xiii) above); and

(xvi) *sixteenth*, the remainder, if any, in payment of any Deferred Contribution due to the Mortgages Trustee pursuant to the terms of the Mortgages Trust Deed.

VM Issuer Account Losses

If an Insolvency Event were to occur in relation to the VM Issuer Account Bank, any amounts standing to the credit of the VM Issuer Account which are not withdrawn from the VM Issuer Account and transferred to an Issuer Transaction Account on the date of such Insolvency Event will constitute a VM Issuer Account Loss. Any VM Issuer Account Loss shall be applied in the following order (a) *first*, to reduce the Issuer Available Principal Receipts (any such reduction being the "**Issuer Principal Receipts Reduction**"); and (b) *second*, to reduce the Issuer Available Revenue Receipts (any such reduction being the "**Issuer Revenue Receipts Reduction**").

Following the receipt of any amount of cash that previously represented all or part of a VM Issuer Account Loss (such amount a "**VM Issuer Account Recovered Amount**"), such VM Issuer Account Recovered Amount will be allocated (a) *first*, as an Issuer Available Revenue Receipt up to an amount equal to the Issuer Revenue Receipts Reduction; and (b) *second*, as an Issuer Available Principal Receipt up to an amount equal to the Issuer Principal Receipts Reduction.

"**VM Issuer Account Loss**" means upon the occurrence of an Insolvency Event in respect of Virgin Money, the amount standing to the credit of the VM Issuer Account on the date of such Insolvency Event if such amount is not withdrawn from the VM Issuer Account and transferred to an Issuer Transaction Account on such date.

CREDIT STRUCTURE

The Notes will be the obligations of the Issuer only and will not be obligations of, or the responsibility of, or guaranteed by, any other party. The following features of the transaction enhance the likelihood of timely receipt of payments to Noteholders:

(a) the Issuer will on the Closing Date make a drawing under the Subordinated Loan Agreement in order to establish a Liquidity Reserve Fund to meet shortfalls in Issuer Available Revenue Receipts;

(b) a shortfall in the amount of Issuer Available Revenue Receipts available to pay items (i) through (vii) and (ix) of the Issuer Pre-Acceleration Revenue Priority of Payments shall, following application of any amounts standing to the credit of the Liquidity Reserve Fund, be met from Issuer Available Principal Receipts (**provided that** such Issuer Available Principal Receipts, if any shall not be used to pay interest to any Class of Notes if the application of such principal by the Issuer would create or increase a principal deficiency in respect of the Class of Notes that is senior to such Class); and

(c) the payments on the Class M Notes and the Class Z Notes will be subordinated to payments on the Class A Notes (subject to Condition 5(C) (*Termination of the Original Currency Swap*)).

Subordinated Loan Agreement and Liquidity Reserve Fund

Liquidity Reserve Fund

On the Closing Date, the Liquidity Reserve Fund will be established by the Issuer making a drawing under a subordinated loan agreement (the "**Subordinated Loan Agreement**") in the sum of £29,546,706, which will, on the Closing Date, be deposited in an Issuer Transaction Account to credit the Liquidity Reserve Fund as to £26,546,706, and £3,000,000 to satisfy the expenses of the Issuer. Amounts in the Liquidity Reserve Fund may be utilised by the Issuer to help meet any deficit in the amount of Issuer Available Revenue Receipts which are allocated to make payments under the Rated Notes. The Issuer will also, if the Subordinated Loan Provider agrees, make further drawdowns under the Subordinated Loan Agreement (each such drawdown, a "**Further Subordinated Loan**") in order to fund the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount, should the Liquidity Reserve Required Amount be increased at the option of the Seller, **provided that** the aggregate drawings under the Subordinated Loan Agreement shall not exceed 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes on the Closing Date.

The Issuer Cash Manager will maintain a ledger to record the balance from time to time of the Liquidity Reserve Fund (the "**Liquidity Reserve Ledger**"). On any Payment Date when the Issuer Available Revenue Receipts are sufficient to pay in full all amounts of interest due under the Rated Notes and to eliminate all debits on the Principal Deficiency Sub-Ledger maintained in respect of the Class A Notes in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments, monies will be applied to increase the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount with the Liquidity Reserve Fund retained in an Issuer Transaction Account and/or invested in Permitted Investments.

The Liquidity Reserve Fund will at all times be maintained in an Issuer Transaction Account or invested in Permitted Investments and, for the avoidance of doubt, will not be held in the VM Issuer Account at any time.

The "**Liquidity Reserve Required Amount**" as at a particular Payment Date will be either:

(A) the product of (a) and (b) where:

(a) is:

(i) if a Seller Share Event has occurred and is continuing, 2.0, or

(ii) otherwise 1.0;

(b) (i) prior to the Step-Up Date, an amount equal to 2.0% of the Sterling Equivalent Principal Amount Outstanding of the Rated Notes (after the application of Issuer Available Principal Receipts on such Payment Date); or

(ii) on or after the Step-Up Date, an amount equal to 2.0% of the Sterling Equivalent Principal Amount Outstanding of the Rated Notes as at the Step-Up Date;

(B) such higher amount as may be determined by the Seller; or

(C) on any Payment Date which is a Reserve Shortfall Payment Date or on the Payment Calculation Date in relation to which a Seller Share Event has occurred and is continuing, the greater of (a) the amount determined in accordance with paragraph (A) (or, as applicable, (B)) above and (b) the Liquidity Reserve Required Amount as at the immediately preceding Payment Date or the Closing Date in the case of the First Payment Date. If, on any Payment Date, the Liquidity Reserve Required Amount is reduced, the amount of any monies in the Liquidity Reserve Fund which exceed the Liquidity Reserve Required Amount will be applied as Issuer Available Revenue Receipts.

Following the service of a Note Acceleration Notice, amounts standing to the credit of the Liquidity Reserve Ledger will be applied in making payments on the Notes in accordance with the Issuer Post-Acceleration Priority of Payments.

"**Reserve Shortfall Payment Date**" means a Payment Date on which the amount standing to the credit of the Liquidity Reserve Fund immediately prior to the operation of the Issuer Pre-Acceleration Revenue Priority of Payments on such Payment Date is less than the Liquidity Reserve Required Amount as at the immediately preceding Payment Date.

Issuer Principal Ledger and Principal Deficiency Ledger

A principal ledger (the "**Issuer Principal Ledger**") will be established by the Issuer on the Closing Date. The Issuer Principal Ledger will be credited with the amount of Principal Receipts distributed by the Mortgages Trustee to the Issuer on each Distribution Date, (such Principal Receipts being credited to one or both of the Issuer Transaction Accounts) and debited with the amount of such Principal Receipts applied by the Issuer on each Payment Date in accordance with the relevant Priority of Payments and any amount used to meet a Revenue Shortfall (as defined below). In addition, a principal deficiency ledger (the "**Principal Deficiency Ledger**") will be established for the Issuer on the Closing Date to record (i) any principal losses (including, at any time when the Seller Share is equal to zero, set-off losses) on the Mortgage Loans allocated by the Mortgages Trustee to the Issuer Share of the Trust Property as described in the section entitled "*Cashflows – Distribution of Issuer Available Principal Receipts*"; (ii) the application of Issuer Available Principal Receipts to make up a Revenue Shortfall; and (iii) and any VM Issuer Account Loss to the extent applied to reduce Issuer Available Principal Receipts.

On the Closing Date, the Principal Deficiency Ledger will be divided into three sub-ledgers which will correspond to each of the Class A Notes, the Class M Notes and the Class Z Notes (each such sub-ledger, a "**Principal Deficiency Sub-Ledger**"). The sub-ledger for each Class of Notes will show separate entries for each Class of Notes.

As described in the section entitled "*Issuer Pre-Acceleration Revenue Priority of Payments*", Issuer Available Revenue Receipts will, on each Payment Date, be applied as follows:

(a) *first*, **provided that** interest due and overdue on the Class A Notes has been paid in full, in or towards payment of the amounts necessary to reduce to zero the balance in respect of the Class A Notes on the Principal Deficiency Sub-Ledger for the Class A Notes, pursuant to item (viii) of the Issuer Pre-Acceleration Revenue Priority of Payments (such amounts to be applied to the Class A1 Notes, the Class A2 Notes and the Class A3 Notes on a *pro rata* and *pari passu* basis according to the aggregate Sterling Equivalent Principal Amount Outstanding of each of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes);

(b) *second*, **provided that** interest due and overdue on the Class M Notes has been paid in full and the Liquidity Reserve has been replenished up to the Liquidity Reserve Required Amount, in or towards payment of the amounts necessary to reduce to zero the balance in respect of the Class M Notes on the Principal Deficiency Sub-Ledger for the Class M Notes, pursuant to item (xi) of the Issuer Pre-Acceleration Revenue Priority of Payments; and

(c) *third*, **provided that** interest due and overdue on the Class Z Notes has been paid in full, in or towards payment of the amounts necessary to reduce to zero the balance in respect of the Class Z Notes on the Principal Deficiency Sub-Ledger for the Class Z Notes, pursuant to item (xiv) of the Issuer Pre-Acceleration Revenue Priority of Payments.

Use of Principal Receipts and the subordinated loan to pay Issuer income deficiency

On each Payment Calculation Date, the Issuer Cash Manager will calculate whether there will be an excess or a deficit of Issuer Available Revenue Receipts to pay items (i) to (vii) and item (ix) of the Issuer Pre-Acceleration Revenue Priority of Payments.

If there is a deficit in the amount of Issuer Available Revenue Receipts to make such payments (after taking into account the Liquidity Reserve Fund) (the amount of such deficit being a "**Revenue Shortfall**"), then the Issuer shall pay or provide for that deficit by the application of funds standing to the credit of the Issuer Principal Ledger, if any, **provided that** Issuer Available Principal Receipts shall not be used to pay interest in respect of a Class of Notes 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 Class of Notes that is senior to that Class of Notes. The Issuer Cash Manager shall make debit entries in the Principal Deficiency Sub-Ledgers as follows:

(a) *first*, on the Principal Deficiency Sub-Ledger for the Class Z Notes, until the balance of that Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class Z Notes;

(b) *second*, on the Principal Deficiency Sub-Ledger for the Class M Notes, until the balance of that Sub-Ledger is equal to the then aggregate Principal Amount Outstanding of the Class M Notes; and

(c) *third*, on the Principal Deficiency Sub-Ledger for the Class A Notes, until the balance of that Sub-Ledger is equal to the then aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes. For the avoidance of doubt, the shortfall shall apply to the Class A1 Notes, the Class A2 Notes and the Class A3 Notes on a *pro rata* and *pari passu* basis according to the aggregate Sterling Equivalent Principal Amount Outstanding of each of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes and in accordance with the Priorities of Payments.

The Issuer shall apply any excess Issuer Available Revenue Receipts to extinguish or reduce any balance on the Principal Deficiency Ledger, as described in "*Principal Deficiency Ledger*" above. On each Payment Date, any Issuer Available Revenue Receipts so applied to extinguish or reduce such balance on the Principal Deficiency Ledger shall be credited to the Issuer Principal Ledger applied on such Payment Date in accordance with the Issuer Pre Acceleration Principal Priority of Payments.

If, in respect of any Payment Date, there is found to be a deficit of Issuer Available Revenue Receipts to pay items (i) to (xiii) of the Issuer Pre-Acceleration Revenue Priority of Payments the Issuer may (but is not obliged to) make a further drawing under the Subordinated Loan Agreement and apply such amount to satisfy such deficit.

Deferral of Payments on Notes

Payments of interest to be made on the Notes will be prioritised so that interest payments on the Class M Notes will be subordinated to interest payments on the Class A Notes and interest payments on the Class Z Notes will be subordinated to interest payments on the Rated Notes, in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments.

Any shortfall in payments of interest due on the Class M Notes and the Class Z Notes on any Payment Date will be deferred until the immediately succeeding Payment Date. On such immediately succeeding Payment Date, the amount of interest due on the Class M Notes and the Class Z Notes will be increased to take account of any deferred interest. If on that Payment Date there is still a shortfall, that shortfall will be deferred again. This deferral process will continue until the Final Payment Date of the Notes or any earlier date on which the Notes are redeemed in full, at which point if there are insufficient funds available to pay interest on the Class M Notes and the Class Z Notes, the Class M Noteholders and the Class Z Noteholders may not receive all interest amounts payable on the Class M Notes and the Class Z Notes.

The Issuer is not able to defer payments of interest due on any Payment Date in respect of the Class A Notes. After the expiry of any applicable grace period, the failure to pay interest on the Class A Notes will be a Note Event of Default.

The Class A Notes, the Class M Notes and the Class Z Notes will be constituted by the Trust Deed and the holders thereof will share the Issuer Security with the Secured Creditors. The Class A Notes will rank in priority to the Class M Notes and the Class Z Notes and the Class M Notes will rank in priority to the Class Z Notes.

Mortgages Trustee Transaction Accounts

To the extent that the Trust Property Cash Manager has not exercised its discretion to instruct any payment to be paid into the VM Mortgages Trustee Account (for further information please see "*The VM Mortgages Trustee Account*" immediately below), all amounts held by the Mortgages Trustee will be deposited in one or both accounts in the name of the Mortgages Trustee held at the Mortgages Trustee Account Banks (the "**Mortgages Trustee Transaction Accounts**"). The Mortgages Trustee (or the Trust Property Cash Manager on its behalf) may invest sums standing to the credit of the Mortgages Trustee Transaction Accounts in Permitted Investments.

The VM Mortgages Trustee Account

The Trust Property Cash Manager may instruct (i) that any payment required to be made to the Mortgages Trustee pursuant to the terms of the Transaction Documents may be paid into the VM Mortgages Trustee Account, or (ii) that any amount then standing to the credit of a Mortgages Trustee Transaction Account may be transferred to the VM Mortgages Trustee Account, **provided that** such payment or transfer may only be instructed by the Trust Property Cash Manager in an amount up to the VM Mortgages Trustee Permitted Cash Amount. Amounts standing to the credit of the VM Mortgages Trustee Account shall be treated in all respects as if such amounts were standing to the credit of a Mortgages Trustee Transaction Account.

Following the recalculation of the VM Mortgages Trustee Permitted Cash Amount on a Trust Calculation Date, the Trust Property Cash Manager shall procure that any amount already standing to the credit of the VM Mortgages Trustee Account in excess of the recalculated VM Mortgages Trustee Permitted Cash Amount shall be transferred to either or both of the Mortgages Trustee Transaction Accounts within three Business Days of the date of such recalculation. Failure to arrange for transfer of any such excess amount from the VM Mortgages Trustee Account to a Mortgages Trustee Transaction Account within such three Business Day period shall be a Trust Property Cash Manager Termination Event.

If a VM Mortgages Trustee Account Bank Transfer Event occurs, the Trust Property Cash Manager shall procure that all amounts standing to the credit of the VM Mortgages Trustee Account are transferred to a Mortgages Trustee Transaction Account as soon as reasonably practicable, and subject to any requirements of law.

The Trust Property Cash Manager shall ensure that no amounts are transferred into the VM Mortgages Trustee Account whilst any VM Mortgages Trustee Account Bank Transfer Event is continuing.

The Mortgages Trustee (or the Trust Property Cash Manager on its behalf) may invest sums standing to the credit of the VM Mortgages Trustee Account in Permitted Investments.

Issuer Transaction Accounts

Unless deposited in the VM Issuer Account (as described below), all amounts held by the Issuer will be deposited in one or both accounts in the name of the Issuer held at the Issuer Account Banks (the "**Issuer Transaction Accounts**"). The Issuer (or the Issuer Cash Manager on its behalf) may invest sums standing to the credit of the Issuer Transaction Accounts in Permitted Investments.

"**Permitted Investments**" means (a) Sterling gilt-edged securities; and (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), **provided that** in all cases such investments:

(i) in the case of investments with remaining maturities which are less than 30 days, have been given (i) either a short-term rating of at least F1 by Fitch or a long-term rating of at least A by Fitch and (ii) a long-term rating of at least A3 by Moody's (or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes), and the unsecured, unguaranteed and unsubordinated debt obligations, or in the case of Moody's, the deposit rating, of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated (A) either at least F1 by Fitch (short-term) or A by Fitch (long-term); and (B) at least A3 (long-term) by Moody's (or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes); or

(ii) in the case of investments with remaining maturities which are greater than or equal to 30 days but less than three months, have been given (i) either a short-term rating of at least F1+ by Fitch or (if a long-term rating is available) a long-term rating of at least AA- by Fitch (or such other lower short-term or long-

term rating by the relevant Rating Agency which would not affect the then current rating of the Class A Notes by Fitch), and (ii) (A) the short-term deposit ratings of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's; (B) in the case of Fitch either its default rating is at least F1+ (short-term) or (if the issuing or guaranteeing entity has a long-term rating) AA- by Fitch and (C) a rating of at least A2 by Moody's (long-term deposit rating) (or such other lower short-term or long-term rating by the relevant Rating Agency which would not affect their then current rating of the Class A Notes); or

(iii) money market funds that hold an Aaa-mf money market fund rating from Moody's and the highest rating from at least one other global rating agency and, if rated by Fitch, an AAAmmf money market fund rating from Fitch; or

(iv) have a maturity date, in the case of the Issuer Transaction Accounts, of 90 days or less and mature on or before the next following Payment Date (unless the Interest Period in respect of such Payment Date is greater than 90 days, in which case the maturity date of the Permitted Investments may be greater than 90 days but less than or equal to the number of days in such Interest Period) and in the case of the Mortgages Trustee Transaction Accounts or the VM Mortgages Trustee Account, of 1 month or less and mature on or before the next following Distribution Date (unless the Trust Calculation Period in respect of such Distribution Date is greater than 30 days, in which case the maturity date of the Permitted Investments may be greater than 30 days but must be on or before the next Distribution Date) or may be broken or demanded by the Issuer or the Mortgages Trustee, as applicable (at no cost to the Issuer or the Mortgages Trustee, as applicable) on or before the next following Payment Date or Distribution Date, as applicable; and

(v) do not, nor could they, consist, in whole or in part, actually or potentially, of tranches of other asset-backed securities, credit-linked notes, swaps or other derivatives instruments or synthetic securities; and

(vi) the obligors of such investments are incorporated, or, if they are natural persons, resident in the United Kingdom or the European Economic Area.

The VM Issuer Account

The Issuer Cash Manager may instruct (i) that any payment required to be made to the Issuer pursuant to the terms of the Transaction Documents may be paid into the VM Issuer Account, or (ii) that any amount then standing to the credit of an Issuer Transaction Account may be transferred to the VM Issuer Account, **provided that** such payment or transfer may only be instructed by the Issuer Cash Manager in an amount up to the VM Issuer Permitted Cash Amount. Amounts standing to the credit of the VM Issuer Account shall be treated in all respects as if such amounts were standing to the credit of an Issuer Transaction Account.

Prior to an Insolvency Event in respect of the VM Issuer Account Bank, the VM Issuer Permitted Cash Amount calculated on a Payment Calculation Date will apply from (and including) the Payment Date immediately succeeding that Payment Calculation Date to (but excluding) the next Payment Date.

Following the recalculation of the VM Issuer Permitted Cash Amount on a Payment Calculation Date, the Issuer Cash Manager shall procure that any amount already standing to the credit of the VM Issuer Account in excess of the recalculated VM Issuer Permitted Cash Amount shall be transferred to either or both of the Issuer Transaction Accounts within three Business Days of the date of such recalculation. Failure to arrange for transfer of any such excess amount from the VM Issuer Account to an Issuer Transaction Account within such three Business Day period shall be an Issuer Cash Manager Termination Event.

If a VM Issuer Account Bank Transfer Event occurs, the Issuer Cash Manager shall procure that all amounts standing to the credit of the VM Issuer Account are transferred to an Issuer Transaction Account as soon as reasonably practicable, and subject to any requirements of law.

The Issuer Cash Manager shall ensure that no amounts are transferred into the VM Issuer Account whilst any VM Issuer Account Bank Transfer Event is continuing.

The Issuer (or the Issuer Cash Manager on its behalf) may invest sums standing to the credit of the VM Issuer Account in Permitted Investments.

"**Actual Class A Subordination Percentage**" means, on each Payment Calculation Date, the quotient of (a) the aggregate Principal Amount Outstanding of the Class M Notes and the Class Z Notes and (b) the aggregate of the

GBP Equivalent of the Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class Z Notes, in each case, that will be outstanding on the immediately succeeding Payment Date following the application of any Issuer Available Principal Receipts in or towards the redemption of such Notes (as calculated by the Issuer Cash Manager).

"**Minimum Class A Subordination Percentage**" means 10.5 per cent.

"**VM Issuer Permitted Cash Amount**" means:

(a) prior to an Insolvency Event in respect of Virgin Money or a Pass-Through Trigger Event, on each Payment Calculation Date, an amount equal to the greater of zero and the product of:

  (i) the Actual Class A Subordination Percentage minus the Minimum Class A Subordination Percentage;

  (ii) the aggregate of the GBP Equivalent of the Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class Z Notes that will be outstanding on the immediately succeeding Payment Date following the application of any Issuer Available Principal Receipts in or towards the redemption of such Notes (as calculated by the Issuer Cash Manager);

  (iii) 1.00 minus the Minimum Class A Subordination Percentage; and

  (iv) 0.3; and

(b) following an Insolvency Event in respect of Virgin Money or a Pass-Through Trigger Event, zero.

"**VM Issuer Account Bank Transfer Events**" mean any "Transfer Events" as defined in the VM Issuer Account Bank Agreement, including but not limited to the following:

(a) a deduction or withholding for or on account of any Tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on the VM Issuer Account held with the VM Issuer Account Bank; or

(b) an Insolvency Event occurs in relation to the VM Issuer Account Bank.

THE SWAP AGREEMENTS

The Basis Rate Swap Agreements

The amount of revenue receipts received by the Issuer from the Mortgages Trustee in respect of the Mortgages Trust will fluctuate by reference to the interest rates applicable to the Mortgage Loans in the Trust Property. The Mortgage Portfolio contains Tracker Rate Mortgage Loans, Standard Variable Rate Mortgage Loans and Fixed Rate Mortgage Loans. On or about the Closing Date, the Issuer will enter into initial swap agreements in the form of English law 1992 ISDA Master Agreements, including Schedules, an English law Credit Support Annex (Bilateral Form – Transfer) thereto (in the case of the Fixed Rate Mortgage Loans and Tracker Rate Mortgage Loans) and confirmations evidencing transactions (each a "**Basis Rate Swap**") thereunder (the "**Basis Rate Swap Agreements**") with Virgin Money (in such capacity, the "**Basis Rate Swap Provider**") which will hedge the difference between the interest rates applicable to the Mortgage Loans in the Mortgage Portfolio which are not more than three months in arrears (the "**Performing Mortgage Loans**") and the floating rates of interest payable on the Notes.

Under the Basis Rate Swaps, on each Payment Date the Issuer will pay to the Basis Rate Swap Provider an amount calculated by reference to the rates of interest payable on the Performing Mortgage Loans in the Mortgage Portfolio, and the Basis Rate Swap Provider will pay to the Issuer an amount calculated by reference to a margin over three month GBP-LIBOR-BBA (as defined in the Basis Rate Swap Agreements) (or, in the case of the first Payment Date, the linear interpolation of 2 month and 3 month GBP-LIBOR-BBA). Because payments under the Basis Rate Swaps will be made by reference to all of the Performing Mortgage Loans in the Mortgage Portfolio, and not only a proportion of such Mortgage Loans proportionately equal to the Issuer Share of the Trust Property, the Issuer will be overhedged and accordingly the Basis Rate Swap Shortfall Amount will be added to the Issuer Revenue Share on each Trust Calculation Date to reflect this.

On each Payment Date (subject to the amounts being paid net of one another), the Issuer will pay an amount equal to the product of:

(a) the balance of the Performing Mortgage Loans in the Mortgage Portfolio for the related calculation period; and

(b) the weighted average interest rate in respect of the Performing Mortgage Loans for the related calculation period,

and the Basis Rate Swap Provider will pay an amount equal to the product of:

(a) the balance of the Performing Mortgage Loans in the Mortgage Portfolio for the related calculation period; and

(b) three month GBP-LIBOR-BBA plus a spread.

The Original Currency Swap Agreement

The Class A1 Notes (the "**US$ Notes**") are denominated in US Dollars and will bear interest calculated by reference to US Dollar LIBOR (as determined in accordance with Condition 4(C) (*Rates of Interest*)). On or about the Closing Date, the Issuer will enter into an ISDA Master Agreement in the form of an English law 1992 ISDA Master Agreement, including a Schedule thereto, an English law Credit Support Annex (Bilateral Form – Transfer) thereto and a confirmation evidencing the transaction thereunder (the "**Currency Swap**" and, together with the Basis Rate Swap, the "**Swaps**") with Lloyds Bank Corporate Markets plc (in such capacity, the "**Original Currency Swap Provider**" and, together with the Basis Rate Swap Provider, the "**Swap Providers**") to hedge the currency exchange rate exposure in respect of the US$ Notes (the "**Original Currency Swap Agreement**" and, together with the Basis Rate Swap Agreements, the "**Swap Agreements**").

Pursuant to the Original Currency Swap Agreement:

(a) on the Closing Date, the Issuer will pay to the Original Currency Swap Provider the gross US Dollars proceeds from the issue of the US$ Notes and the Original Currency Swap Provider will pay an equivalent amount in Sterling converted at the Original Exchange Rate;

(b) on each Payment Date or, following delivery of a Note Acceleration Notice, each Distribution Date:

(i) the Original Currency Swap Provider will pay an amount equal to the product of (A) the Principal Amount Outstanding (as at the start of the Interest Period ending immediately prior to that Payment Date (the "**relevant Interest Period**") and for the avoidance of doubt excluding any amount repaid on the Payment Date on the first day of such relevant Interest Period) of the US$ Notes (the "**US$ Principal Amount**"), (B) 3-month US$ LIBOR (as defined in the applicable Original Currency Swap Agreement) (or, the case of the first Payment Date, the linear interpolation of 2 month and 3 month US$ LIBOR) plus the Relevant Margin of the US$ Notes and (C) the number of days in the relevant Interest Period divided by 360 (for the avoidance of doubt, if such amount is a negative figure, the Issuer shall not be obliged to pay the absolute value of such negative amount to the Original Currency Swap Provider); and

(ii) the Issuer will pay an amount equal to the product of (A) US Dollar Principal Amount converted to Sterling at the Original Exchange Rate, (B) 3-month LIBOR (as defined in the Original Currency Swap Agreement) (or, the case of the first Payment Date, the linear interpolation of 2 month and 3 month LIBOR) plus the spread specified in the Original Currency Swap Agreement and (C) the number of days in the relevant Interest Period divided by 365;

(c) on each Payment Date or, following delivery of a Note Acceleration Notice, each Distribution Date on which the Issuer redeems a portion of the US$ Notes pursuant to the Conditions, the Issuer will pay an amount in Sterling equal to the amount available for redemption of the US$ Notes in accordance with the Conditions (the "**Issuer Interim (US$) Exchange Amount**") and the Original Currency Swap Provider will pay an amount in US Dollars equal to the Issuer Interim (US$) Exchange Amount converted into US Dollars at the Original Exchange Rate; and

(d) on the earlier of (A) the date on which the US$ Notes are redeemed in full in accordance with the Conditions and (B) the Final Redemption Date:

(i) the Issuer will pay an amount (the "**Issuer Final (US$) Exchange Amount**") in Sterling equal to the aggregate Principal Amount Outstanding of the US$ Notes converted into Sterling at the Original Exchange Rate; and

(ii) the Original Currency Swap Provider will pay an amount in US Dollars equal to the Issuer Final (US$) Exchange Amount converted at the Original Exchange Rate.

All payments made by the Original Currency Swap Provider as described above will be paid directly to the Principal Paying Agent on behalf of the Issuer.

Ratings Downgrade and Termination

Ratings Downgrade

If, at any time following the Closing Date, the short-term or long-term issuer default rating or, as applicable, the counterparty risk assessment of any Swap Provider or any guarantor, as applicable, is downgraded by a Rating Agency below the ratings specified in the relevant Swap Agreement for the relevant Swap Provider and as set out below, such Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with rating(s) required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations or to take such other action (which may include no action) which will result in the ratings assigned to the Notes being maintained at, or restored to, the level at which the Notes were rated immediately prior to the date on which the relevant downgrade occurred. A failure to take such steps will allow the Issuer to terminate the relevant Swap Agreement.

Transaction Party	Required Ratings
Basis Rate Swap Provider	(i) The counterparty risk assessment of the Basis Rate Swap Provider must be rated at least A3(cr) by Moody's; and (ii) the short term issuer default rating must be at least F1 by Fitch or the long term issuer default rating must be at least A by Fitch.
Currency Swap Provider	(i) The counterparty risk assessment of the Currency Swap Provider

Transaction Party	Required Ratings
	must be rated at least A3(cr) by Moody's; and (ii) the short term issuer default rating must be at least F1 by Fitch or the long term issuer default rating must be at least A by Fitch.

Each of the Basis Rate Swap Provider and the Currency Swap Provider will be able to cure any breach of the rating requirements through posting collateral provided: (i) in the case of any breach of the Fitch rating requirements, its short term issuer default rating is at least F3 or its long term issuer default rating is at least BBB-; and (ii) in the case of any breach of the Moody's rating requirements, its counterparty risk assessment is rated at least Baa1(cr). If the Basis Rate Swap Provider or the Currency Swap Provider falls below the above ratings, it will be required to either (a) transfer its obligations; (b) obtain a guarantee from a suitably rated entity; (c) use reasonable endeavours to appoint a standby basis rate swap provider and ensure that such standby basis rate swap provider will be appointed as successor Basis Rate Swap Provider if the Basis Rate Swap Provider becomes insolvent or certain other events occur (such as a failure to pay by the Basis Rate Swap Provider in accordance with the Basis Rate Swap Agreements); or (d) take such other action (which may include no action) which will result in the ratings assigned to the Notes being maintained at, or restored to, the level at which the Notes were rated immediately prior to the date on which the relevant downgrade occurred, as set out in the relevant Swap Agreements (other than the Basis Rate Swap Agreement in respect of Standard Variable Rate Mortgage Loans).

Termination of the Swap Agreements

Each Swap Agreement may be terminated early in, *inter alia*, the following circumstances (each, a "**Swap Early Termination Event**"):

(a) in relation to each Swap Agreement, at the option of one party to the Swap, if there is a failure by the other party to pay any amounts due and payable in accordance with the terms of that Swap;

(b) if a Note Acceleration Notice is served in relation to the Class A Notes;

(c) in respect of the Basis Rate Swap Agreements, if a Redemption Notice has been given under Condition 5(E) (*Optional Redemption in Full*) in respect of the Class A Notes;

(d) if an irrevocable notice of redemption (a "**Redemption Notice**") has been given under Condition 5(F) (*Optional redemption for Tax and other Reasons*) in respect of (i) in the case of the Basis Rate Swap Agreements, the Class A Notes, or (ii) in the case of the Original Currency Swap Agreement, the US$ Notes;

(e) if the relevant Swap Provider becomes insolvent or mergers without an assumption of the obligations under the Swaps, or if changes in law result in the obligations of one of the parties becoming illegal;

(f) if an amendment to or waiver under the Transaction Documents is made that materially and adversely affects the relevant Swap Provider without the relevant Swap Provider's consent; and

(g) if the relevant Swap Provider is downgraded and fails to comply with the requirements of the ratings downgrade provision contained in the relevant Swap Agreement and described above in the section entitled "*Ratings Downgrade*".

The Swap Early Termination Events described in paragraphs (a) and (e) above will constitute Events of Default under (and as defined in) the relevant Swap. Upon the occurrence of a Swap Early Termination Event, either the Issuer or the relevant Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in: (i) in the case of the Basis Rate Swap Agreements, Sterling and (ii) in the case of the Original Currency Swap Agreement, US Dollars. The amount of any termination payment will be based on the market value of the terminated swap based on market quotations of the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties (or based upon loss if market quotation cannot be determined). Any such termination payment could be substantial.

Except where a Note Acceleration Notice or a Redemption Notice has been delivered, the Issuer will apply any termination payment it receives in the circumstances described in the previous paragraph to purchase a replacement swap (as described above) and any excess will be applied as Issuer Available Revenue Receipts and

any shortfall will be paid out of, and to the extent of, Issuer Available Revenue Receipts at item (vi) or, in relation to the Currency Swap, item (vii)(d) of the Issuer Pre-Acceleration Revenue Priority of Payments or, as the case may require, item (xvi) or, in relation the Currency Swap, item (xv) of the Issuer Pre-Acceleration Revenue Priority of Payments. To the extent that the Issuer receives a premium under any replacement swap, it shall apply such premium first to make any termination payment due under the related terminated Swap(s) and thereafter apply any surplus as if such amounts constituted Issuer Available Revenue Receipts and any shortfall will be paid out of, and to the extent of, Issuer Available Revenue Receipts at item (vi) or, in relation to the Currency Swap, item (vii)(d), or, as the case may require, item (xvi) or, in relation to the Currency Swap, item (xv) of the Issuer Pre-Acceleration Revenue Priority of Payments.

In respect of each Swap Agreement, following the delivery of a Note Acceleration Notice, if the relevant swap is terminated and the Issuer receives a termination payment, the Issuer will not be required to apply such termination payment it receives to purchase a replacement swap. Accordingly, the Issuer will cease to hedge its basis rate and currency exchange rate exposure following such termination.

If the Currency Swap Agreement is not terminated following the delivery of a Note Acceleration Notice, the Issuer will be obliged to make payments under the Currency Swap Agreement on a monthly (as opposed to quarterly) basis. Following the delivery of a Note Acceleration Notice, the Issuer will apply any termination payment or any other payment it receives in accordance with the Issuer Post-Acceleration Priority of Payments.

If a Swap Agreement terminates by reason of:

(a) the occurrence of an Additional Termination Event (as defined in that Swap Agreement) following a failure by the applicable Swap Provider to comply with the requirements of the ratings downgrade provisions set out in that Swap Agreement (a "**Swap Provider Downgrade Event**"); or

(b) the occurrence of an Event of Default (as defined in that Swap Agreement) where the applicable Swap Provider is the Defaulting Party (as defined in that Swap Agreement) (a "**Swap Provider Default**"),

then any termination payment amount payable by the Issuer to the relevant Swap Provider will only be paid after:

(i) prior to the delivery of a Note Acceleration Notice, paying interest amounts due and payable on the Notes, replenishing the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount and after providing for any debit balance on the Principal Deficiency Ledgers; and

(ii) following the delivery of a Note Acceleration Notice, paying interest and principal amounts due and payable on the Notes.

If a Swap Agreement terminates for any reason other than a Swap Provider Default or a Swap Provider Downgrade Event and a termination payment becomes due from the Issuer to the relevant Swap Provider, such payment will be made by the Issuer in accordance with the applicable Priorities of Payment (a) in relation to a Basis Rate Swap Agreement, in priority to the payment of interest amounts due and payable on the Notes; and (b) in relation to the Currency Swap Agreement, *pari passu* to the payment of interest due and payable on the Class A Notes.

Taxation

The Issuer is not obliged under any Swap Agreement to gross up payments made by it if withholding taxes are imposed on payments made under the relevant Swap Agreement.

Each of the Swap Providers is always obliged to gross up payments made by it to the Issuer if withholding taxes are imposed on payments made by it to the Issuer under the relevant Swap Agreement.

Governing Law

Each of the Swap Agreements and any non-contractual obligation arising in or out of or in connection to the relevant Swap Agreement will be governed by English law.

CASH MANAGEMENT FOR THE MORTGAGES TRUSTEE

Pursuant to the Trust Property Cash Management Agreement, Virgin Money will be appointed on the Closing Date by the Mortgages Trustee as the Trust Property Cash Manager to provide Trust Property Cash Management Services in relation to the Mortgages Trustee.

Cash Management Services – Mortgages Trust

The primary obligation of the Trust Property Cash Manager is to effect the transfer of monies between the relevant parties and accounts. The Trust Property Cash Manager's duties in relation to the Mortgages Trust will include, but are not limited to:

(a) determining the current shares of the Issuer and the Seller in the Trust Property in accordance with the terms of the Mortgages Trust Deed;

(b) maintaining certain ledgers on behalf of the Mortgages Trustee including the Trust Replenishment Ledger;

(c) distributing the Mortgages Trustee Available Revenue Receipts and the Mortgages Trustee Available Principal Receipts available to the Issuer and the Seller in accordance with the terms of the Mortgages Trust Deed; and

(d) providing the Administrator with information in relation to, *inter alia*, the Trust Property to enable it to prepare the Monthly Investor Report.

Determinations and Reconciliations

Determinations and Calculations by the Trust Property Cash Manager

In respect of any Trust Calculation Period where the Administrator has failed to provide the Administrator Portfolio Information to the Trust Property Cash Manager (each such period, a "**Disruption Period**"), the Trust Property Cash Manager will apply the information in respect of previous Trust Calculation Periods as necessary in order to calculate, on any relevant Distribution Date that occurs immediately prior to a Payment Date, the maximum amount to be advanced to the Issuer for the Issuer to make payments of items (i) to (vii) and (ix) in the Issuer Pre-Acceleration Revenue Priority of Payments only.

Following any such Disruption Period, on the first Trust Calculation Date on which the Trust Property Cash Manager receives the Administrator Portfolio Information, the Trust Property Cash Manager will determine any reconciliation payment that will need to be made in respect of such Disruption Period and the payments to be made on the related Distribution Date will be adjusted accordingly. On the following Payment Date any amount advanced to the Issuer following the Disruption Period shall be repaid to the Mortgages Trustee.

Any such calculations, payments and reconciliations will be deemed to be carried out in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Trust Property Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

"**Administrator Portfolio Information**" means, with respect to any Trust Calculation Date, the information provided by the Administrator in respect of the Portfolio (in a form to be agreed between the parties to the Administration Agreement) for the previous Trust Calculation Period which is necessary for the Trust Property Cash Manager to calculate the amounts to be paid to the Seller and the Issuer under the Mortgages Trustee Revenue Priority of Payments and the Mortgages Trustee Principal Priority of Payments on the immediately following Distribution Date.

Mortgages Trustee Transaction Accounts and the VM Mortgages Trustee Account

On the Closing Date, pursuant to the Account Bank Agreements, the Mortgages Trustee will maintain the Mortgages Trustee Transaction Accounts with the Mortgages Trustee Account Banks. In addition, on the Closing Date the Mortgages Trustee will open and maintain the VM Mortgages Trustee Account with the VM Mortgages Trustee Account Bank. The Mortgages Trustee may, with the prior written consent of the Security Trustee, open additional or replacement bank accounts.

Save as otherwise provided in the Transaction Documents and in respect of a downgrade of a Mortgages Trustee Account Bank (see "*Downgrade of a Mortgages Trustee Account Bank*" below), the Trust Property Cash Manager may:

(a) in respect of any payment required to be made to the Mortgages Trustee and paid into the Mortgages Trustee Transaction Accounts pursuant to the terms of the Transaction Documents, credit such payments to one or more of the Mortgages Trustee Transaction Accounts at its discretion;

(b) in respect of any payment to be made by or on behalf of the Mortgages Trustee from amounts standing to the credit of the Mortgages Trustee Transaction Accounts pursuant to the terms of the Transaction Documents, apply amounts standing to the credit of one or more of the Mortgages Trustee Transaction Accounts for such purposes; and

(c) at any time and at its discretion transfer amounts from one Mortgages Trustee Transaction Account into any other Mortgages Trustee Transaction Account.

Notwithstanding the above, the Trust Property Cash Manager may pay or transfer such amounts referred to above into the VM Mortgages Trustee Account **provided that** at all times the balance of the VM Mortgages Trustee Account shall not exceed the VM Mortgages Trustee Permitted Cash Amount.

Amounts standing to the credit of the Mortgages Trustee Transaction Account and/or the VM Mortgages Trustee Account, may be invested in Permitted Investments by the Trust Property Cash Manager (for as long as Virgin Money or any affiliate of Virgin Money is the Trust Property Cash Manager).

Downgrade of a Mortgages Trustee Account Bank

If (i) the short-term issuer default rating of a Mortgages Trustee Account Bank ceases to be at least F1 by Fitch or (ii) the long-term issuer default ratings of a Mortgages Trustee Account Bank cease to be at least A by Fitch or their long-term bank deposits cease to be at least A3 by Moody's (or such other lower short-term or long-term rating by the relevant Rating Agency which the relevant Rating Agency (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes) (for the purposes of this section only, the "**requisite ratings**") then either:

(a) the relevant Mortgages Trustee Transaction Account will be closed and a replacement account opened with a bank that has the requisite ratings (and the Trust Property Cash Manager will use its reasonable endeavours to ensure that any such bank will enter into an agreement in form and substance similar to the relevant Account Bank Agreement), or

(b) a guarantee or other support of the Mortgages Trustee Account Bank's obligations under the relevant Account Bank Agreement will be obtained from a third party that has the requisite ratings and the Trust Property Cash Manager confirms in writing that, in its opinion such guarantee or other support will not result in its then current ratings of any Class of Notes being downgraded, withdrawn or qualified in accordance with the Relevant Rating Agency's then current rating criteria, or

(c) such other action will be taken in relation to the relevant Mortgages Trustee Transaction Account that each of the Rating Agencies confirms will not result in its then current ratings of any Class of the Notes being downgraded, withdrawn or qualified, it being acknowledged that neither of the Rating Agencies has any obligation to provide such confirmation at any time, or

(d) such other action will be taken in relation to the relevant Mortgages Trustee Transaction Account as is directed by an Extraordinary Resolution of the Class A Noteholders, or if there are no Class A Notes outstanding, the Class M Noteholders, or if there are no Class M Notes outstanding, the Class Z Noteholders (in accordance with the Conditions and the Transaction Documents).

(e) The Trust Property Cash Manager will inform the Rating Agencies of any action described in (a), (b) or (d) above.

(f) In addition, if one of the Mortgages Trustee Account Banks ceases to have the requisite ratings (such Mortgages Trustee Account Bank, a "**Downgraded Mortgages Trustee Account Bank**"), the Trust Property Cash Manager will:

(i) as soon as reasonably practicable transfer all amounts standing to the credit of the Mortgages Trustee Transaction Account held with the Downgraded Mortgages Trustee Account Bank to a Mortgages Trustee Transaction Account held with a Mortgages Trustee Account Bank with the requisite ratings or the VM Mortgages Trustee Account (to the extent that such transfer may be made); and

(ii) for as long as such Mortgages Trustee Account Bank remains a Downgraded Mortgages Trustee Account Bank and none of the actions described in (a) to (d) above have been taken with respect to the relevant Mortgages Trustee Transaction Account, will not transfer or credit any amounts to the Mortgages Trustee Transaction Account held with such Downgraded Mortgages Trustee Account Bank.

Downgrade of Trust Property Cash Manager

If the counterparty risk assessment of the Trust Property Cash Manager ceases to be at least Baa3(cr) by Moody's (or such other lower short-term or long-term rating which Moody's (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes) (for the purposes of this section only, the "**requisite ratings**") then the Mortgages Trustee will use reasonable endeavours to appoint a back-up Trust Property Cash Manager within 60 calendar days of the relevant downgrade as will result in there being no adverse impact on the then current rating of the Notes.

Compensation of Trust Property Cash Manager

The Trust Property Cash Manager will be paid an annual fee for its services in twelve equal instalments monthly in arrears on each Distribution Date.

Resignation of Trust Property Cash Manager

The Trust Property Cash Manager may resign only on giving not less than 90 days' notice in writing to the Security Trustee and the Mortgages Trustee and **provided that** (i) the Mortgages Trustee consents in writing to the Trust Property Cash Manager's resignation and (ii) a substitute trust property cash manager has been appointed and a new trust property cash management agreement is entered into substantially on the same terms as the Trust Property Cash Management Agreement or on such terms as are satisfactory to the Security Trustee and the Mortgages Trustee and (iii) the Rating Agencies have been notified in writing of such resignation and appointment.

Termination of Appointment of Trust Property Cash Manager

The Mortgages Trustee or the Issuer may, upon written notice to the Trust Property Cash Manager, terminate the Trust Property Cash Manager's rights and obligations immediately if any of the following events (each, a "**Trust Property Cash Manager Termination Event**") occur (**provided that**, in the case of the Trust Property Cash Manager Termination Event listed at (a) below, termination will be automatic on the occurrence of such Trust Property Cash Manager Termination Event):

(a) the Trust Property Cash Manager defaults in the payment of any amount due and fails to remedy such default for a period of two Business Days;

(b) the Trust Property Cash Manager fails to procure that any amount already standing to the credit of the VM Mortgages Trustee Account in excess of the recalculated VM Mortgages Trustee Permitted Cash Amount is transferred to a Mortgages Trustee Transaction Account within three Business Days of the date of such recalculation;

(c) the Trust Property Cash Manager fails to comply with any of its other obligations under the Trust Property Cash Management Agreement which in the opinion of the Security Trustee, is materially prejudicial to the Noteholders and does not remedy that failure within 20 Business Days after the earlier of becoming aware of the failure and receiving written notice from the Mortgages Trustee or the Security Trustee; or

(d) the Trust Property Cash Manager suffers an Insolvency Event.

Following the occurrence of a Trust Property Cash Manager Termination Event, the Issuer and the Mortgages Trustee will use its best endeavours to appoint a substitute trust property cash manager (and give notice of such

appointment to the Rating Agencies). Any such substitute trust property cash manager will be required to enter into an agreement on substantially the same terms as the Trust Property Cash Management Agreement or on such terms as are satisfactory to the Security Trustee and the Mortgages Trustee.

If the appointment of the Trust Property Cash Manager is terminated or it resigns in circumstances where a substitute Trust Property Cash Manager has not been appointed, the Trust Property Cash Manager must deliver its books of account relating to the Mortgage Loans to or at the direction of the Mortgages Trustee or the Security Trustee, as the case may be. The Trust Property Cash Management Agreement will terminate automatically when the Issuer has no further interest in the Trust Property and the Notes have been redeemed in full.

Governing Law

The Trust Property Cash Management Agreement and any non-contractual obligation arising in or out of or in relation to the Trust Property Cash Management Agreement will be governed by English law.

CASH MANAGEMENT FOR THE ISSUER

On the Closing Date, pursuant to the Issuer Cash Management Agreement, the Issuer will appoint Virgin Money as the Issuer Cash Manager to provide Issuer Cash Management Services.

Issuer Cash Management Services

The primary obligation of the Issuer Cash Manager is to effect the transfer of monies between the relevant parties and accounts. The Issuer Cash Manager's duties will include, but are not limited to:

(a) determining no later than the Payment Calculation Date immediately preceding the relevant Payment Date:

  (i) the Issuer Available Revenue Receipts to be applied to pay interest on the Notes on that relevant Payment Date and to pay amounts due to other creditors of the Issuer;

  (ii) the Issuer Available Principal Receipts to be applied to repay principal on the Notes on that relevant Payment Date;

  (iii) such other amounts as are expressed to be calculations and determinations made by the Issuer Cash Manager under the conditions of the Notes;

  (iv) determining whether or not there will be a Revenue Shortfall during the next succeeding Interest Period; and

  (v) determine the Principal Amount Outstanding of the Notes, the Deemed Principal Amount Outstanding of the US$ Notes and the Sterling Equivalent Principal Amount Outstanding of the US$ Notes;

(b) applying Issuer Available Revenue Receipts and Issuer Available Principal Receipts in accordance with the relevant order of Priority of Payments for the Issuer set out in the Deed of Charge;

(c) maintaining the Issuer Principal Ledger to record any Principal Receipts allocated by the Mortgages Trustee to the Issuer Share of the Trust Property;

(d) maintaining the Issuer Revenue Ledger to record any Revenue Receipts allocated by the Mortgages Trustee to the Issuer Share of the Trust Property;

(e) maintaining the Principal Deficiency Ledger, which will record (i) principal deficiencies arising from losses (including, at any time when the Seller Share is equal to zero, set-off losses) on the Mortgage Loans which have been allocated to the Issuer Share of the Trust Property, (ii) the use of Issuer Available Principal Receipts to meet any deficiency in Issuer Available Revenue Receipts after taking into account the Liquidity Reserve Fund and (iii) the application of any VM Issuer Account Loss to the extent it constitutes an Issuer Principal Receipts Reduction;

(f) maintaining the Liquidity Reserve Ledger, which will record amounts in the Liquidity Reserve Fund, the use of Issuer Available Revenue Receipts to cure any shortfall in the credit balance of the Liquidity Reserve Ledger below the Liquidity Reserve Required Amount, the use of any Further Subordinated Loan to increase the Liquidity Reserve Fund to the Liquidity Reserve Required Amount and any excess over the Liquidity Reserve Required Amount;

(g) maintaining the Issuer Profit Ledger, which will record amounts retained by the Issuer as profit (and which will be debited with any amounts paid by the Issuer as dividends and/or corporation tax); and

(h) providing the Administrator with information in relation to the Issuer to enable it to prepare the Monthly Investor Report.

Issuer Accounts and the VM Issuer Account

On the Closing Date, pursuant to the Account Bank Agreements and the Swap Collateral Account Bank Agreement, the Issuer will maintain the Issuer Accounts. On the Closing Date, pursuant to the Swap Collateral Account Bank Agreement, the Issuer will maintain the Issuer Swap Collateral Accounts. The Issuer may, with the prior written consent of the Security Trustee, open additional or replacement bank accounts on terms as agreed

between the parties at the time. All Revenue Receipts standing to the credit of the Issuer Transaction Accounts from time to time will be credited to a revenue ledger (the "**Issuer Revenue Ledger**").

In addition, on the Closing Date the Issuer will open and maintain the VM Issuer Account with the VM Issuer Account Bank.

Issuer Transaction Accounts

Save as otherwise provided in the Transaction Documents and in respect of a downgrade of an Issuer Account Bank (see "*Downgrade of an Account Bank*" below), the Issuer Cash Manager may:

(a) in respect of any payment required to be made to the Issuer and paid into the Issuer Transaction Accounts pursuant to the terms of the Transaction Documents, credit such payments to one or more of the Issuer Transaction Accounts at its discretion;

(b) in respect of any payment to be made by or on behalf of the Issuer from amounts standing to the credit of the Issuer Transaction Accounts pursuant to the terms of the Transaction Documents, apply amounts standing to the credit of one or more of the Issuer Transaction Accounts for such purposes; and

(c) at any time and at its discretion transfer amounts from one Issuer Transaction Account into any other Issuer Transaction Account.

Notwithstanding the above, the Issuer Cash Manager may pay or transfer such amounts referred to above into the VM Issuer Account **provided that** at all times the balance of the VM Issuer Account shall not exceed the VM Issuer Permitted Cash Amount.

Amounts standing to the credit of the Issuer Transaction Accounts and/or the VM Issuer Account, may be invested in Permitted Investments by the Issuer Cash Manager (for as long as Virgin Money or any affiliate of Virgin Money is the Issuer Cash Manager).

Downgrade of an Issuer Account Bank, Issuer Cash Swap Collateral Account Bank or Issuer Securities Swap Collateral Account Bank

If (i) the short-term issuer default rating of an Issuer Account Bank, the Issuer Cash Swap Collateral Account Bank or the Issuer Securities Swap Collateral Account Bank ceases to be at least F1 by Fitch or their short term bank deposits, in the case of an Issuer Account Bank only, cease to be rated at least P-1 by Moody's or (ii) the long-term issuer default rating of an Issuer Account Bank, the Issuer Cash Swap Collateral Account Bank or the Issuer Securities Swap Collateral Account Bank ceases to be rated at least A by Fitch or their long term bank deposits cease to be rated at least A3 by Moody's, or such other lower short-term or long-term rating by the relevant Rating Agency which the relevant Rating Agency (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes (for the purposes of this section only, the "**requisite ratings**") then either:

(a) the relevant Issuer Transaction Account, the Issuer Cash Swap Collateral Account or the Issuer Securities Swap Collateral Account, as applicable, will be closed and a replacement account opened with a bank that has the requisite ratings (and the Issuer Cash Manager will use its reasonable endeavours to ensure that any such bank will enter into an agreement in form and substance similar to the relevant Account Bank Agreement or the Swap Collateral Account Bank Agreement, as applicable), or

(b) a guarantee or other support of the Issuer Account Bank's obligations under the relevant Account Bank Agreement as applicable, will be obtained from a third party that has the requisite ratings and that the Issuer Cash Manager confirms in writing that, in its opinion such guarantee or other support will not result in its then current ratings of any Class of Notes being downgraded, withdrawn or qualified in accordance with the relevant Rating Agency's then current rating criteria, or

(c) such other action will be taken in relation to the relevant Issuer Transaction Account, the Issuer Cash Swap Collateral Accounts or the Issuer Securities Swap Collateral Accounts, as applicable, that each of the Rating Agencies confirms will not result in its then current ratings of any Class of the Notes being downgraded, withdrawn or qualified, it being acknowledged that neither of the Rating Agencies has any obligation to provide such confirmation at any time, or

(d) such other action will be taken in relation to the relevant Issuer Transaction Account, the Issuer Cash Swap Collateral Accounts or the Issuer Securities Swap Collateral Accounts, as applicable, as is directed by an Extraordinary Resolution of the Class A Noteholders, or if there are no Class A Notes outstanding, the Class M Noteholders or if there are no Class M Notes outstanding, the Class Z Noteholders (in accordance with the Conditions and the Transaction Documents).

The Issuer Cash Manager will inform the Rating Agencies of any action described in (a), (b) or (d) above.

If one of the Issuer Account Banks ceases to have the requisite ratings (such Issuer Account Bank, a "**Downgraded Issuer Account Bank**"), Issuer Cash Manager will:

(a) as soon as reasonably practicable transfer all amounts standing to the credit of the Issuer Transaction Account held with the Downgraded Issuer Account Bank to an Issuer Transaction Account held with an Issuer Account Bank with the requisite ratings; and

(b) for as long as such Issuer Account Bank remains a Downgraded Issuer Account Bank and none of the actions described in (a) to (d) above have been taken with respect to the relevant Issuer Transaction Account, not transfer or credit any amounts to the Issuer Transaction Account held with such Downgraded Issuer Account Bank.

Downgrade of Issuer Cash Manager

If the counterparty risk assessment of the Issuer Cash Manager ceases to be rated at least Baa3(cr) by Moody's (or such other lower short-term or long-term rating which Moody's (at its discretion) confirms as sufficient in order to maintain the then current rating of the Rated Notes) (for the purposes of this section only, the "**requisite ratings**") then the Issuer will use reasonable endeavours to appoint a back-up Issuer Cash Manager within 60 calendar days of the relevant downgrade as will result in there being no adverse impact on the then current rating of the Notes.

Compensation of Issuer Cash Manager

The Issuer Cash Manager will be paid an annual fee for its services in four equal instalments quarterly in arrears on each Payment Date.

Resignation of Issuer Cash Manager

The Issuer Cash Manager may resign only on giving not less than 90 days' notice in writing to the Security Trustee and the Issuer **provided that** (i) the Issuer consents in writing to the Issuer Cash Manager's resignation; (ii) a substitute issuer cash manager acceptable to the Note Trustee and the Security Trustee has been appointed and a new issuer cash management agreement is entered into on substantially the same terms as the Issuer Cash Management Agreement or on such terms as are satisfactory to the Security Trustee and the Issuer and (iii) the Rating Agencies have been notified in writing of such resignation and appointment.

Termination of Appointment of Issuer Cash Manager

The Issuer may, upon written notice to the Issuer Cash Manager with a copy to the Issuer Account Banks, the Issuer Swap Collateral Account Banks and the Security Trustee, terminate the Issuer Cash Manager's rights and obligations immediately if any of the following events (each, an "**Issuer Cash Manager Termination Event**") occur (**provided that**, in the case of the Issuer Cash Manager Termination Event listed at (a) below, termination will be automatic on the occurrence of such Issuer Cash Manager Termination Event):

(a) the Issuer Cash Manager or (if the Trust Property Cash Manager and the Issuer Cash Manager are the same entity) the Trust Property Cash Manager defaults in the payment of any amount due and fails to remedy such default for a period of two Business Days;

(b) 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 Note Trustee is materially prejudicial to the interests of the Noteholders of any Class and (if capable of remedy) does not remedy that failure within 20 Business Days after the earlier of becoming aware of the failure and receiving written notice from the Issuer or (following the delivery of an Enforcement Notice) the Security Trustee;

(c) the relevant Swap Provider instructs the Issuer or, (following the delivery of an Enforcement Notice), the Security Trustee, to terminate the appointment of the Issuer Cash Manager in accordance with the relevant Swap Agreement;

(d) the Issuer Cash Manager suffers an Insolvency Event; or

(e) failure by the Issuer Cash Manager to procure that any amount standing to the credit of the VM Issuer Account in excess of the VM Issuer Permitted Cash Amount is transferred to either or both Issuer Transaction Accounts within three Business Days of the date of such recalculation.

The relevant Swap Provider may only instruct the Issuer or, as applicable, the Security Trustee as set out in paragraph (c) above in the limited circumstances set out in the relevant Swap Agreement relating to continued non-performance by the Issuer Cash Manager of its obligations under the relevant Swap Agreement.

Following the occurrence of an Issuer Cash Manager Termination Event, the Issuer will use its best endeavours to appoint a substitute cash manager (and give notice of such appointment to the Rating Agencies). Any such substitute cash manager will be required to enter into an agreement on substantially the same terms as the Issuer Cash Management Agreement or on such terms as are satisfactory to the Security Trustee and the Issuer.

If the appointment of the Issuer Cash Manager is terminated or the Issuer Cash Manager resigns in circumstances where a substitute cash manager has not been appointed, the Issuer Cash Manager must deliver its books of account relating to the Notes to or at the direction of the Issuer or (following the delivery of an Enforcement Notice) the Security Trustee. The Issuer Cash Management Agreement will terminate automatically when the Notes have been fully redeemed and the Issuer has no further obligations pursuant to the Transaction Documents.

Governing Law

The Issuer Cash Management Agreement and any non-contractual obligation arising in or out of or in relation to the Issuer Cash Management Agreement will be governed by English law.

SECURITY FOR THE ISSUER'S OBLIGATIONS

Issuer Security

Pursuant to the Deed of Charge, the Issuer will grant the following security to be held by the Security Trustee for itself and on trust for the benefit of the other Secured Creditors (which definition includes the Noteholders):

(i) a first fixed charge over the Issuer Share of the Trust Property, other than the Scottish Mortgages;

(ii) an assignation in security of the Issuer's beneficial interest as a Beneficiary under the Scottish Declaration of Trust (the "**Scottish Supplemental Charge**"), which assignation in security the Issuer will be required to grant on the Closing Date;

(iii) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit in and to the Transaction Documents to which the Issuer is a party (other than the Deed of Charge);

(iv) an assignment by way of first fixed security (which assignment may take effect as a floating charge) over the Issuer's right, title, interest and benefit in the Issuer Transaction Accounts and each other account (if any) of the Issuer, and all amounts standing to the credit of those accounts (including all interest earned on such amounts); and

(v) a first floating charge over all the assets and undertaking of the Issuer which are not otherwise effectively subject to a fixed charge or assignment by way of security as described in the preceding paragraphs but extending over all the assets and undertakings of the Issuer situated in, or otherwise governed by, Scots law.

Issuer Pre-Acceleration and Issuer Post-Acceleration Priority of Payments

The Deed of Charge sets out the order of priority for the application of cash by the Issuer Cash Manager prior to the service of a Note Acceleration Notice. This payment order of priority is described in the section entitled "*Cashflows*".

The Deed of Charge sets out the order of priority for the application of cash by the Issuer, or the Issuer Cash Manager on its behalf, following the service of a Note Acceleration Notice, or, following the service of an Enforcement Notice, by or on behalf of the Security Trustee (or a receiver of the Issuer appointed by the Security Trustee pursuant to the Deed of Charge). This order of priority is described in the section entitled "*Cashflows*".

Enforcement

The Issuer Security will only become enforceable on the service of an Enforcement Notice pursuant to Condition 10 (*Enforcement of Notes*). The Deed of Charge will set out the procedures by which the Security Trustee may take steps to enforce the Issuer Security.

No enforcement by Secured Creditors

Each of the Secured Creditors (other than the Note Trustee and the Security Trustee) will agree under the Deed of Charge that only the Security Trustee may enforce the security created by or pursuant to the Deed of Charge and it will not take steps directly against the Issuer to recover amounts owing to it by the Issuer unless the Security Trustee has become bound to enforce the Issuer Security but has failed to do so within 30 days of becoming so bound.

Governing Law

The Deed of Charge and any non-contractual obligation arising in or out of or in relation to the Deed of Charge will be governed by English law although terms thereof particular to Scots law shall be construed in accordance with Scots law. The Scottish Supplemental Charge will be governed by Scots law.

THE TRUST DEED AND THE DEED OF CHARGE

The Issuer and the Note Trustee will enter into the Trust Deed on the Closing Date. The Trust Deed will contain the forms of the Notes of each Class. Under the Trust Deed, the Issuer will covenant to the Note Trustee to pay all amounts due under the Notes. The Note Trustee will hold the benefit of the Issuer's covenant to pay on trust for the Noteholders.

The Issuer, the Security Trustee and the other Secured Creditors will enter into a Deed of Charge on the Closing Date pursuant to which the Issuer will grant certain security to be held by the Security Trustee on trust for the benefit of itself and the other Secured Creditors (including the Noteholders).

Conflicts / Relationship with Noteholders

The Trust Deed will provide that, except where expressly provided otherwise, where the Note Trustee is required to have regard to the interests of the Noteholders, the Note Trustee will have regard to the interests of all the Noteholders equally as a Class, **provided that** the Note Trustee will have regard for so long as there are any Class A Notes outstanding, only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class M Noteholders and/or the Class Z Noteholders and if there are no Class A Notes outstanding, for so long as there are any Class M Notes outstanding, only to the interests of the Class M Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class M Noteholders and the interests of the Class Z Noteholders.

The Trust Deed will also provide that an Extraordinary Resolution of the Class A Noteholders will be binding on the Class M Noteholders and the Class Z Noteholders irrespective of the effect upon them, other than in respect of a Basic Terms Modification which requires an Extraordinary Resolution of each Class of Notes then outstanding.

The Note Trustee will not be bound to take any action in relation to the Notes or the Transaction Documents, including delivering a Note Acceleration Notice or instructing the Security Trustee to deliver an Enforcement Notice, unless (subject to being indemnified and/or secured and/or prefunded to its satisfaction) it has been directed to do so either by an Extraordinary Resolution of the Noteholders of the Most Senior Class then outstanding or in writing by the holders of more than 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes.

Where the Trust Deed (including, for the avoidance of doubt, the Conditions) provides that the Class A Noteholders may direct the Note Trustee to act, either by an Extraordinary Resolution or by notice in writing of more than 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of such Class, the reference to the Class A Notes shall mean:

(a) in relation to a direction to give a Note Acceleration Notice or to instruct the Note Trustee to instruct the Security Trustee to give an Enforcement Notice or to give an Enforcement Notice themselves or to waive or authorise any Note Event of Default or to determine that any Note Event of Default or Potential Note Event of Default shall not be treated as such, the Class A Notes of all Classes;

(b) subject to (a) above, in relation to a matter which, in the sole opinion of the Note Trustee, affects the interests of the holders of the Class A Notes of only one Class, a single direction of the holders of the Class A Notes of that Class;

(c) subject to (a) above, in relation to a matter which, in the sole opinion of the Note Trustee, affects the interests of the holders of the Class A Notes of more than one Class but does not give rise to a conflict of interest between holders of the Class A Notes of any of the Classes so affected, a single direction of the Class A Notes of all the Classes so affected; and

(d) subject to (a) above, in relation to a matter which, in the sole opinion of the Note Trustee, affects the interests of the holders of the Class A Notes of more than one Class and gives or may give rise to a conflict of interest between the holders of any of the Classes of the Class A Notes so affected, separate directions of the holders of the Class A Notes of each Class so affected.

Pursuant to the Deed of Charge, except where expressly provided otherwise, the Security Trustee will not be bound to take any action under or in connection with any of the Transaction Documents, including, without limitation, enforcing the Issuer Security, unless directed to do so in writing by the Note Trustee or, if there are no Notes outstanding, all of the other Secured Creditors.

Neither the Note Trustee nor the Security Trustee is obliged to take any action unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all liabilities, proceedings, claims, demands, costs, charges and expenses to which it may thereby become liable or which may be incurred by it in connection therewith.

Those Notes (if any) which are for the time being held by Virgin Money or any holding company of Virgin Money or by any person for the benefit of Virgin Money or any holding company of Virgin Money shall (unless and until ceasing to be so held) be deemed not to remain "outstanding" for the purposes of the right to attend and vote at any meeting of Noteholders, the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 11 (*Meeting of Noteholders, Modifications and Waiver*), Condition 15 (*Substitution*), Condition 9 (*Events of Default*) and the percentages referred to in Condition 10 (*Enforcement of Notes*) and the Provisions for Meetings of Noteholders, and any right, discretion, power or authority, whether contained in the Trust Deed or the Deed of Charge or provided by law, which the Note Trustee or the Security Trustee is required to exercise in or by reference to the interests of the Noteholders or any Class of them.

If the Original Currency Swap Agreement is terminated early and any US$ Notes remain outstanding on or following the Class A1 Sterling Equivalent Redemption Date, prior to the delivery of a Note Acceleration Notice, except for the purpose of considering and, if thought fit, passing an Extraordinary Resolution to sanction a proposed Basic Terms Modification, such US$ Notes shall be deemed not to remain "outstanding" for the purposes of the right to attend and vote at any meeting of Noteholders, the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 11 (*Meeting of Noteholders, Modifications and Waiver*), Condition 15 (*Substitution*), Condition 9 (*Events of Default*) and the percentages referred to in Condition 10 (*Enforcement of Notes*) and the Provisions for Meetings of Noteholders, and any right, discretion, power or authority, whether contained in the Trust Deed or the Deed of Charge or provided by law, which the Note Trustee or the Security Trustee is required to exercise in or by reference to the interests of the Noteholders or any Class of them.

Modification and waiver

The Trust Deed will provide that, without the consent of any of the Noteholders, the Note Trustee may:

(a) agree with the Issuer and/or any other person, or direct the Security Trustee to agree with the Issuer or any other person, in making any amendment or modification to the Conditions or the Transaction Documents:

  (i) (including a Basic Terms Modification) which in the opinion of the Note Trustee is made to correct a manifest error or is of a formal, minor or technical nature; or

  (ii) (other than a Basic Terms Modification) which is, in the opinion of the Note Trustee, not materially prejudicial to the interests of the Noteholders of any Class;

(b) waive or authorise, or direct the Security Trustee to waive or authorise, any actual or proposed breach by the Issuer of any Transaction Document, if in the Note Trustee's sole opinion, the interests of the Noteholders of each Class will not be materially prejudiced thereby; and

(c) determine that any Note Event of Default or Potential Note Event of Default shall not be treated as such, if in the Note Trustee's sole opinion, the interests of the Noteholders of each Class will not be materially prejudiced thereby,

provided always that the Note Trustee will not exercise any powers under paragraphs (a), (b) or (c) in contravention of any express direction given by an Extraordinary Resolution, or by a request in writing of the holders of more than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (but no such direction or request will affect any modification, waiver, authorisation or determination previously given or made).

The Note Trustee may also, without the consent of any of the Noteholders, give its consent or direct the Security Trustee to give its consent to any modification or to the execution of any new transaction document required in order to accommodate necessary changes to be made to the Liquidity Reserve Required Amount **provided that** the Issuer or the Trust Property Cash Manager certifies to the Note Trustee that such modification or execution is required in order to accommodate necessary changes to be made to the Liquidity Reserve Required Amount.

Any such modification, amendment, waiver, authorisation or determination will be binding on the Noteholders and if the Note Trustee so requires, shall be notified by the Issuer to the Noteholders and the Rating Agencies in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter.

Fees and expenses

The Issuer will reimburse the Note Trustee and the Security Trustee for all costs and expenses properly incurred in acting as, respectively, Note Trustee and Security Trustee. In addition, the Issuer shall pay to each of the Note Trustee and the Security Trustee a fee of such amount and on such dates as will be agreed from time to time by the Note Trustee and the Security Trustee, respectively, and the Issuer.

Retirement and removal

Each of the Note Trustee and the Security Trustee may retire after giving not less than 90 days' notice in writing to the Issuer. The Noteholders may by an Extraordinary Resolution of the Most Senior Class of Noteholders remove the Note Trustee or the Security Trustee.

The retirement or removal of any Note Trustee or Security Trustee shall not become effective unless there remains at least one trustee under the Trust Deed or the Deed of Charge, as the case may be, and the Issuer will covenant in each of the Trust Deed and the Deed of Charge to use its best endeavours to procure the appointment of a new Note Trustee or new Security Trustee, as the case may be, as soon as reasonably practicable after the resignation or removal of the existing Note Trustee or Security Trustee. If within 30 days of having given notice of its intention to retire, the Issuer has failed to appoint a replacement Note Trustee or Security Trustee, the outgoing Note Trustee or Security Trustee will be entitled to appoint a successor which shall be approved by an Extraordinary Resolution of the Most Senior Class of Noteholders. The Rating Agencies shall be notified of such appointment.

Governing Law

Each of the Trust Deed and the Deed of Charge and any non-contractual obligation arising in or out of or in relation to the Trust Deed and the Deed of Charge will be governed by English law, although terms thereof particular to Scottish law shall be construed in accordance with Scots law.

DESCRIPTION OF THE GLOBAL NOTES

General

The Notes of each Class that are initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S (the "**Regulation S Notes**") will be represented on issue by one or more global notes of such Class, in fully registered form without coupons or talons attached (each, a "**Regulation S Global Note**"), which will on the Closing Date (a) in respect of the Regulation S Global Notes representing the Class A Notes, be deposited with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") and registered in the name of a nominee of such Common Safekeeper (and held under the New Safekeeping Structure); or (b) in respect of the Regulation S Global Notes representing the Class M Notes and/or the Class Z Notes, a common depositary (the "**Common Depositary**") and registered in the name of a nominee of such Common Depositary.

The Notes of each Class that are initially offered and sold in reliance on Rule 144A to persons that are QIBs that are also QPs (the "**Rule 144A Notes**") will be represented on issue by one or more global notes of such Class, in fully registered form without coupons or talons (each, a "**Rule 144A Global Note**" and, together with the Regulation S Global Notes, the "**Global Notes**"), which will either (a) in respect of the Rule 144A Global Notes representing the Class A1 Notes (the "**US$ Rule 144A Global Note**"), be deposited with a custodian for The Depository Trust Company ("**DTC**"), and registered in the name of Cede & Co. as nominee for, DTC; (b) in respect of the Rule 144A Global Notes representing the Class A Notes (other than the Class A1 Notes), be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg, in each case, registered in the name of a nominee of such Common Safekeeper (and held under the New Safekeeping Structure); or (c) in respect of the Rule 144A Global Notes representing the Class M Notes and/or the Class Z Notes, be deposited with the Common Depositary on the Closing Date.

See "*Transfer Restrictions and Investor Representations*" for a discussion of the restrictions on transfer of the Notes.

Upon confirmation by the relevant Common Safekeeper and Common Depositary that it has custody of the Global Notes (excluding the US$ Rule 144A Global Note), Euroclear or Clearstream, Luxembourg, as the case may be, will record book-entry interests ("**Book-Entry Interests**") representing beneficial interests in the Notes attributable thereto.

Upon confirmation by DTC that its custodian has custody of the US$ Rule 144A Global Note, and upon acceptance of the DTC Letter of Representations sent by the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the US$ Rule 144A Global Note attributable thereto.

Temporary documents of title will not be issued for either the Regulation S Global Notes or the Rule 144A Global Notes.

Beneficial interests in Global Notes will be subject to certain restrictions on transfer set out in this Prospectus and such Global Notes will bear the applicable legends regarding such restrictions.

Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests in respect of the Notes are recorded in denominations of £100,000 or US$200,000, depending on the currency of denomination, and integral multiples of £1,000 or, as applicable, US$1,000 in excess thereof (the "**Authorised Denomination**"). Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg, as the case may be ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream, Luxembourg or DTC, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Joint Lead Managers and Virgin Money. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their Participants) and on the records of Participants or

Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as DTC or its nominee, the nominee of the Common Safekeeper or the nominee of the Common Depositary, as applicable, is the registered holder of the related Global Notes underlying the related Book-Entry Interests, DTC or its nominee, the nominee of the Common Safekeeper or the nominee of the Common Depositary, as applicable, will be considered the sole Noteholder of such Global Notes for all purposes under the Trust Deed. Except as set forth under "– *Issuance of Definitive Notes*" below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "– *Action in Respect of the Global Notes and the Book-Entry Interests*", below.

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

Unless and until Book Entry Interests in the Global Notes are exchanged for Definitive Notes, the Global Note registered in the name of a nominee of the relevant Common Safekeeper or Common Depositary (as applicable) may not be transferred except as a whole by that Common Safekeeper or Common Depositary (as applicable) to a successor of the Common Safekeeper or Common Depositary (as applicable).

Unless and until Book-Entry Interests are exchanged for Definitive Notes, the US$ Rule 144A Global Note held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Note will hold Book-Entry Interests in the Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Regulation S Global Note or a Rule 144A Global Note (excluding the US$ Rule 144A Global Note) directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each respective Global Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's, and Clearstream, Luxembourg's respective book-entry registration and transfer systems. Investors may hold their Book-Entry Interests in respect of the US$ Rule 144A Global Note directly through DTC if they are Participants in such system or indirectly through organisations which are Participants in such system. All Book-Entry Interests in the US$ Rule 144A Global Note will be subject to the procedures and requirements of DTC (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*" below).

Transfers between the Global Notes

The Global Notes bear a legend to the effect set forth in "*Transfer Restrictions and Investor Representations*." Book-Entry Interests in the Global Notes are subject to the restrictions on transfer discussed in "*Transfer Restrictions and Investor Representations*."

On or prior to a date that is 40 days after the later of the commencement of the offering and the issue of such Note (the "**Distribution Compliance Period**"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Transfer Agent a certificate to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A who is also a "qualified purchaser" as defined in Section 2(a)(51) of the United States Investment Company Act of 1940, in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions and Investor Representations*" and in accordance with all applicable securities laws of the United States and the states of the United States and other jurisdictions.

After the expiration of the Distribution Compliance Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements but such transfers will still continue to be subject to applicable transfer restrictions under all applicable securities laws of the United States and the states of the United States and other jurisdictions.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Issuance of Definitive Notes

Each Regulation S Global Note will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for definitive Notes in registered form (a "**Regulation S Definitive Note**") and each Rule 144A Global Note will be exchangeable, free of charge to the holder, on its Individual Exchange Date (as defined below), in whole but not in part, for definitive Notes in registered form (a "**Rule 144A Definitive Note**", and together with the Regulation S Definitive Note, the "**Definitive Notes**"), at the request of the holder of the relevant Global Note against presentation and surrender of such Global Note to the Principal Paying Agent if any of the following events (each, an "**Exchange Event**") occurs:

(a) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form;

(b) in the case of the Rule 144A Global Notes held on behalf of DTC, the Issuer has been notified that DTC or a successor depositary is no longer willing or able to discharge properly its responsibilities as depositary with respect to such Global Notes or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility or cessation on the part of such depositary; or

(c) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact cease business and no alternative clearing system satisfactory to the Note Trustee is then in existence.

"**Individual Exchange Date**" means a day falling not more than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of each of the Registrar and Principal Paying Agent is located.

Whenever a Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the holder) of such Definitive Notes, duly authenticated, in an aggregate principal amount equal to the principal amount of the relevant Global Note to the holder of such Global Note against the surrender of such Global Note at the Specified Office (as defined in the Conditions) of the Principal Paying Agent or Registrar (as applicable) within 30 days of the occurrence of the relevant Exchange Event.

Whenever a Rule 144A Global Note is to be exchanged for Rule 144A Definitive Notes or Rule 144A Definitive Notes that are "restricted securities" within the meaning of Rule 144 under the Securities Act are to be exchanged for beneficial interests in a Rule 144A Global Note, each person having an interest in the Rule 144A Global Note or holding Rule 144A Definitive Notes, as applicable, must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Rule 144A Global Note or Rule 144A Definitive Notes, as applicable, stating either (i) in the case of the Rule 144A Global Note only, that such holder is not transferring its interest at the time of such exchange or (ii) in the case of simultaneous sale pursuant to Rule 144A, that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB that is also a QP and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Definitive Notes issued in exchange for interests in the Rule 144A Global Notes will bear the legends and be subject to the transfer restrictions set out in the section entitled "*Transfer Restrictions and Investor Representations*".

If only one of the Global Notes becomes exchangeable for Definitive Notes in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Notes issued in exchange for beneficial interests in the exchanged Global Note and on the other hand, persons wishing to purchase beneficial interests in the other Global Notes.

Legends and Transfers

The holder of a Definitive Note may transfer the Notes represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the transfer restrictions set out in the section entitled "*Transfer Restrictions and Investor Representations"*.

Payments on Global Notes

All payments in respect of each Global Note will be made to the Principal Paying Agent for payment to Euroclear, Clearstream Luxembourg or DTC in respect of the relevant Global Note and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Each holder of Book Entry Interests must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to such clearings systems in respect of those Book Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, after receipt of any payment from the Principal Paying Agent to the clearing systems, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book Entry Interests as shown in the records of Euroclear, Clearstream, Luxembourg or DTC. The Issuer expects that payments by Participants to owners of interests in Book Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Joint Lead Managers, the Arrangers, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Information Regarding DTC

DTC has advised the Issuer as follows:

DTC is a limited-purpose trust company organised under the New York Banking Law, a banking organisation within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC. Indirect access to DTC is available to Indirect Participants, 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. The rules applicable to DTC and its Participants and Indirect Participants are on file with the U.S. Securities and Exchange Commission (the "**SEC**").

Redemption

If any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to Euroclear, Clearstream, Luxembourg or DTC and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Issuer for cancellation. The redemption price payable in connection with the redemption of Book Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Note (or portion thereof) relating thereto. For any redemptions of a Note in part, selection of the relevant Book Entry Interest relating thereto to be redeemed will be made by Euroclear, Clearstream, Luxembourg or DTC, as the case may be, on a *pro rata* basis (or on such basis as Euroclear, Clearstream, Luxembourg or DTC, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear, Clearstream, Luxembourg or DTC, as applicable, pursuant to customary procedures established by each respective system and its Participants.

Trading between Euroclear and/or Clearstream, Luxembourg participants

All transfers 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 and settled 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 and Sterling denominated bonds.

Trading between DTC participants

All transfers of Book-Entry Interests in the US$ Rule 144A Global Note 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, if payment is effected in US Dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in US 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 Class A1 Notes are to be transferred from the account of a DTC participant holding a beneficial interest in such Notes to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in such Notes (subject to the certification procedures provided in the Trust Deed and Paying Agent and Agent Bank Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Regulation S Global Note representing the Class A1 Notes will instruct the Registrar to (i) decrease the amount of such Notes registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) evidenced by the US$ Rule 144A Global Note and (ii) increase the amount of such Notes registered in the name of the nominee of the Common Safekeeper or Common Depositary (as applicable) for Euroclear and Clearstream, Luxembourg evidenced by the relevant Regulation S 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 Class A1 Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder holding a beneficial interest in such Notes to the account of a DTC participant wishing to purchase a beneficial interest in such Notes (subject to the certification procedures provided in the Trust Deed and Paying Agent and Agent Bank Agreement), the Euroclear or Clearstream, Luxembourg accountholder must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the Common Safekeeper or Common Depositary (as applicable) for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the Common Safekeeper or Common Depositary (as applicable) for Euroclear and Clearstream, Luxembourg 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 Class A1 Notes free of payment to the relevant account of the DTC participant; and (b) instruct the Registrar to (i) decrease the amount of such Notes registered in the name of the nominee of the Common Safekeeper or Common Depositary (as applicable) for Euroclear and

Clearstream, Luxembourg and evidenced by the relevant Regulation S Global Note and (ii) increase the amount of such Notes registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) and evidenced by the US$ Rule 144A Global Note.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream, Luxembourg, in order to facilitate the transfers of interests in the Notes among the participants of DTC, Euroclear and Clearstream, Luxembourg, none of DTC, Euroclear or Clearstream, Luxembourg, is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Joint Lead Managers, the Arrangers, the Note Trustee, the Security Trustee, the Principal Paying Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notice in respect of the Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Notes, the Issuer will deliver to DTC, Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date, DTC, Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of DTC, Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Notes in accordance with any instructions set forth in such request. DTC, Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled "- *General*" above, with respect to soliciting instructions from their respective Participants.

Notices

The Issuer will send to DTC, Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Notes or the Book-Entry Interests. In addition, if the Notes are no longer held in the clearing system notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the Financial Times) and so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange (see also Condition 14 (*Notice to Noteholders*) of the Notes).

Meetings of Noteholders

The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a meeting of Noteholders.

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 completion and amendment) in which they will be set out in the Trust Deed. A glossary of definitions appears in Condition 18 (Definitions) of these Conditions.*

The Notes, defined in Condition 18 (*Definitions*) below, of Gosforth Funding 2018-1 plc (the "**Issuer**") are constituted pursuant to a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated on 24 September 2018 (the "**Closing Date**") and made between the Issuer and Citicorp Trustee Company Limited (in such capacity, the "**Note Trustee**", which expression includes its successors or any further or other trustee under the Trust Deed) as trustee for the Noteholders.

The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (the "**Deed of Charge**", which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated on the Closing Date and made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited (in such capacity, the "**Security Trustee**", which expression includes its successors or any further or other trustee under the Deed of Charge).

Payment of principal and interest in respect of the Notes will be made in accordance with a paying agent and agent bank agreement dated on the Closing Date (the "**Paying Agent and Agent Bank Agreement**", which expression includes such paying agent and agent bank agreement as from time to time modified in accordance with the provisions therein and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) between the Issuer, the Note Trustee, Citibank, N.A., London Branch, as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include its permitted successors and assigns), as agent bank (in such capacity, the "**Agent Bank**", which expression will include its permitted successors and assigns), as transfer agent (in such capacity, the "**Transfer Agent**", which expression will include its permitted successors and assigns) and as registrar (in such capacity, the "**Registrar**", which expression will include its permitted successors and assigns). The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Paying Agent and Agent Bank Agreement.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge and the Paying Agent and Agent Bank Agreement.

Copies of the Transaction Documents are available for inspection at the head office for the time being of the Principal Paying Agent, being at the date hereof, Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LB. The Noteholders are bound by, and are deemed to have notice of, all the provisions of, and definitions contained or incorporated in, the Transaction Documents.

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 12 September 2018.

1. FORM, DENOMINATION AND TITLE

Each Class of Notes that is initially offered and sold in reliance on Regulation S (the "**Regulation S Notes**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") is represented on issue by one or more global notes of such Class, in fully registered form without coupons or talons attached (each, a "**Regulation S Global Note**"), which, (a) in respect of the Regulation S Global Notes representing the Class A Notes, will be deposited with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") and registered in the name of a nominee of such Common Safekeeper; and (b) in respect of the Regulation S Global Notes representing the Class M Notes and/or the Class Z Notes, will be deposited with a common depositary (the "**Common Depositary**") for Clearstream, Luxembourg and Euroclear and registered in the name of a nominee of such Common Depositary, in each case, on the Closing Date.

Each Class of Notes that is initially offered and sold in reliance on Rule 144A (the "**Rule 144A Notes**") under the Securities Act will be represented on issue by one or more global notes of such Class, in fully registered form without coupons or talons (each, a "**Rule 144A Global Note**" and, together with the

Regulation S Global Notes, the "**Global Notes**"), which will either (a) in respect of the Rule 144A Global Note representing the Class A1 Notes (the "**US$ Rule 144A Global Note**"), be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"); (b) in respect of a Rule 144A Global Note representing any other Class A Note (other than the Class A1 Notes), be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such Common Safekeeper; or (c) in respect of a Rule 144A Global Note representing the Class M Notes and/or Class Z Notes, be deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such Common Depositary, in each case, on the Closing Date.

The Notes are issued in registered form in the minimum denominations of (a) in the case of the Class A2 Notes, the Class A3 Notes, the Class M Notes and the Class Z Notes (the "**Sterling Notes**"), £100,000 and integral multiples of £1,000 in excess thereof; and (b) in the case of the Class A1 Notes (the "**US$ Notes**"), US$200,000 and integral multiples of US$1,000 in excess thereof (in each case, an "**Authorised Denomination**").

The registered holder of each Note (or, in the case of a joint holding, the first named thereof) shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (regardless of any notice of ownership, trust or any other interest therein, any writing on the Global Note or Definitive Note relating thereto, other than the endorsed form of transfer, or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such registered holder.

For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in such Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of, with respect to the US$ Rule 144A Global Note, DTC, or, with respect to the Regulation S Global Notes and the Rule 144A Global Notes (other than the US$ Rule 144A Global Note), Euroclear or Clearstream, Luxembourg.

For so long as the Notes are represented by a Global Note and DTC, Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable only in the applicable Authorised Denomination thereof.

Each Regulation S Global Note will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for definitive Notes in registered form (a "**Regulation S Definitive Note**") and each Rule 144A Global Note will be exchangeable, free of charge to the holder, on its Individual Exchange Date (as defined below), in whole but not in part, for definitive Notes in registered form (a "**Rule 144A Definitive Note**", and together with the Regulation S Definitive Note, the "**Definitive Notes**"), at the request of the holder of the relevant Global Note against presentation and surrender of such Global Note to the Principal Paying Agent if any of the following events (each, an "**Exchange Event**") occurs:

(a) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form;

(b) in the case of the US$ Rule 144A Global Note held on behalf of DTC, the Issuer has been notified that DTC or a successor depositary is no longer willing or able to discharge properly its responsibilities as depositary with respect to the US$ Rule 144A Global Note or ceases to be a "clearing agency" under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility or cessation on the part of such depositary; or

(c) in the case of the Global Notes held through Euroclear or Clearstream, Luxembourg, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is then in existence.

"**Individual Exchange Date**" means a day falling not more than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of each of the Registrar and Principal Paying Agent is located.

Definitive Notes of each Class will be issued in registered form in the applicable Authorised Denomination and will be serially numbered without coupons or talons attached. Title to the Definitive Notes and Coupons shall pass by registration.

A Note may be transferred upon surrender of the relevant Definitive Note, with the endorsed form of transfer 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) the 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 not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Definitive Note are the subject of the transfer, a new Definitive Note in respect of the balance of the Notes will be issued to the transferor.

Within five business days of the surrender of a Definitive Note in accordance with the above paragraph, the Registrar will register the transfer in question and deliver a new Definitive Note of a like principal amount to the Notes transferred to each 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 (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which banks are open for business in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

References to "**Notes**" in these Conditions shall include the Global Notes and the Definitive Notes.

2. STATUS, PRIORITY AND SECURITY

(A) Status

The Class A1 Notes, the Class A2 Notes and the Class A3 Notes are direct, secured and (subject as provided in Condition 5(C) (*Termination of the Original Currency Swap Agreement*)) unconditional obligations of the Issuer and the Class M Notes and the Class Z Notes are direct, secured and (subject as provided in Condition 4(I) (*Deferral of Interest*)) unconditional obligations of the Issuer. All of the Notes are secured by the same security. Payments on each Class of Notes will be made equally amongst all Notes of that Class.

(B) Priority

(i) Interest

The Issuer will in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Issuer Post-Acceleration Priority of Payments make payments of interest on the Class A Notes (to be applied *pro rata* and *pari passu* between the Class A1 Notes, the Class A2 Notes and the Class A3 Notes) ahead of payments of interest on the Class M Notes and the Class Z Notes and make payments of interest on the Class M Notes ahead of payments of interest on the Class Z Notes.

(ii) Principal

Prior to a Pass-Through Trigger Event, in accordance with the Issuer Pre-Acceleration Principal Priority of Payments, on each Payment Date:

(a) repayments of principal in respect of the Class A1 Notes will be made in an amount up to the Class A1 Target Amortisation Amount in accordance with item (ii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments;

(b) repayments of principal in respect of the Class A2 Notes will be made in an amount up to the Class A2 Target Amortisation Amount in accordance with item (iii)(a) of the Issuer Pre-Acceleration Principal Priority of Payments; and

(c) on each Payment Date following the Class A2 Redemption Date, repayments of principal in respect of the Class A3 Notes will be made from Available Principal Receipts in accordance with the Issuer Pre-Acceleration Principal Priority of Payments.

Following a Pass-Through Trigger Event, in accordance with the Issuer Pre-Acceleration Principal Priority of Payments, on each Payment Date repayments of principal on the Class A Notes shall be paid, *first*, to redeem the Class A1 Notes (to the extent that any principal remains outstanding on the Class A1 Notes following the Pass-Through Trigger Event) until the Class A1 Notes have been redeemed in full (subject to Condition 5(C) (*Termination of the Original Currency Swap Agreement*)), *second*, to redeem the Class A2 Notes until the Class A2 Notes have been redeemed in full, *third*, to redeem the Class A3 Notes until the Class A3 Notes have been redeemed in full, *fourth*, to redeem the Class M Notes until the Class M Notes have been redeemed in full, *fifth*, if any Principal Shortfall Amounts remain outstanding in respect of the US$ Notes following the Class A1 Sterling Equivalent Redemption Date, to redeem the US$ Notes until the US$ Notes are redeemed in full and *sixth*, to redeem the Class Z Notes.

(C) **Conflict Between the Classes of Notes**

The Trust Deed provides that, except where expressly provided otherwise, where the Note Trustee is required to have regard to the interests of the Noteholders, the Note Trustee shall have regard to the interests of all the Noteholders equally as a Class (subject to the carve out in the definition of "outstanding" for this purpose), **provided that** the Note Trustee shall have regard for so long as there are any Class A Notes outstanding (as that term is defined in the Trust Deed), only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class M Noteholders and/or the Class Z Noteholders and if there are no Class A Notes outstanding, the Note Trustee shall have regard for so long as there are any Class M Notes outstanding, only to the interests of the Class M Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class M Noteholders and the interests of the Class Z Noteholders.

The Trust Deed also provides that, in the case of a direction from the Class A Noteholders, other than in connection with a direction pursuant to Condition 9 (*Events of Default*) or Condition 10 (*Enforcement of Notes*) or a direction to the Note Trustee to waive or authorise any Note Event of Default or to determine that any Note Event of Default or Potential Note Event of Default shall not be treated as such, the Note Trustee shall take into account the interests of the holders of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes and any conflict between the Class A Noteholders as further described in Condition 11(A) (*Meetings of Noteholders*).

(D) **Security**

As security for, *inter alia*, the payment of all amounts payable in respect of the Notes, the Issuer has entered into the Deed of Charge and, in respect of Scottish Mortgages, the Scottish Supplemental Charge, creating, *inter alia*, the following security (the "**Issuer Security**") in favour of the Security Trustee for itself and on trust for the other Secured Creditors (as defined in Condition 18 (*Definitions*) below):

(i) a first fixed charge over the Issuer Share of the Trust Property, other than the Scottish Mortgages;

(ii) an assignation of security of the Issuer's beneficial interest as a Beneficiary under the Scottish Declaration of Trust to the extent (if any) not already secured pursuant to the charges described at paragraphs (i) above and (iii) below;

(iii) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit in and to the Transaction Documents to which the Issuer is a party (other than the Deed of Charge);

(iv) an assignment by way of first fixed security (which assignment may take effect as a floating charge) over the Issuer's rights, title, interest and benefit in the Issuer Transaction Accounts and each other account (if any) of the Issuer, and all amounts standing to the credit of those accounts (including all interest earned on such amounts); and

(v) a first floating charge over all the assets and undertaking of the Issuer which are not otherwise effectively subject to a fixed charge or assignment by way of security as described in the

preceding paragraphs but extending over all the assets and undertakings of the Issuer situated in, or otherwise governed by, Scots law.

3. COVENANTS

Save with the prior written consent of the Note Trustee and the Security 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:

(A) **Negative Pledge**

create or permit to subsist any mortgage, Standard Security, pledge, lien, charge, assignation 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;

(B) **Disposal of Assets**

sell, assign, transfer, convey, 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;

(C) **Equitable Interest**

permit any person other than itself and the Security Trustee (as to itself and on behalf of the other 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;

(D) **Bank Accounts**

have an interest in any bank account, other than the Issuer Accounts;

(E) **Restrictions on Activities**

carry on any business other than as described in the Prospectus dated 19 September 2018, and the related activities described therein or as contemplated in the Transaction Documents relating to the issue of the Notes;

(F) **Borrowings**

incur any indebtedness whatsoever other than under the Notes and other than under the Subordinated Loan Agreement or give any guarantee or indemnity in respect of any indebtedness or obligation of any person;

(G) **Merger**

consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;

(H) **Waiver or Consent**

permit the validity or effectiveness of any of the Trust Deed or the 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;

(I) **Employees or premises**

have any employees or premises or subsidiaries; and/or

(J) **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 Deed of Charge other than any dividend to be paid to Holdings to enable Holdings to repay the Holdings Loan.

4. INTEREST

(A) Period of Accrual

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of redemption in part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused or default is otherwise made in the payment thereof. In such event, interest will continue to accrue on such unpaid amount (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (either in accordance with Condition 14 (*Notice to Noteholders*) or individually) that such payment will be made, **provided that** payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of the Notes for any period (including any Interest Period), such interest shall be calculated (a) in respect of the Sterling Notes, on the basis of actual days elapsed in a 365 day year (or, if any portion of an Interest Period falls in a leap year, the sum of (i) the actual number of days in any portion of such period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of such period falling in a non-leap year divided by 365); and (b) in respect of the US$ Notes, on the basis of actual days lapsed in a 360 day year.

(B) Payment Dates and Interest Periods

Subject to Condition 4(I) (*Deferral of Interest*) in respect of the Class M Notes and the Class Z Notes, interest on the Notes is payable quarterly in arrear on the 25th day of February, May, August and November in each year (or, if such day is not a Business Day, the next succeeding Business Day) (each a "**Payment Date**"), the first Payment Date being the Payment Date falling in November 2018 in respect of the Interest Period commencing on the Closing Date.

(C) Rates of Interest

The rate of interest payable in respect of each Class of Notes (each, a "**Rate of Interest**" and together the "**Rates of Interest**") will be determined by the Agent Bank on the relevant Interest Determination Date in accordance with the provisions below. There will be no minimum or maximum Rate of Interest provided that, if a Rate of Interest for any Interest Period is determined to be less than zero, that Rate of Interest for such Interest Period shall be zero.

(I) *For the Sterling Notes (other than the Class Z Notes)*

The Rate of Interest applicable to each Class of Sterling Notes (other than the Class Z Notes) for each Interest Period shall be the aggregate of:

(a) the Relevant Margin; and

(b) GBP LIBOR ("**GBP LIBOR**"), determined by the Agent Bank as described below:

(i) the Agent Bank shall determine the rate for three month deposits in Sterling ("**3 month GBP LIBOR**") in the London interbank market displayed on the Reuters Screen page LIBOR01 as at or about 11.00 a.m. (London time) on the Sterling Interest Determination Date; or in the case of the first Interest Period only, the rate obtained by linear interpolation of the rate for 2 month and 3 month deposits in Sterling in the market; or

(ii) if such rate does not appear on that page, the Agent Bank will:

(A) request each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for 3 month GBP LIBOR of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the Sterling Interest Determination Date; and

(B) determine the arithmetic mean (rounded upwards, if necessary, to five decimal places) of such quotations; or

(iii) if such rate does not appear on that page and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (b) above on the basis of the offered quotations of those Reference Banks providing such quotations; or

(iv) if only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which sub-paragraph (b) shall have applied but taking account of any change in the Relevant Margin.

(II) ***For the US$ Notes***

The Rate of Interest applicable to the Class A1 Notes for each Interest Period shall be the aggregate of:

(a) the Relevant Margin; and

(b) US Dollar LIBOR, determined by the Agent Bank as described below:

(i) the Agent Bank shall determine the rate for three month deposits in US Dollars ("**3 month US$ LIBOR**") in the London interbank market displayed on the Reuters Screen page LIBOR01 as at or about 11.00 a.m. (London time) on the US$ Interest Determination Date; or in the case of the first Interest Period only, the rate obtained by linear interpolation of the rate for 2 month and 3 month deposits in US dollars in the market; or

(ii) if such rate does not appear on that page, the Agent Bank will:

(A) request each of the Reference Banks to provide the Agent Bank a quotation of the rate at which deposits in US dollars are offered by it at approximately 11.00 a.m. (London time) on the US$ Interest Determination Date to prime banks in the London interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded upwards, if necessary, to five decimal places) of such quotations; or

(iii) if such rate does not appear on that page and only two or three of the requested banks provide offered quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with the provisions of sub-paragraph (b) above on the basis of the offered quotations of those banks providing such quotations; or

(iv) if only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, US$ LIBOR with respect to such Interest Period will be the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by three major banks in New York, selected by the Agent Bank (in consultation

with the Issuer), at approximately 11:00 a.m. (New York time), on the first day of the relevant Interest Period for loans in US dollars to leading European banks for a term approximately equal to such Interest Period and an amount that is representative for a single transaction in the market at that time. If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which sub-paragraph (b) shall have applied but taking account of any change in the Relevant Margin.

For the purposes of these Conditions:

"**Reference Banks**" means, for the purposes of determining GBP LIBOR or US$ LIBOR, the principal London offices of four major banks in the London inter-bank market, as agreed between the Issuer (or the Issuer Cash Manager on its behalf) and the Mortgages Trustee (or the Trust Property Cash Manager on its behalf), from time to time.

"**Relevant Margin**" shall be:

(a) for the Class A1 Notes, 0.45 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 0.90 per cent. per annum;

(b) for the Class A2 Notes, 0.58 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 1.16 per cent. per annum;

(c) for the Class A3 Notes, 0.70 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 1.40 per cent. per annum; and

(d) for the Class M Notes, 1.20 per cent. per annum up to and excluding the relevant Step-Up-Date and thereafter 2.40 per cent. per annum.

(III) ***For the Class Z Notes***

The Rate of Interest applicable to the Class Z Notes for each Interest Period shall be at all times a fixed rate of 0.00 per cent. per annum.

(D) **Determination of Rates of Interest and Calculation of Interest Amounts**

(a) The Agent Bank shall, as soon as practicable on each Interest Determination Date, determine and notify the Issuer, the Issuer Cash Manager, the Note Trustee and the Paying Agents of (i) the Rates of Interest applicable to the Notes (other than the Class Z Notes) for the relevant Interest Period and (ii) (I) the Sterling amount (the "**Sterling Interest Amount**") payable in respect of each Interest Period in respect of interest on each Class of Sterling Notes; (II) the US Dollars amount (the "**US$ Interest Amount**" and, together with the Sterling Interest Amount, the "**Interest Amount**") payable in respect of each Interest Period in respect of interest on the Class A1 Notes.

(b) The Interest Amount in respect of each Class of Notes shall be determined by applying the relevant Rate of Interest to the Principal Amount Outstanding of the relevant Note of the relevant Class, multiplying the sum by the applicable day count fraction described in Condition 4(A) (*Period of Accrual*) and rounding the resultant figure to the nearest penny or cent, as applicable (half a penny or cent being rounded upwards).

(E) **Publication of Rates of Interest, Interest Amounts and other Notices**

As soon as possible after receiving each notification pursuant to Condition 4(D) (and in any event no later than the second Business Day thereafter), the Agent Bank will cause the Rate of Interest and the Interest Amount applicable to each Class of Notes for each Interest Period and the Payment Date falling at the end of such Interest Period to be notified to the Issuer, the Issuer Cash Manager, the Note Trustee, the Paying Agents and to each stock exchange, competent listing authority and/or quotation system (if any) on or by which the Notes are then listed, quoted and/or traded and will cause notice thereof to be given to the relevant Class of Noteholders in accordance with Condition 14 (*Notice to Noteholders*). The Interest

Amounts and Payment Dates so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

(F) **Determination and/or Calculation by Trustee**

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any Class of Notes in accordance with the foregoing paragraphs, the Note Trustee or an Appointee on its behalf may (i) determine the Rate of Interest at such rate as (having such regard as it shall think fit to the procedure described above) it may in its sole discretion deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount for such Class of Notes in the manner specified in paragraph (D) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(G) **Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Interest*) (in the absence of wilful default, bad faith or manifest error) shall be binding on the Issuer, the Issuer Cash Manager, the Agent Bank, the Note Trustee and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Agent Bank, the Note Trustee or the Issuer Cash Manager in connection with the exercise or non-exercise by them or any of them of their rights, powers, duties and discretions hereunder.

(H) **Agent Bank**

The initial Agent Bank is Citibank, N.A., acting through its principal London office. In the event of Citibank, N.A., London Branch being unwilling to act as the Agent Bank, or resigning pursuant to the Paying Agent and Agent Bank Agreement, the Issuer shall, with the approval of the Note Trustee, appoint a successor Agent Bank. The resignation of the Agent Bank will not take effect until a successor approved by the Note Trustee has been appointed.

(I) **Deferral of Interest**

Interest on the Class M Notes and/or the Class Z Notes shall be payable in accordance with this Condition 4 (*Interest*) unless, whilst there are Class A Notes outstanding, the aggregate funds (if any) calculated in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments as being available to the Issuer on any Payment Date for application in or towards the payment of interest which is, subject to this Condition 4(I) (*Deferral of Interest*), due on the Class M Notes and/or the Class Z Notes on such Payment Date (such aggregate available funds being referred to in this Condition 4(I) (*Deferral of Interest*) as the "**Class M Residual Amount**" or the "**Class Z Residual Amount**", as applicable) are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Condition 4(I) (*Deferral of Interest*), due on the Class M Notes and/or the Class Z Notes on such Payment Date, there shall be payable on such Payment Date, by way of interest on each Class M Note and/or Class Z Note, a *pro rata* share of the Class M Residual Amount or the Class Z Residual Amount, as applicable, or where the Class M Residual Amount or the Class Z Residual Amount, as applicable, is nil, nil.

If, by virtue of the provisions of this Condition 4(I) (*Deferral of Interest*), a *pro rata* share of either (i) the Class M Residual Amount or the Class Z Residual Amount or (ii) no amount is paid to the Class M Noteholders or the Class Z Noteholders, as applicable, in accordance with such provisions, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class M Notes and/or the Class Z Notes on any Payment Date in accordance with this Condition 4(I) (*Deferral of Interest*) falls short of the aggregate amount of interest which would have been payable on the Class M Notes and/or the Class Z Notes on that Payment Date pursuant to the other provisions of these Conditions but for this Condition 4(I) (*Deferral of Interest*). Such shortfall shall accrue interest at a rate for each Interest Period during which it is outstanding equal to the Rate of Interest for the Class M Notes or, as the case may be, the Class Z Notes applicable for such Interest Period. A *pro rata* share of such shortfall plus any interest accrued thereon shall be aggregated with the amount of, and treated for the purpose of this Condition as if it were, interest due (subject to the other provisions of this Condition 4(I) (*Deferral of Interest*)) on each Class M Note or, as the case may be, Class Z Note on the next succeeding Payment Date.

In the event of a delivery of a Class M Note Acceleration Notice and/or a Class Z Note Acceleration Notice (as described in Condition 9 (*Events of Default*)), all amounts of interest then due but not paid in respect of the Class M Notes and/or the Class Z Notes will themselves bear interest at the applicable rate of interest until both the unpaid interest and the interest on that interest are paid.

Any amount of interest in respect of the Class M Notes and/or the Class Z Notes otherwise payable under these Conditions (or which would have been payable but for an insufficiency of funds on any date), which is not paid by virtue of this Condition 4(I) (*Deferral of Interest*) together with accrued interest thereon shall become payable on the Final Redemption Date or on such earlier date as the Class M Notes and/or the Class Z Notes become immediately due and payable.

Payments of interest due on a Payment Date in respect of the Class A Notes will not be deferred. In the event of the delivery of a Class A Note Acceleration Notice (as described in Condition 9 (*Events of Default*)), the amount of interest that was due but not paid on such Payment Date will itself bear interest at the applicable Rate of Interest until both the unpaid interest and the interest on that interest are paid.

5. REDEMPTION AND CANCELLATION

(A) Final Redemption

Unless previously redeemed in full as provided in this Condition 5 (*Redemption and Cancellation*), the Issuer shall redeem each Class of Notes at its then Principal Amount Outstanding together with all accrued interest on the Final Redemption Date in respect of such Class of Notes.

The Issuer may not redeem the Notes in whole or in part prior to those respective dates except as provided in Condition 5(B) (*Mandatory Redemption of the Notes in Part*), 5(E) (*Optional Redemption in Full*) or 5(F) (*Optional Redemption for Tax and Other Reasons*) below, but without prejudice to Condition 9 (*Events of Default*).

(B) Mandatory Redemption of the Notes in Part

Prior to the delivery of a Note Acceleration Notice, on each Payment Date, other than a Payment Date on which the Notes are to be redeemed under Condition 5(A) (*Final Redemption*), 5(E) (*Optional Redemption in Full*) or 5(F) (*Optional Redemption for Tax and Other Reasons*), the Issuer shall repay principal in respect of the Notes on each Payment Date as follows:

(a) prior to the occurrence of a Pass-Through Trigger Event, the amount of Issuer Available Principal Receipts available on such Payment Date (in accordance with and subject to the Issuer Pre-Acceleration Principal Priority of Payments) shall be applied to repay principal in respect of the Class A Notes by reference to the Sterling Equivalent Principal Amount Outstanding of each such Class of Notes in an amount equal to, the lesser of:

(1) in the case of the Class A1 Notes and the Class A2 Notes, the amount required to reduce:

(aa) the Sterling Equivalent Principal Amount Outstanding of the Class A1 Notes to the amount set out under the heading "Target Sterling Equivalent Principal Amount Outstanding - Class A1 Notes" (the "**Class A1 Target Amortisation Amount**"); and

(bb) in respect of the Class A2 Notes, the Principal Amount Outstanding of the Class A2 Notes to the amount set out under the heading "Target Principal Amount Outstanding - Class A2 Notes" (the "**Class A2 Target Amortisation Amount**"),

in each case, alongside the relevant Payment Date in the table below; and

Payment Date falling in	Class A1 Target Principal Balance in US Dollars converted at the Original Exchange Rate	Target Sterling Equivalent Principal Amount Outstanding - Class A1 Notes	Target Principal Amount Outstanding - Class A2 Notes

Payment Date falling in	Class A1 Target Principal Balance in US Dollars converted at the Original Exchange Rate	Target Sterling Equivalent Principal Amount Outstanding - Class A1 Notes	Target Principal Amount Outstanding - Class A2 Notes
November 2018	542,305,198.17	413,862,859.67	402,795,711.72
February 2019	496,612,787.36	378,992,473.28	381,871,052.33
May 2019	452,518,866.03	345,341,981.94	361,678,414.91
August 2019	409,940,547.37	312,848,130.17	342,179,841.74
November 2019	368,853,475.68	281,492,330.81	323,364,179.25
February 2020	329,201,613.63	251,231,818.70	305,205,765.36
May 2020	291,005,713.42	222,082,430.97	287,714,103.45
August 2020	254,119,715.54	193,932,701.60	270,822,306.14
November 2020	218,490,617.29	166,742,181.32	254,506,101.07
February 2021	183,919,459.00	140,359,033.08	238,674,375.43
May 2021	150,384,126.74	114,766,380.54	223,317,002.24
August 2021	118,331,229.82	90,305,055.76	208,638,504.47
November 2021	87,321,990.73	66,640,203.56	194,437,945.68
February 2022	57,147,687.70	43,612,536.88	180,619,742.57
May 2022	28,053,349.98	21,409,051.00	167,296,105.32
August 2022	0.00	0.00	154,185,387.80
November 2022	0.00	0.00	121,234,848.31
February 2023	0.00	0.00	89,131,033.28
May 2023	0.00	0.00	58,112,579.72
August 2023	0.00	0.00	0.00

(2) the amount of such Issuer Available Principal Receipts;

in each case in accordance with the Issuer Pre-Acceleration Principal Priority of Payments, and,

(b) following the redemption in full of the Class A2 Notes, in the case of the Class A3 Notes, the amount of Issuer Available Principal Receipts available on such Payment Date (in accordance with and subject to the Issuer Pre-Acceleration Principal Priority of Payments) shall be applied to repay principal in respect of the Class A3 Notes;

(c) prior to the occurrence of a Pass-Through Trigger Event, there shall be no repayment of principal on the Class M Notes or the Class Z Notes; and

(d) following the occurrence of a Pass-Through Trigger Event, the amount of Issuer Available Principal Receipts available on such Payment Date in respect of each of the Class A1 Notes, the Class A2 Notes, the Class A3 Notes, the Class M Notes and the Class Z Notes in accordance with and subject to the relevant Priority of Payments in the manner described in and subject to the Deed of Charge.

(C) **Termination of the Original Currency Swap Agreement**

If the Original Currency Swap Agreement relating to the Class A1 Notes has been terminated, then, on each Payment Date prior to the delivery of a Note Acceleration Notice:

(a) if, on such Payment Date, the *pro rata* share of the Issuer Available Principal Receipts available under the Issuer Pre-Acceleration Principal Priority of Payments to repay principal of the Class A1 Notes in accordance with Condition 5(B) (*Mandatory Redemption of the Notes in Part*), following conversion into US Dollars at:

(i) if no replacement Currency Swap Agreement is in force, the Spot Rate (by the Issuer Cash Manager); or

(ii) if a replacement Currency Swap Agreement is in force, the Replacement Exchange Rate,

is **less than** the amount that would have been payable (in US Dollars) by the Original Currency Swap Provider in respect of principal if the Original Currency Swap Agreement had not been terminated, the shortfall amounts (such amounts being "**Principal Shortfall Amounts**") shall only be paid from any Principal Excess Amounts (as defined below);

(b) if, on such Payment Date, the *pro rata* share of the Issuer Available Principal Receipts available under the Issuer Pre-Acceleration Principal Priority of Payments to pay principal of the Class A1 Notes in accordance with Condition 5(B) (*Mandatory Redemption of the Notes in Part*), following conversion into US Dollars at:

(i) if no replacement Currency Swap Agreement is in force, the Spot Rate (by the Issuer Cash Manager); or

(ii) if a replacement Currency Swap Agreement is in force, the Replacement Exchange Rate,

is **greater than** the amount that would have been payable (in US Dollars) by the Original Currency Swap Provider in respect of principal if the Original Currency Swap Agreement had not been terminated, the excess amounts (such amounts being "**Principal Excess Amounts**") shall be used to pay any Principal Shortfall Amounts, with any excess being transferred to the Swap Excess Reserve Account for application (subject to the terms of the Transaction Documents) on subsequent Payment Dates to pay any future Principal Shortfall Amounts; and

(c) if that Payment Date falls on or following the Class A1 Sterling Equivalent Redemption Date:

(i) if the Class A1 Notes have not been redeemed in full, following application of any amounts held in the Swap Excess Reserve Account towards the redemption of the Class A1 Notes, any Principal Amount Outstanding of the Class A1 Notes shall only be paid subject to and in accordance with item (vi) of the Issuer Pre-Acceleration Principal Priority of Payments; or

(ii) if the Class A1 Notes have been redeemed in full, any amounts held in the Swap Excess Reserve Account shall be transferred to the Transaction Account (after conversion into Sterling by the Issuer Cash Manager at the applicable Spot Rate) and credited to the Issuer Revenue Ledger for application in accordance with the Issuer Pre-Acceleration Revenue Priority of Payments.

On or after the delivery of a Note Acceleration Notice, any amounts held in the Swap Excess Reserve Account shall be transferred to an Issuer Transaction Account (after conversion into Sterling by the Issuer Cash Manager at the applicable Spot Rate) and applied in accordance with the Issuer Post-Acceleration Priority of Payments.

(D) **Note Principal Payments, Principal Amount Outstanding and Pool Factor**

The principal amount redeemable (the "**Note Principal Payment**") in respect of each Note of a particular Class of Notes on any Payment Date under Condition 5(B) (*Mandatory Redemption of the Notes in Part*)

above shall be (i) in the case of any Sterling Note, the amount required as at that Payment Date to be applied in redemption of the Notes of that Class; and (ii) in the case of any US$ Note, the US Dollars amount to be received on that Payment Date by or on behalf of the Issuer (aa) if a Currency Swap Agreement is in force, from the Currency Swap Provider; or (bb) if no Currency Swap Agreement is in force, following conversion by the Issuer Cash Manager at the applicable Spot Rate, in each case, divided by the number of Notes of that Class in the relevant denomination then outstanding, **provided always that** no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On the day falling two Business Days prior to each Payment Date (the "**Payment Calculation Date**"), the Issuer shall determine (or cause the Issuer Cash Manager to determine) (i) the amount of any Note Principal Payment payable in respect of each Note of the relevant Class on the immediately following Payment Date, (ii) the Principal Amount Outstanding of each such Note, the Sterling Equivalent Principal Amount Outstanding of each US$ Note and (iii) 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 (ii) above) and the denominator is 100,000 (or, in the case of the US$ Notes, 200,000). Each determination by or on behalf of the Issuer of any Note Principal Payment of a Note, the Principal Amount Outstanding of a Note, the Sterling Equivalent Principal Amount Outstanding of each US$ 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.

With respect to the Notes of each Class, the Issuer will cause each determination of the Note Principal Payment, the Principal Amount Outstanding, the Sterling Equivalent Principal Amount Outstanding and the Pool Factor to be notified forthwith, and in any event not later than 3.00 p.m. (London time) on the Payment Calculation Date, to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the 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, the Principal Amount Outstanding, the Sterling Equivalent Principal Amount Outstanding and the Pool Factor to be given to Noteholders in accordance with Condition 14 (*Notice to Noteholders*) by no later than the Business Day prior to the relevant 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, as applicable, the Sterling Equivalent Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Note Principal Payment, Principal Amount Outstanding, the Sterling Equivalent Principal Amount Outstanding and Pool Factor may be determined by the Note Trustee or an agent on its behalf in accordance with this paragraph (D) 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 Issuer Cash Manager and the Noteholders.

(E) **Optional Redemption in Full**

(i) On any Payment Date on or following the relevant Step-Up Date for a Class of Notes (or, in the case of the Class Z Notes only, on any Payment Date on or following the Step-Up Dates for each other Class of Notes) and having given not more than 30 nor fewer than 5 days' prior written notice to the Note Trustee and the Noteholders of that relevant Class of Notes in accordance with Condition 14 (*Notice to Noteholders*) and to the Basis Rate Swap Provider and the Currency Swap Provider, the Issuer may redeem all (but not some only) of the Notes of that Class at their Principal Amount Outstanding together with any accrued interest, **provided that**, prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem that Class of Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with that Class of Notes outstanding in accordance with the Deed of Charge and the relevant Priority of Payments and **provided that** a Class of Notes may not be redeemed pursuant to this Condition unless all Classes of Notes more senior to such Class of Notes has been redeemed in full.

(ii) On any Payment Date on which the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes is (or will be) equal to or less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date and having given not more than 30 nor fewer than 5 days' prior notice to the Note Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) and to the Basis Rate Swap Provider and the Currency

Swap Provider, the Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with any accrued interest, **provided that**, prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Deed of Charge and the relevant Priority of Payments.

(F) **Optional Redemption for Tax and other Reasons**

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 Payment Date:

(i) either:

(a) by reason of a change in Tax law after the Closing Date, the Issuer would be required to deduct or withhold from any payment of principal or interest or any other amount under any of the Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; or

(b) by reason of a change in Tax law after the Closing Date, the Issuer would be required to deduct or withhold from any payment under the relevant Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; or

(c) by reason of a change in Tax law after the Closing Date, the Issuer would become subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period; and

(ii) such obligation of the Issuer cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may, having given not more than 90 nor fewer than 30 days' notice to the Note Trustee and the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) and to the Basis Rate Swap Provider and the Currency Swap Provider redeem all (but not some only) of the Notes on the immediately succeeding Payment Date at their aggregate Principal Amount Outstanding together with any interest accrued thereon **provided that** (in any case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (A) a certificate signed by two directors of the Issuer stating that the circumstances referred to in (a), (b) or (c) above prevail and setting out details of such circumstances and (B) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to make such deduction or withholding or has or will become subject to such additional amount of tax. 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 the Notes as aforesaid if 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 the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the relevant Priority of Payments and the Deed of Charge to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

(G) **Limited Recourse**

If at any time following:

(i) the occurrence of either:

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

(B) the service of an Enforcement Notice; and

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

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

For the purposes of this Condition 5(G), "**Realisation**" means, in relation to any Charged Property, the deriving, to the greatest extent practicable, in accordance with the provisions of the Transaction Documents, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

(H) **No purchase**

The Issuer may not purchase any Note of any Class.

(I) **Cancellation**

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

6. PAYMENTS

(A) **Global Notes**

Payments of principal and interest in respect of any Global Note will be made only against presentation (and, in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Global Note) surrender) of such Global Note at the Specified Office of the Principal Paying Agent. A record of each payment so made, distinguishing between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment will be endorsed on the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made.

Payments in respect of the Sterling Notes will be made in Sterling by Sterling cheque drawn on a bank in London at the Specified Office of the Principal Paying Agent or, at the option of the Noteholder, by transfer to a Sterling account maintained by the payee with a bank in London.

Payments in respect of the US$ Notes will be made in US dollars by US dollar cheque drawn on a bank in (a) in the case of a Regulation S Global Note, London; or (b) in the case of the US$ Rule 144A Global Note, New York City at the Specified Office of the Principal Paying Agent or, in either case, at the option of the Noteholder, by transfer to a US dollar account maintained by the payee with a bank in London (in the case of a Regulation S Global Note) or New York City (in the case of the US$ Rule 144A Global Note).

Each payment in respect of a Global Note will be made to the person shown as the holder in the Register at the close of business in the place of the Registrar's Specified Office on the Clearing System Business Day immediately prior to the due date for such payment (the "**Record Date**").

"**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

(B) **Definitive Notes**

Payments of principal and interest in respect of Definitive Notes will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Note, at the Specified Office of the Principal Paying Agent or, in respect of Definitive Notes previously represented by the US$ Rule 144A Global Note, a Paying Agent with a Specified Office in New York City and appointed by the Issuer for such purpose following an Exchange Event.

Each payment in respect of a Definitive Note will be made to the person shown as the holder in the Register at the close of business in the place of the Registrar's Specified Office fifteen days prior to the due date for such payment.

(C) **Laws and Regulations**

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

(D) **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 or default is otherwise made in the payment thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 4(A) (*Period of Accrual*) will be paid in accordance with this Condition 6 (*Payments*).

(E) **Change of Agents**

The initial Principal Paying Agent and its initial Specified Office are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Principal Paying Agent with a Specified Office in the United Kingdom. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their Specified Offices to be given in accordance with Condition 14 (*Notice to Noteholders*).

(F) **No payment on non-Business Day**

Where payment is to be made by transfer to an 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 (i) (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 (ii) (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 (a) the due date for a payment not being a Business Day or (b) a cheque mailed in accordance with this Condition 6(F) (*No Payment on non-Business Day*) arriving after the due date for payment or being lost in the mail.

(G) **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 (as defined in Condition 6(F) (*No Payment on non-Business Day*)) or by reason of non-compliance with Condition 6(A) (*Global Notes*) or Condition 6(B) (*Definitive Notes*)), 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 by the Issuer in accordance with Condition 14 (*Notice to Noteholders*).

7. PRESCRIPTION

Claims against the Issuer for payment of interest and principal on redemption shall be prescribed and become void if the relevant Global Note is not surrendered for payment 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 (*Prescription*) 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 of the relevant Class due on or before that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which the full amount of such monies having been so received or notice to that effect is duly given to Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

8. TAXATION

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.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. Neither the Issuer nor any Paying Agent will have any obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by any party on account of FATCA as a result of any person not receiving payments free of FATCA withholding.

"**FATCA**" means the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any inter-governmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the US Internal Revenue Service in connection with these provisions.

9. EVENTS OF DEFAULT

(A) Class A Noteholders

The Note Trustee in its absolute discretion may, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer and each Swap Provider of a Note Event of Default (as defined below) in respect of the Class A Notes (a "**Class A Note Acceleration Notice**"), and shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give such notice (1) if so directed in writing by the holders of more than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes then outstanding or (2) if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Class A Notes then outstanding, declaring (in writing) the Notes of each Class outstanding 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 (each a "**Note Event of Default**"):

(i) default being made for a period of seven Business Days in the payment of any amount of principal on the Class A Notes when and as the same ought to be paid in accordance with these Conditions or default being made for a period of 15 Business Days in the payment of any amount of interest on the Class A Notes when and as the same ought to be paid in accordance with these Conditions; or

(ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Class A Notes, the Trust Deed, the 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 30 days following the service by the Note Trustee on the Issuer of a notice in writing requiring the same to be remedied and the Note Trustee has confirmed that the failure to perform or observe is in its sole opinion materially prejudicial to the interests of the holders of the Class A Notes; or

(iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceases or threatens to cease to carry on its business or (in the sole opinion of the Note Trustee) 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 that section may be amended, modified or re-enacted) or becomes unable to pay its debts within the meaning of section 123(2) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted); or

(iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation, 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 then outstanding; or

(v) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an 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 (in the sole opinion of the Note Trustee) any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or (in the sole opinion of the Note Trustee) 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 (in the sole opinion of the Note Trustee) any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) 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.

For the purposes of this Condition 9(A) (*Class A Noteholders*), the Class A1 Notes, the Class A2 Notes and the Class A3 Notes shall be treated as a single class of Notes ranking equally.

(B) **Class M Noteholders**

This Condition 9(B) (*Class M Noteholders*) shall have no effect if, and for as long as, any Class A Notes are outstanding. Subject thereto, for so long as any Class M Notes are outstanding, the Note Trustee in its absolute discretion may, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, give written notice to the Issuer and each Swap Provider of a Note Event of Default (as defined below) in respect of the Class M Notes (a "**Class M Note Acceleration Notice**") and shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give such notice (1) if so directed in writing by the holders of more than 25 per cent. in aggregate Principal Amount Outstanding of the Class M Notes then outstanding or (2) if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Class M Notes then outstanding, declaring (in writing) the Notes of each Class outstanding 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 (each a "**Note Event of Default**"):

(i) default being made for a period of seven Business Days in the payment of any amount of principal on any Class M Note when and as the same ought to be paid in accordance with these Conditions or default being made for a period of 15 Business Days in the payment of any amount of interest on any Class M Note when and as the same ought to be paid in accordance with these Conditions; or

(ii) the occurrence of any of the events in Condition 9(A)(ii), (iii), (iv) or (v) above **provided that** the references in Condition 9(A)(ii) and Condition 9(A)(iv) to Class A Notes and Class A Noteholders shall be read as references to Class M Notes and Class M Noteholders, respectively.

(C) **Class Z Noteholders**

This Condition 9(C) (*Class Z Noteholders*) shall have no effect if, and for as long as, any Class A Notes or Class M Notes are outstanding. Subject thereto, for so long as any Class Z Notes are outstanding, the Note Trustee in its absolute discretion may, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, give written notice to the Issuer and each Swap Provider of a Note Event of Default (as defined below) in respect of the Class Z Notes (a "**Class Z Note Acceleration Notice**" and in these Conditions, a Class A Note Acceleration Notice, a Class M Note Acceleration Notice and a Class Z Note Acceleration Notice can each be referred to, as the context requires, as a "**Note Acceleration Notice**"), and shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give such notice (1) if so directed in writing by the holders of more than 25 per cent. in aggregate Principal Amount Outstanding of the Class Z Notes then outstanding or (2) if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Class Z Notes then outstanding,

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 (each a "**Note Event of Default**"):

(i) default being made for a period of seven Business Days in the payment of any amount of principal on any Class Z Note when and as the same ought to be paid in accordance with these Conditions or default being made for a period of 15 Business Days in the payment of any amount of interest on any Class Z Note when and as the same ought to be paid in accordance with these Conditions; or

(ii) the occurrence of any of the events in Condition 9(A)(ii), (iii), (iv) or (v) above **provided that** the references in Condition 9(A)(ii) and Condition 9(A)(iv) to Class A Notes and Class A Noteholders shall be read as references to Class Z Notes and Class Z Noteholders, respectively.

(D) **Following Service of a Note Acceleration Notice**

For the avoidance of doubt, upon any Note Acceleration Notice being given by the Note Trustee in accordance with Condition 9(A) (*Class A Noteholders*), Condition 9(B) *(Class M Noteholders*) or Condition 9(C) (*Class Z Noteholders*) above, all Classes of the Notes then outstanding shall immediately become due and repayable, without further action or formality, at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

No Noteholder may take any steps or proceedings or other action directly against the Issuer **provided that** if the Note Trustee has become bound to deliver a Note Acceleration Notice or to instruct the Security Trustee to give an Enforcement Notice to the Issuer and has failed to do so within 30 days of becoming so bound and such failure is continuing, the holders of more than 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class then outstanding may, as applicable, (a) deliver a Note Acceleration Notice to the Issuer and each Swap Provider in accordance with this Condition 9 (*Events of Default*) and/or (b) instruct the Security Trustee to give an Enforcement Notice to the Issuer in accordance with Condition 10 (*Enforcement of Notes*). For the purposes of this Condition 9(D), the Class A1 Notes, the Class A2 Notes and the Class A3 Notes shall be treated as a single class of Notes ranking equally.

10. ENFORCEMENT OF NOTES

(A) **Instruction to Enforce**

At any time after a Note Acceleration Notice has been given to the Issuer, the Note Trustee:

(i) may in its absolute discretion; and

(ii) shall if it has been directed to do so:

(A) in writing by the holders of more than 25 per cent. in aggregate of the Sterling Equivalent Principal Amount Outstanding of the Most Senior Class then outstanding; or

(B) by or pursuant to an Extraordinary Resolution passed at a meeting of the holders of the Most Senior Class then outstanding,

subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction in accordance with the Trust Deed, instruct the Security Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) to take enforcement steps in relation to the Issuer Security.

(B) **Enforcement Notice**

Under the terms of the Deed of Charge, if the Note Trustee provides the Security Trustee with a copy of a Note Acceleration Notice given to the Issuer or if the Noteholders give an instruction under Condition 9(D) (*Following Service of a Note Acceleration Notice*) and instruct it (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) to take enforcement steps in relation to the Issuer Security, the Security Trustee is required to give a notice (an "**Enforcement Notice**") to the Issuer declaring the whole of the Issuer Security to be enforceable.

Amounts available for distribution on enforcement of the Issuer Security shall be distributed in accordance with the terms of the Deed of Charge.

No Noteholder may take any steps or proceedings or other action directly against the Issuer or in respect of the Issuer Security **provided that** if the Security Trustee has become bound to deliver an Enforcement Notice to the Issuer and has failed to do so within 30 days of becoming so bound and such failure is continuing, the holders of more than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding (or, following redemption in full of the Class A Notes, the Class M Notes or, following redemption in full of the Class M Notes, the Class Z Notes) may, as applicable, (a) deliver an Enforcement Notice to the Issuer and each Basis Rate Swap Provider and Currency Swap Provider in accordance with this Condition 10 (*Enforcement of Notes*) and (b) to the extent legally possible, take enforcement steps in relation to the Issuer Security, **provided that** no Noteholder nor any party on its behalf shall initiate or join any person in initiating any Insolvency Proceeding in relation to the Issuer. For the purposes of this Condition 10(B) (*Enforcement Notice*), the Class A1 Notes, the Class A2 Notes and the Class A3 Notes shall be treated as a single class of Notes ranking equally.

11. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND WAIVER

(A) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of a Class or Classes of Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of the Notes of the relevant Class or Classes (including these Conditions) or the provisions of any of the Transaction Documents.

Subject as provided in the following paragraph, the quorum at any meeting of the Noteholders of any Class convened to consider an Extraordinary Resolution will be two or more persons (or if the Notes are in global form, one or more persons) holding or representing more than half of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes of that Class then outstanding or, at any adjourned meeting, two or more persons (or if the Notes are in global form, one or more persons) being or representing Noteholders of that Class then outstanding, whatever the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes then outstanding so held or represented.

The quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution to sanction any of the following matters, but excluding any modification or amendment made pursuant to Condition 11(E) (*Modifications and Determinations by Note Trustee*) (each a "**Basic Terms Modification**"), namely:

(i) any change in the amount payable or, where applicable, any modification of the method of calculating the amount payable or any modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal, premium or interest in respect of the Notes (other than any Base Rate Modification (as defined in Condition 11(F) (*Additional Right of Modification*));

(ii) any alteration in the priority in which payments are made to Noteholders pursuant to any Priority of Payment;

(iii) any alteration of the quorum or majority required to pass an Extraordinary Resolution; and

(iv) any alteration of this definition,

shall be two or more persons (or if the Notes are in global form one or more persons) holding or representing not less than three quarters or, at any adjourned and reconvened meeting, not less than one quarter of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes then outstanding of such Class.

A written resolution signed by or on behalf of the holders of not less than 90 per cent. of the Sterling Equivalent Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of such Class of Noteholders. Any resolution passed by way of Electronic Consents given by holders through the relevant Clearing System(s) in accordance with these Conditions and the Trust Deed shall also be binding on the relevant Noteholders.

The Trust Deed provides that, except in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice or to instruct the Security Trustee to give an Enforcement Notice or to take enforcement steps in relation to the Issuer Security, as to which the provisions of Condition 9 (*Events of Default*) or, as the case may be, Condition 10 (*Enforcement of Notes*) shall apply, and in relation to a direction to the Note Trustee to waive or authorise any Note Event of Default or not to treat as such any Note Event of Default or Potential Note Event of Default, as to which the provisions of the Trust Deed shall apply:

(i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the holders of one Class only of the Class A Notes shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class A Notes of that Class;

(ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the holders of more than one Class of the Class A Notes but does not give rise to a conflict of interest between the holders of any of the Classes of the Class A Notes so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Class A Notes of all the Classes so affected; and

(iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the holders of more than one Class of the Class A Notes and gives or may give rise to a conflict of interest between the holders of any of the Classes of Class A Notes so affected shall be deemed to have been duly passed only if passed at separate meeting of the holders of each Class of the Class A Notes so affected.

Sanction of a Basic Terms Modification requires an Extraordinary Resolution of each Class of Notes then outstanding.

The Trust Deed contains similar provisions in relation to directions in writing from Class A Noteholders upon which the Note Trustee is bound to act.

(B) **Class Z Noteholders**

No Extraordinary Resolution of the Class Z Noteholders shall take effect for any purpose while any Rated Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and 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 and the Class M Noteholders.

(C) **Class M Noteholders**

No Extraordinary Resolution of the Class M Noteholders shall take effect for any purpose while any Class A Notes remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution 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.

(D) **Class A Noteholders**

An Extraordinary Resolution (other than an Extraordinary Resolution in respect of a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class M Noteholders and the Class Z Noteholders irrespective of the effect upon them.

(E) **Modifications and Determinations by Note Trustee**

Without the consent of any of the Noteholders, the Note Trustee may:

(a) agree with the Issuer and/or any other person, or direct the Security Trustee to agree with the Issuer and/or any other person, in making any amendment or modification to the Conditions or the Transaction Documents:

(i) (including a Basic Terms Modification) which in the opinion of the Note Trustee is made to correct a manifest error or is of a formal, minor or technical nature; or

(ii) (other than a Basic Terms Modification) which is, in the opinion of the Note Trustee, not materially prejudicial to the interests of the Noteholders of any Class;

(b) waive or authorise, or direct the Security Trustee to waive or authorise, any actual or proposed breach by the Issuer of any Transaction Document, if in the Note Trustee's sole opinion, the interests of the Noteholders of each Class will not be materially prejudiced thereby; and

(c) determine that any Note Event of Default or Potential Note Event of Default shall not be treated as such, if in the Note Trustee's sole opinion, the interests of the Noteholders of each Class will not be materially prejudiced thereby,

provided always that the Note Trustee shall not exercise any powers under paragraph (a), (b) or (c) in contravention of any express direction given by an Extraordinary Resolution, or by a request in writing of the holders of more than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding, of the Most Senior Class then outstanding, but no such direction or request shall affect any modification, waiver, authorisation or determination previously given or made).

The Note Trustee may also, without the consent of any of the Noteholders, give its consent or direct the Security Trustee to give its consent to any modification or to the execution of any new transaction document required in order to accommodate necessary changes to be made to the Liquidity Reserve Required Amount **provided that** the Issuer or the Trust Property Cash Manager certifies to the Note Trustee that such modification or execution is required in order to accommodate necessary changes to be made to the Liquidity Reserve Required Amount.

Any such modification, amendment, waiver, consent or authorisation shall be binding on the Noteholders and, if the Note Trustee so requires, shall be notified by the Issuer to the Noteholders and the Rating Agencies in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter.

(F) **Additional Right of Modification**

(a) Notwithstanding the provisions of Condition 11(E) (*Modifications and Determinations by Note Trustee*), the Note Trustee shall be obliged, without any consent or sanction of the Noteholders, or (subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or which, as a result of the relevant amendment, would be further contractually subordinated to any Secured Creditor than would otherwise have been the case prior to such amendment) any of the other Secured Creditors, to concur with the Issuer 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 or enter into any new, supplemental or additional documents that the Issuer considers necessary:

(i) 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** in relation to any amendment under this Condition 11(F)(a)(i) (*Additional Right of Modification*):

(A) the Issuer or the Issuer Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee 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

(B) in the case of any modification to a Transaction Document proposed by any of the Seller, a Swap Provider, the Administrator and/or an Issuer Account Bank 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):

(I) the Seller, the relevant Swap Provider, the Administrator and/or the relevant Account Bank, as the case may be, certifies in writing to the Issuer and the Note Trustee that such modification is necessary for

the purposes described in paragraph (B)(x) and/or (y) above (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Note Trustee that it has received the same from the Seller, the relevant Swap Provider, the Administrator and/or the relevant Account Bank, as the case may be);

(II) either:

(aa) the Seller, the relevant Swap Provider, the Administrator and/or the relevant Account Bank, 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 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 the Class A Notes by such Rating Agency and would not result in any Rating Agency placing any Class A 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

(bb) the Issuer or the Issuer Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee that the Rating Agencies have been informed of the proposed modification and neither 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

(III) the Seller pays all fees, costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee or any other Transaction Party in connection with such modification;

(ii) for the purpose of enabling any Class of Notes to comply with the criteria set out in Article 13 (*Level 2B securitisations*) of the Commission Delegated Regulation (EU) 2015/61 supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions (as amended, replaced and/or supplemented from time to time and to the extent permitted by applicable law), **provided that** in relation to any amendment under this Condition 11(F)(a)(ii) (*Additional Right of Modification*) the Issuer or the Issuer Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee that such modification is required solely for such purpose and has been drafted solely for such purpose,

(the certificate to be provided by the Issuer Cash Manager on behalf of the Issuer, the Seller, the Swap Provider, the Administrator, the relevant Issuer Account Bank and/or the relevant Transaction Party, as the case may be, pursuant to paragraphs (i) or (ii) above being a "**Modification Certificate**"); and

(iii) for the purpose of changing the base rate (in respect of the Class A1 Notes) from 3 month US$ LIBOR and/or (in respect of the Class A2 Notes, the Class A3 Notes and the Class M Notes) from 3 month GBP LIBOR to an alternative base rate (any such rate, an "**Alternate Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**"), **provided that**, in relation to any amendment under this Condition 11(F)(a)(iii) (*Additional Right of Modification*):

(A) the Issuer Cash Manager, on behalf of the Issuer, certifies to the Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

(I) such Base Rate Modification is being undertaken due to:

(1) a material disruption to the London Inter-Bank Offered Rate ("**LIBOR**"), an adverse change in the methodology of calculating LIBOR or LIBOR ceasing to exist or be published;

(2) the insolvency or cessation of business of the LIBOR administrator (in circumstances where no successor LIBOR administrator has been appointed);

(3) a public statement by the LIBOR administrator that it will cease publishing LIBOR permanently or indefinitely (in circumstances where no successor LIBOR administrator has been appointed that will continue publication of LIBOR);

(4) a public statement by the supervisor of the LIBOR administrator that LIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;

(5) a public statement by the supervisor of the LIBOR administrator that means LIBOR may no longer be used or that its use is subject to restrictions or adverse consequences; or

(6) the reasonable expectation of the Issuer Cash Manager that any of the events specified in sub-paragraphs (1), (2), (3), (4) or (5) will occur or exist within six months of the proposed effective date of such Base Rate Modification; and

(II) such Alternative Base Rate is:

(1) a base rate published, endorsed, approved or recognised by the Federal Reserve or the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);

(2) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing);

(3) a base rate utilised in a material number of publicly listed new issues of Sterling-denominated and US$-denominated asset backed floating rate notes prior to the effective date of such Base Rate Modification;

(4) a base rate utilised in a publicly-listed new issue of Sterling-denominated and US$-denominated asset backed floating rate notes where the originator of the relevant assets is an affiliate of Virgin Money; or

(5) such other base rate as the Issuer Cash Manager reasonably determines, and

(B) either:

(I) the Issuer Cash Manager, on behalf of the Issuer, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Note Trustee 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 the Rated Notes by such Rating Agency and would not result in any Rating Agency placing any Rated 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

(II) the Issuer Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee that the Rating Agencies have been informed of the proposed modification and neither 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) the Seller pays all fees, costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee or any other Transaction Party in connection with such modification;

provided that:

A at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee;

B the Modification Certificate or Base Rate Modification Certificate (as applicable) in relation to such modification shall be provided to the Note Trustee (and in respect of paragraphs (i)(B)(I) and/or (i)(B)(II)(aa), to the Issuer) both at the time the Note Trustee is notified of the proposed modification and on the date that such modification takes effect;

C the consent of each Secured Creditor which is party to the relevant Transaction Document or whose ranking in any Priority of Payments is affected has been obtained; and

D the Issuer (or the Issuer Cash Manager on its behalf) certifies in writing to the Note Trustee (which certification may be in the Modification Certificate) that 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 by publication on Bloomberg on the "Company News" screen relating to the Notes, and Noteholders representing at least 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not contacted the Issuer or the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer or Principal Paying Agent that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Principal Paying Agent or the Issuer 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(A) (*Meetings of Noteholders*).

(b) Notwithstanding anything to the contrary in this Condition 11(F) (*Additional Right of Modification*) or any Transaction Document:

(i) when implementing any modification pursuant to this Condition 11(F) (*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 Secured Creditor or any other person and shall act and rely solely, and without further enquiry or Liability, on any certificate (including any Modification Certificates or Base Rate Modification Certificate (as applicable)) or evidence provided to it by the Issuer (or the Issuer Cash Manager on behalf of the Issuer) or the relevant Transaction Party, as the case may be, pursuant to this Condition 11(F) (*Additional Right of Modification*) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(ii) 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 (A) exposing the Note Trustee to any Liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (B) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee in the Transaction Documents and/or these Conditions.

(c) Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

(i) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;

(ii) the Secured Creditors; and

(iii) the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

(G) **Exercise of Note Trustee's Functions**

Where the Note Trustee is required, in connection with the exercise of its rights, powers, trusts, authorities, duties and discretions, 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, the Note Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(H) **New Secured Creditors**

Subject to the Issuer providing the certificate and obtaining the confirmations stipulated pursuant to, and referred to below and in, Clause 12.9 of the Deed of Charge, the prior consent of the Note Trustee, the Security Trustee, the Noteholders and the other Secured Creditors will not be required or obtained in relation to the accession of any New Secured Creditor pursuant to an Accession Undertaking in the Deed of Charge. Accordingly, each Secured Creditor (other than the Note Trustee and the Security Trustee) shall be deemed to have consented to the admission of any company as a New Secured Creditor without the necessity for any approval by means of an Extraordinary Resolution or otherwise of the Noteholders or for any other Secured Creditor who is party to any Transaction Document to concur in or consent to any deed admitting any New Secured Creditor. In addition, each other Secured Creditor is deemed to:

(a) subject to the Issuer securing the confirmations set out in the Trust Deed, consent to any consequential changes to the Priorities of Payments set out in the Issuer Cash Management Agreement and/or the Deed of Charge as are required and any other amendment to the Transaction Documents as may be required to give effect to the Accession Undertaking save to the extent that any such change or amendment results in an alteration to the ranking of any such Secured Creditor in which event such change or amendment shall not become effective without the prior written consent of such Secured Creditor; and

(b) agree that, upon the accession of any New Secured Creditor as provided above, any deed, agreement or other document to which such New Secured Creditor is a party shall be subject to the Security Interests set out in Clause 3 (*Issuer Security*) of the Deed of Charge.

The Note Trustee, without seeking any approval by means of an Extraordinary Resolution or otherwise of the Noteholders, shall be obliged to concur in and to effect any modifications to the Transaction Documents that are required to accommodate the accession of a New Secured Creditor, **provided that** (i) it receives a certificate from the Issuer confirming that such modifications are made only in order to accommodate such accession and the Note Trustee and Security Trustee shall not be required or entitled to look behind such certificate; and (ii) the modifications to the Transaction Documents would not have the effect of (a) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties (the entry into such new Transaction Document not being grounds which would constitute an increase in the obligations or duties of the Note Trustee and/or the Security Trustee, such determination being made based on the terms of that new Transaction Document), or decreasing the protections, of the Note Trustee and/or the Security Trustee under the Transaction Documents and/or the Conditions.

The Issuer shall, in order to provide the certificate under Clause 12.9(b) of the Deed of Charge to the Note Trustee and the Security Trustee, obtain the following confirmations: (i) the Basis Rate Swap Provider providing written confirmation to the Issuer consenting to such modification of those documents to which they are a party, to the Basis Rate Swap Agreements and to the Swap Collateral Account Bank Agreements (such consent to be given at the Basis Rate Swap Provider's sole discretion); (ii) the Currency Swap Provider providing written confirmation to the Issuer consenting to such modification of those documents to which they are a party, to the Currency Swap Agreement to which it is a party (such consent to be given at that Currency Swap Provider's sole discretion); and (iii) the Issuer Cash Manager or (following the date on which the Seller ceases to be the Issuer Cash Manager) any successor Issuer Cash Manager providing certification to the Issuer, in writing, that such modifications are required in order to accommodate the addition of a New Secured Creditor.

For the avoidance of doubt, should the proposed amendment under Clause 12.9 of the Deed of Charge involve an amendment to the Priorities of Payment (as referenced in Clause 12.9(a)(i) of the Deed of Charge), this would be a Basic Terms Modification which would require the Note Trustee to secure the Noteholders' consent, **provided that** any change or amendment resulting in any change in the number of entities ranking *pari passu* with any existing Secured Creditor would not be a Basic Terms Modification.

12. INDEMNIFICATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee and providing for their indemnification in certain circumstances, including, among others, provisions relieving them from taking enforcement proceedings or enforcing the Issuer Security unless indemnified and/or secured and/or prefunded to their satisfaction. The Note Trustee and the Security Trustee are also entitled to be paid their costs and expenses in priority to any interest payments to Noteholders.

The Note Trustee and the Security Trustee and their related companies are entitled to enter into business transactions with, and to act as trustee for, the Issuer, the Trust Property Cash Manager, the Seller, any 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 and/or the related companies of any of them without accounting for any profit resulting therefrom.

The Note Trustee and the Security Trustee are not responsible for any loss, expense or liability which may be suffered as a result of any asset 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 whether or not on behalf of the Note Trustee and the Security Trustee.

Furthermore, the Note Trustee and the Security Trustee will be relieved of liability for making searches or other enquiries in relation to the assets comprising the Issuer Security. The Note Trustee and the Security Trustee do not have any responsibility in relation to the legality and the enforceability of the trust arrangements and the related security. The Note Trustee and the Security Trustee will not be obliged to take any action which might result in their incurring personal liability. The Note Trustee and the Security Trustee are not obliged to monitor or investigate the performance of any other person under the Transaction Documents and are entitled to assume, until they have actual knowledge to the contrary, that all such persons are properly performing their duties, unless they receive express notice to the contrary.

The Note Trustee and the Security Trustee will not be responsible for any deficiency which may arise because they are liable to tax in respect of the proceeds of any Issuer Security.

Similar provisions in respect of the indemnification of the Note Trustee and the Security Trustee are set out in the Transaction Documents.

13. REPLACEMENT OF NOTES

If a Global Note or any Definitive Note is lost, stolen, mutilated, defaced or destroyed, the Noteholder can replace them at the Specified Office of any Paying Agent. The Noteholder will be required both to pay the expenses of producing a replacement and to comply with the Issuer's and the Paying Agent's reasonable requests for evidence and indemnity. The Noteholder must surrender any defaced or mutilated Global Note or, as the case may be, Definitive Note before replacements will be issued.

14. NOTICE TO NOTEHOLDERS

(A) Publication of Notice

For so long as any Global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, the Issuer shall deliver any notice to the Noteholders to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to Noteholders. If the Notes are no longer held in Euroclear and/or Clearstream, Luxembourg and/or DTC any notice to Noteholders shall be validly given if published in the Financial Times, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom and so long as the Notes are listed on a recognised stock exchange by delivery in accordance with the notice requirements of that exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC, as aforesaid shall be deemed to have been given on the day of such delivery.

(B) 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 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, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and **provided that** notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

15. SUBSTITUTION

The Note Trustee may, without the consent of the Noteholders, concur (subject to such amendment of the Trust Deed and the other Transaction Documents and other such conditions as the Note Trustee may require under Clause 16 (*Substitution*) of the Trust Deed) with the Issuer in substituting in place of the Issuer (or any previous substitute under this Condition 15 (*Substitution*)) a single purpose company incorporated in any jurisdiction that meets the criteria established from time to time by the Rating Agencies for a single purpose company in England and Wales (or such other jurisdiction in which the Issuer or any such single purpose company is incorporated and/or subject to taxation) as the principal

debtor in respect of the Transaction Documents (including the Notes) and the other secured obligations. In the case of such a substitution the Note Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed **provided that** such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders of any Class.

16. GOVERNING LAW AND JURISDICTION

The Transaction Documents and the Notes and any non-contractual obligation arising from or in connection with them, are governed by, and shall be construed in accordance with, English law other than certain provisions of the Transaction Documents particular to the law of Scotland (which are governed by, and shall be construed in accordance with, Scots law). 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/or the Transaction Documents (including disputes which may arise out of or in connection with any non-contractual obligation arising from or in connection with the Notes and/or the Transaction Documents) and the 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 capitalised terms used in these Conditions shall have the meanings ascribed to them or incorporated in the Trust Deed or the Master Definitions and Construction Schedule. In respect of any Transaction Document defined or described in these Conditions (including this Condition 18 (*Definitions*)), such definition shall encompass such Transaction Document as it may be amended, restated, varied or supplemented from time to time.

"**£**", "**GBP**" or "**Sterling**" means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"**3 month GBP LIBOR**" has the meaning given to it in Condition 4(C) (*Rate of Interest*);

"**3 month US$ LIBOR**" has the meaning given to it in Condition 4(C) (*Rate of Interest*);

"**Account Bank Agreements**" means each of the following account bank agreements:

(a) the First Account Bank Agreement; and

(b) the Second Account Bank Agreement;

"**Actual Class A Subordination Percentage**" means, on each Payment Calculation Date, the quotient of (a) the aggregate Principal Amount Outstanding of the Class M Notes and the Class Z Notes and (b) the aggregate of the GBP Equivalent of the Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class Z Notes, in each case, that will be outstanding on the immediately succeeding Payment Date following the application of any Issuer Available Principal Receipts in or towards the redemption of such Notes (as calculated by the Issuer Cash Manager).

"**Administration Agreement**" means the administration agreement entered into on or about the Closing Date, between the Mortgages Trustee, the Seller, the Issuer, the Security Trustee, the Administrator and the Back-Up Administrator Facilitator;

"**Agent**" means, as the context may require, each Paying Agent, the Registrar, the Agent Bank and the Transfer Agent;

"**Appointee**" means any attorney, manager, agent, delegate, nominee, receiver, custodian, co-trustee or other person appointed by the Note Trustee under the Trust Deed or by the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions;

"**Bank of England Base Rate**" means the base rate of the Bank of England for the time being as displayed on www.bankofengland.co.uk;

"**Basis Rate Swap Agreements**" means the ISDA master agreements, schedules, credit support annex (in the case of the Fixed Rate Mortgage Loans and the Tracker Rate Mortgage Loans) and confirmations thereto to be entered into on or about the Closing Date, as amended from time to time, between the Basis Rate Swap Provider and the Issuer;

"**Basis Rate Swap Provider**" means Virgin Money;

"**Beneficiaries**" means the Seller or the Issuer as beneficiaries of the Mortgages Trust;

"**Beneficiaries Deed**" means the beneficiaries deed entered into on or about the Closing Date, between the Issuer and the Seller;

"**Borrower**" or "**Borrowers**"" means, in relation to each Mortgage Loan, the individuals who are named and defined as borrower under that Mortgage Loan or such other person or persons (other than a guarantor) who shall become legally obligated to comply with such borrower's obligations under the related Mortgage Loan;

"**Business Day**" means:

(a) when used with respect to the definition of Payment Calculation Date, Payment Date, US$ Interest Determination Date or in the Conditions (excluding Condition 18 (*Definitions*) except as provided in this paragraph (a)), a day (other than a Saturday or Sunday) in respect of on which banks are generally open for business in London and New York and, for the purpose of Condition 6(F) (*No Payment on non-Business Day*), in the case of surrender (or, in the case of part payment only, endorsement) of the Global Note or Definitive Note, any day on which banks are open for business in the place in which such Global Note or Definitive Note is surrendered (or, as the case may be, endorsed); and

(b) when used in any other context, a day (other than a Saturday or Sunday) in respect of on which banks are generally open for business in London;

"**Charged Property**" means all the property of the Issuer which is subject to the Issuer Security;

"**Class**" shall be a reference to a Class of the Notes being the Class A Notes, the Class M Notes and the Class Z Notes, or any sub-Class of the Class A Notes, as the context may require;

"**Class A Noteholders**" means the holders of the Class A Notes;

"**Class A Notes**" means, as the context may require, any or all of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes;

"**Class A1 Noteholders**" means the holders of the Class A1 Notes;

"**Class A1 Notes**" means the Issuer's US$557,895,000 Mortgage Backed Floating Rate Notes due 2060;

"**Class A1 Sterling Equivalent Redemption Date**" means the Payment Date on which the Sterling Equivalent Principal Amount Outstanding of the Class A1 Notes equals zero;

"**Class A2 Noteholders**" means the holders of the Class A2 Notes;

"**Class A2 Notes**" means the Issuer's £409,935,000 Mortgage Backed Floating Rate Notes due 2060;

"**Class A3 Noteholders**" means the holders of the Class A3 Notes;

"**Class A3 Notes**" means the Issuer's £441,684,000 Mortgage Backed Floating Rate Notes due 2060;

"**Class M Noteholders**" means the holders of the Class M Notes;

"**Class M Notes**" means the Issuer's £49,956,000 Mortgage Backed Floating Rate Notes due 2060;

"**Class Z Noteholders**" means the holders of the Class Z Notes;

"**Class Z Notes**" means the Issuer's £99,911,000 Mortgage Backed Fixed Rate Notes due 2060;

"**Clearing Systems**" means Clearstream, Luxembourg, Euroclear and DTC;

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*;

"**Closing Date**" means 24 September 2018;

"**Collection Account**" means the collection account in the name of the Seller held with the Collection Bank;

"**Collection Account Declaration of Trust**" means the deed entered into on or about the Closing Date, between, *inter alios*, the Mortgages Trustee, the Seller and the Collection Bank whereby the Seller declared a trust over its interest in the Collection Account in favour of the Mortgages Trustee and itself;

"**Collection Bank**" means Virgin Money;

"**Common Depositary**" means a common depositary for Euroclear and Clearstream, Luxembourg;

"**Common Safekeeper**" means a common safekeeper for Euroclear and Clearstream, Luxembourg;

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about the Closing Date, as amended from time to time, between, *inter alios*, the Corporate Services Provider, the Issuer, the Mortgages Trustee and Holdings;

"**Corporate Services Provider**" means Law Debenture Corporate Services Limited;

"**Currency Swap Agreement**" means the Original Currency Swap Agreement and any replacement currency swap agreement entered into by the Issuer and a Currency Swap Provider to hedge the currency exposures on the US$ Notes;

"**Currency Swap Provider**" means the Original Currency Swap Provider and any replacement currency swap provider that enters into a replacement Currency Swap Agreement;

"**Deed of Charge**" means the deed of charge dated on or about the Closing Date between, *inter alios*, the Issuer and the Security Trustee;

"**Deemed Principal Amount Outstanding**" means, on any day, in respect of any US$ Note, the Sterling equivalent (calculated by the Issuer Cash Manager using the Original Exchange Rate and rounded to the nearest whole penny) of an amount equal to:

(a) the Principal Amount Outstanding of that US$ Note on the Closing Date;

less

(b) the aggregate of all Note Principal Payments that would have been paid in respect of that US$ Note in accordance with Condition 5(B) (*Mandatory Redemption in Part*) up to (and including) that day if the Original Currency Swap Agreement had still been in force, provided that for the purposes of calculating the Class A1 Target Amortisation Amount in relation to a Payment Date only, the amount of any Note Principal Payment which would have been paid on the US$ Note on such Payment Date in accordance with Condition 5(B) (*Mandatory Redemption in Part*) will not be taken into account;

"**Distribution Date**" means the seventh Business Day of each month;

"**DTC**" means The Depository Trust Company;

"**Electronic Consent**" means consent given by way of electronic consents communicated through the electronic communications system of the relevant Clearing System(s) to the Principal Paying Agent or another specified agent and/or the Note Trustee in accordance with the operating rules and procedures of the relevant Clearing System(s);

"**English Mortgage**" means a mortgage secured by way of first priority legal charge over a Mortgaged Property located in England or Wales;

"**English Mortgage Loan**" means a Mortgage Loan, secured by an English Mortgage;

"**Euroclear**" means Euroclear Bank S.A./N.V.;

"**Extraordinary Resolution**" has the meaning given to it in Schedule 4 (*Provisions for Meetings of Noteholders*) of the Trust Deed;

"**Final Redemption Date**" means, in respect of each Class of Notes, the Payment Date falling in August 2060;

"**First Account Bank Agreement**" means the account bank agreement entered into on or about the Closing Date between the First Issuer Account Bank, the First Mortgages Trustee Account Bank, the Issuer, the Mortgages Trustee, the Issuer Cash Manager, the Trust Property Cash Manager and the Security Trustee;

"**Fitch**" means Fitch Ratings Limited;

"**Global Notes**" means the Regulation S Global Notes and the Rule 144A Global Notes;

"**Holdings Loan**" means the £12,501.75 loan agreement dated 7 August 2018 made between Holdings and Law Debenture Trustees Limited;

"**Insolvency Proceedings**" means, in respect of a company, the winding-up, liquidation, dissolution or administration of such company or any equivalent or analogous proceedings under the law of the jurisdiction in which such company carries on business including but not limited to the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, protection or relief of debtors by presentation of a petition or the filing of documents with the court or otherwise;

"**Interest Amount**" has the meaning given to it in Condition 4(D) (*Determination of Rates of Interest and Calculation of Interest Amounts)*;

"**Interest Determination Date**" means, as the context requires, the US$ Interest Determination Date and the Sterling Interest Determination Date;

"**Interest Period**" means the period from (and including) a Payment Date (or in respect of the first Interest Period, the Closing Date) to (but excluding) the next following Payment Date;

"**Investor's Currency**" means the currency or currency unit of an investor's financial activities;

"**Issuer Account Banks**" means each of Citibank, N.A., London Branch (the "**First Issuer Account Bank**") and Elavon Financial Services DAC, UK Branch (the "**Second Issuer Account Bank**");

"**Issuer Accounting Period**" means an accounting period of the Issuer for the purposes of United Kingdom corporation tax as defined in Chapter 2, Part 2 of the Corporation Tax Act 2009;

"**Issuer Accounts**" means the Issuer Transaction Accounts, the Issuer Swap Collateral Accounts and also includes any additional or replacement bank account opened in the name of the Issuer from time to time with the prior written consent of the Security Trustee;

"**Issuer Available Principal Receipts**" for the Issuer in respect of any Payment Date will be calculated by the Issuer Cash Manager on the Payment Calculation Date immediately preceding that Payment Date and will be an amount equal to:

(a) the Mortgages Trustee Available Principal Receipts paid by the Mortgages Trustee to the Issuer during the period from (but excluding) the immediately preceding Payment Date to (and including) that Payment Date; *plus*

(b) any amounts already standing to the credit of the Issuer Principal Ledger; *less*

(c) the amount of any Issuer Principal Receipts Reduction; *plus*

(d) any VM Issuer Account Recovered Amount, to the extent that such amount is applied to reduce any Issuer Principal Receipts Reduction; *plus*

(e) all Issuer Available Revenue Receipts which are to be applied on that Payment Date to credit any Principal Deficiency Ledger for any Class of Notes issued by the Issuer.

"**Issuer Available Revenue Receipts**" for the Issuer in respect of any Payment Date will be calculated by the Issuer Cash Manager on the Payment Calculation Date immediately preceding that Payment Date and will be an amount equal to (without double counting):

(a) all amounts received by the Issuer in accordance with the Mortgages Trustee Revenue Priority of Payments, in each case during the period from (but excluding) the immediately preceding Payment Date to (and including) that Payment Date; *plus*

(b) amounts to be received by the Issuer under the Basis Rate Swap Agreements from (but excluding) the immediately preceding Payment Date to (and including) the relevant Payment Date (other than (i) swap collateral standing to the credit of or to be credited to the Issuer Swap Collateral Account; (ii) any early termination amount received by the Issuer under a Basis Rate Swap Agreement to the extent used to purchase any replacement basis rate swap on or prior to the Payment Date following the Payment Date immediately following the termination of such Basis Rate Swap Agreement; and (iii) any amount received by the Issuer by way of any premium paid by any replacement basis rate swap provider which shall be applied to pay any termination payment under such basis rate swap being replaced); *plus*

(c) interest payable to the Issuer on the Issuer Transaction Accounts and the VM Issuer Account and income received from any Permitted Investments which has been or will be received on or before the relevant Payment Date; *plus*

(d) amounts standing to the credit of the Liquidity Reserve Fund (including the proceeds of any Further Subordinated Loan) (except that such amounts shall not be used to pay item (viii) of the Issuer Pre-Acceleration Revenue Priority of Payments); *less*

(e) the amount of any Issuer Revenue Receipts Reduction; *plus*

(f) any VM Issuer Account Recovered Amount, to the extent that such amount is applied to reduce any Issuer Revenue Receipts Reduction; *plus*

(g) the amount of Issuer Available Principal Receipts (if any) which are to be applied on the relevant Payment Date to pay items (i) to (vii) and item (ix) of the Issuer Pre-Acceleration Revenue Priority of Payments;

"**Issuer Cash Management Agreement**" means the cash management agreement dated on or about the Closing Date, as amended from time to time, between the Issuer Cash Manager, the Issuer and the Security Trustee;

"**Issuer Cash Management Services**" means the cash management services provided by the Issuer Cash Manager to the Issuer pursuant to the terms of the Issuer Cash Management Agreement;

"**Issuer Cash Manager**" means Virgin Money or such other person or persons for the time being acting under the Issuer Cash Management Agreement as agent for the Issuer for the purposes of, *inter alia*, managing all cash transactions on behalf of the Issuer;

"**Issuer Cash Swap Collateral Account**" means the account opened in the name of the Issuer at the Issuer Cash Swap Collateral Account Bank for the purposes of holding cash collateral posted in connection with the Swap Agreements;

"**Issuer Cash Swap Collateral Account Bank**" means Elavon Financial Services DAC, UK Branch;

"**Issuer Post-Acceleration Priority of Payments**" means the order of priority of payments set out in the Deed of Charge following the service of a Note Acceleration Notice;

"**Issuer Pre-Acceleration Principal Priority of Payments**" means the order of priority of payments set out in the Deed of Charge pursuant to which, prior to the service of a Note Acceleration Notice, the Issuer, or the Issuer Cash Manager on its behalf, will apply any Issuer Available Principal Receipts on each Payment Date;

"**Issuer Pre-Acceleration Priority of Payments**" means the Issuer Pre-Acceleration Revenue Priority of Payments and/or the Issuer Pre-Acceleration Principal Priority of Payments, as the context may require;

"**Issuer Pre-Acceleration Revenue Priority of Payments**" means the order of priority of payments set out in the Deed of Charge pursuant to which, prior to the service of a Note Acceleration Notice, on (a) each Payment Date or (b) in certain circumstances, the date when due, the Issuer Cash Manager will apply Issuer Available Revenue Receipts;

"**Issuer Principal Receipts Reduction**" means, following a VM Issuer Account Loss, the amount applied to reduce Issuer Available Principal Receipts in accordance with the provisions of the Issuer Cash Management Agreement;

"**Issuer Profit Amount**" means the amount as referred to in item (xii) of the Issuer Pre-Acceleration Revenue Priority of Payments and item (xiii) of the Issuer Post-Acceleration Priority of Payments;

"**Issuer Revenue Receipts Reduction**" means, following a VM Issuer Account Loss, the amount applied to reduce Issuer Available Revenue Receipts in accordance with the provisions of the Issuer Cash Management Agreement;

"**Issuer Securities Swap Collateral Account**" means the custody account opened in the name of the Issuer at the Issuer Securities Swap Collateral Account Bank for the purposes of holding securities posted as collateral in connection with the Swap Agreements;

"**Issuer Securities Swap Collateral Account Bank**" means Elavon Financial Services DAC, UK Branch;

"**Issuer Swap Collateral Accounts**" means each Issuer Cash Swap Collateral Account and each Issuer Securities Swap Collateral Account;

"**Issuer Transaction Accounts**" means the two accounts in the name of the Issuer held at the Issuer Account Banks;

"**Liquidity Reserve Fund**" means the liquidity reserve fund established in the name of the Issuer on the Closing Date in an initial amount of £26,546,706;

"**London Stock Exchange**" means London Stock Exchange plc;

"**Master Definitions and Construction Schedule**" means the master definitions and construction schedule relating to the Transaction Documents dated on or about the Closing Date, as the same may be amended, restated and supplemented from time to time;

"**Minimum Class A Subordination Percentage**" means 10.5 per cent;

"**Moody's**" means Moody's Investors Service Limited;

"**Mortgage**" means for any Mortgage Loan, the first priority legal charge over a freehold or leasehold Mortgaged Property located in England and Wales or the first ranking Standard Security over a heritable or long leasehold Mortgaged Property located in Scotland;

"**Mortgage Loan**" means any mortgage loan which is sold and assigned by the Seller to the Mortgages Trustee from time to time under the terms of the Mortgage Sale Agreement and referred by its mortgage 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 Mortgage Loan under the relevant mortgage 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;

"**Mortgaged Properties**" means the residential properties which are security for the Mortgage Loans and "**Mortgaged Property**" means any one of them;

"**Mortgage Sale Agreement**" means the mortgage sale agreement entered into on or about the Closing Date between the Seller, the Mortgages Trustee, the Trust Property Cash Manager, the Security Trustee and the Issuer;

"**Mortgages Trust**" means the trust of the trust property held by the Mortgages Trustee under the Mortgages Trust Deed;

"**Mortgages Trustee**" means Gosforth Mortgages Trustee 2018-1 Limited;

"**Mortgages Trustee Account Banks**" means each of Citibank, N.A., London Branch (the "**First Mortgages Trustee Account Bank**") and Elavon Financial Services DAC, UK Branch (the "**Second Mortgages Trustee Account Bank**");

"**Mortgages Trustee Available Principal Receipts**" in relation to any Trust Calculation Date, means Principal Receipts received during the previous Trust Calculation Period:

(a) *less* the amount of any Mortgages Trustee Principal Receipts Reduction, and

(b) *plus*

(i) any VM Mortgages Trustee Account Recovered Amount, to the extent that such amount is applied to reduce the Mortgages Trustee Principal Receipts Reduction; and

(ii) any cash amounts standing to the credit of the Trust Replenishment Ledger at the relevant Trust Calculation Date;

"**Mortgages Trustee Available Revenue Receipts**" will be calculated by the Trust Property Cash Manager on each Trust Calculation Date and will be an amount equal to the sum of (in each case in the immediately preceding Trust Calculation Period):

(a) Revenue Receipts on the Mortgage Loans received during the immediately preceding Trust Calculation Period;

(i) *less* the amount of any Mortgages Trustee Revenue Receipts Reduction, and

(ii) *plus* any VM Mortgages Trustee Account Recovered Amount, to the extent that such amount is applied to reduce the Mortgages Trustee Revenue Receipts Reduction; and

(b) interest payable to the Mortgages Trustee on the Mortgages Trustee Transaction Accounts and the VM Mortgages Trustee Account, and income received from any Permitted Investments which has been received prior to the relevant Distribution Date; and

(c) payments made by the Seller to the Mortgages Trustee to fund any Non-Cash Borrow-back as a result of payment holidays with respect to any Mortgage Loan in the Mortgage Portfolio during the immediately preceding Trust Calculation Period;

"**Mortgages Trustee Principal Receipts Reduction**" means, following a VM Mortgages Trustee Account Loss, the amount applied to reduce Mortgages Trustee Available Principal Receipts in accordance with the provisions of the Mortgages Trust Deed;

"**Mortgages Trustee Revenue Receipts Reduction**" means, following a VM Mortgages Trustee Account Loss, the amount applied to reduce Mortgages Trustee Available Revenue Receipts in accordance with the provisions of the Mortgages Trust Deed;

"**Most Senior Class**" means:

(a) the Class A Notes; or

(b) if no Class A Notes are then outstanding, the Class M Notes; or

(c) if no Class A Notes or Class M Notes are then outstanding, the Class Z Notes;

"**New Mortgage Loans**" means additional Mortgage Loans sold by the Seller to the Mortgages Trustee and transferred on a Transfer Date;

"**Northern Rock plc**" means the new savings and mortgage bank which was created upon the completion of the legal and capital restructure of NR plc on 1 January 2010, and subsequently sold to Virgin Money in 2012;

"**Noteholders**" means the Class A Noteholders, the Class M Noteholders and the Class Z Noteholders;

"**Notes**" means, as the context may require, any or all of the Class A Notes, the Class M Notes and the Class Z Notes;

"**NR plc**" means the original Northern Rock plc which was nationalised by the UK Government in February 2008;

"**Original Currency Swap Agreement**" means, in relation to the US$ Notes, the ISDA master agreement, schedule, credit support annex and confirmations thereto relating to the US$ Notes to be entered into on or about the Closing Date, as amended from time to time, between the Original Currency Swap Provider and the Issuer;

"**Original Currency Swap Provider**" means Lloyds Bank Corporate Markets plc;

"**Original Exchange Rate**" means the "Initial Exchange Rate" specified in the Original Currency Swap Agreement;

"**outstanding**" means, in relation to the Notes, all of the Notes other than:

(a) those which have been redeemed in full in accordance with the Conditions;

(b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Note Trustee or the Principal Paying Agent in the manner provided for in the Principal Paying Agent and Agent Bank Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Condition 14 (*Notice to Noteholders*)) and remain available for payment in accordance with the Conditions;

(c) those which have become void under the Conditions;

(d) those mutilated or defaced Notes which have been surrendered or cancelled and in respect of which replacement Notes have been issued pursuant to the Conditions;

(e) any Global Note, to the extent that it shall have been exchanged for the related Definitive Notes pursuant to the provisions contained therein and the Conditions; and

(f) the Principal Amount Outstanding of (and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to the Conditions,

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of Noteholders;

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 11 *(Meeting of Noteholders, Modifications and Waiver)*, Condition 15 *(Substitution)*, Condition 9 *(Events of Default)* and the percentages referred to in Condition 10 *(Enforcement of Notes)* and the Provisions for Meetings of Noteholders; and

(iii) any right, discretion, power or authority, whether contained in the Trust Deed or the Deed of Charge or provided by law, which the Note Trustee or the Security Trustee is

required to exercise in or by reference to the interests of the Noteholders or any Class of them,

(A) prior to the delivery of a Note Acceleration Notice, except for the purpose of considering and, if thought fit, passing an Extraordinary Resolution to sanction a proposed Basic Terms Modification, any US$ Notes outstanding following the Class A1 Sterling Equivalent Redemption Date shall be deemed not to remain outstanding; and (B) those Notes (if any) which are for the time being held by Virgin Money or any holding company of Virgin Money or by any person for the benefit of Virgin Money or any holding company of Virgin Money shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

"**Pass-Through Trigger Event**" means the occurrence of one of the following:

(a) the Step-Up Date;

(b) an Insolvency Event in respect of the Seller;

(c) a material breach of the Transaction Documents by the Seller;

(d) a debit entry is made on the Principal Deficiency Sub-Ledger for the Class Z Notes, that is in excess of 1% of the total balance outstanding in respect of all Note Classes, that has not been cured on the next following Payment Date;

(e) a Seller Share Event that has not been cured prior to the expiration of the Seller Share Event Cure Period;

(f) the Liquidity Reserve Fund is not fully funded;

(g) the aggregate Current Balance of the Mortgage Loans in the Mortgage Portfolio which are then in arrears for 3 months or more is greater than or equal to 4% of the aggregate Current Balance of all Mortgage Loans in the Mortgage Portfolio;

(h) a Relevant Event has occurred and is continuing; or

(i) if on a Trust Calculation Date immediately prior to performing the calculations, the balance on the Trust Replenishment Ledger is greater than or equal to 5% of the aggregate Current Balance of all the Mortgage Loans in the Mortgage Portfolio as at the last day of the Trust Calculation Period immediately preceding the Relevant Trust Calculation Date;

"**Paying Agent and Agent Bank Agreement**" means the paying agent and agent bank agreement dated on or about the Closing Date, as amended from time to time, between, *inter alios*, the Paying Agents, the Agent Bank and the Issuer;

"**Payment Calculation Date**" means the day falling two Business Days prior to each Payment Date;

"**Payment Date**" means the 25th day of February, May, August and November in each year (or, if such day is not a Business Day, the next succeeding Business Day), with the first Payment Date being the Payment Date falling in November 2018;

"**Potential Note Event of Default**" means any event which may become (with the passage of time, the giving of notice, or the making of any determination or any combination thereof) a Note Event of Default;

"**Principal Amount Outstanding**" means, on any date in relation to a Note, the principal amount outstanding of that Note as at the Closing Date less the aggregate of all Note Principal Payments that have been paid in respect of that Note on or prior to that date;

"**Principal Excess Amounts**" has the meaning given to it in Condition 5(C) (*Termination of the applicable Original Currency Swap Agreement*);

"**Principal Receipts**" means any payment which the records of the Administrator show is received in respect of principal in respect of any Mortgage Loan, whether as all or part of a Mortgage Payment in respect of such Mortgage Loan, on redemption (including partial redemption) of such Mortgage Loan, on

enforcement or on the disposal of such Mortgage Loan or otherwise (including payments pursuant to any insurance policy and such portion of the Repurchase Price in respect of any repurchases of Mortgage Loans by the Seller pursuant to the Mortgage Sale Agreement that represents the principal amount outstanding of such Mortgage Loan and including all proceeds of enforcement of an All Monies Mortgage representing principal that are due to the All Monies Mortgage Trustee) (and which may include the amount of any overpayment in respect of any Mortgage Loan), but excluding any amount of principal recovered in respect of a Denominator Reduction Amount and any Non-Trust Amounts;

"**Principal Shortfall Amounts**" has the meaning given to it in Condition 5(C) (*Termination of the applicable Original Currency Swap Agreement*);

"**Priority of Payments**" means the Issuer Pre-Acceleration Revenue Priority of Payments, the Issuer Pre-Acceleration Principal Priority of Payments and the Issuer Post-Acceleration Priority of Payments and each of them, a "**Priority of Payment**";

"**Prospectus**" means the prospectus in respect of the Notes dated 19 September 2018;

"**Provisions for Meetings of Noteholders**" means the provisions for meetings of noteholders as set out in Schedule 4 (*Provisions for Meetings of Noteholders*) to the Trust Deed;

"**Rating Agencies**" means Fitch and Moody's;

"**Reference Banks**" has the meaning given to it in Condition 4(C) (*Rate of Interest*);

"**Registers of Scotland**" means the Land Register of Scotland and/or the General Register of Sasines;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means the global notes representing the Regulation S Notes, in substantially the form set out in Schedule 1, Part A (*Form of Regulation S Global Note*) of the Trust Deed, in registered form without talons or coupons attached;

"**Regulation S Notes**" means the Notes of each Class that are initially offered and sold in reliance on Regulation S;

"**Related Security**" means the security for repayment of a Mortgage Loan including the relevant Mortgage and all other matters applicable to the Mortgage Loan, acquired as part of the Initial Mortgage Portfolio assigned to the Mortgages Trustee, or any in respect of any New Mortgage Loans acquired following the Closing Date;

"**Relevant Trust Calculation Date**" means each Trust Calculation Date and the date on which the Mortgages Trust terminates;

"**Replacement Exchange Rate**" means, following any termination of the Original Currency Swap Agreement (or any replacement Currency Swap Agreement) and the entry into of a replacement Currency Swap Agreement, the exchange rate as specified in that replacement Currency Swap Agreement;

"**Revenue Receipts**" means any payment received in respect of any Mortgage Loan, whether as all or part of a monthly payment in respect of such Mortgage Loan, on redemption (including partial redemption) of such Mortgage Loan, on enforcement of such Mortgage Loan (including the proceeds of sale thereof and including all proceeds of enforcement of an All Monies Mortgage representing revenues that are due to the Mortgage Trustee), on the disposal of such Mortgage Loan or otherwise (including payments pursuant to any insurance policy and payments of Repurchase Price by the Seller) which in any such case is not a Principal Receipt and any recovery (whether of principal or interest) in respect of a Denominator Reduction Amount (other than a recovery of a Recovered Amount in respect of a prior VM Mortgages Trustee Account Loss), other than any Non-Trust Amounts;

"**Rule 144A**" means Rule 144A of the Securities Act;

"**Rule 144A Global Notes**" means the global notes representing the Rule 144A Notes, in substantially the form set out in Schedule 1, Part B (*Form of Rule 144A Global Note*) of the Trust Deed, in registered form without talons or coupons attached;

"**Rule 144A Notes**" means the Notes of each Class that are initially offered and sold in reliance on Rule 144A;

"**Scottish Declaration of Trust**" means the declaration of trust in respect of Scottish Mortgage Loans and their Related Security made by Virgin Money in favour of the Mortgages Trustee and by the Mortgages Trustee on the Closing Date pursuant to the Mortgage Sale Agreement as updated by any trust supplement;

"**Scottish Mortgage**" means a Mortgage secured over a Scottish Mortgaged Property;

"**Scottish Mortgage Loan**" means a Mortgage Loan secured by a Scottish Mortgage;

"**Scottish Mortgaged Property**" means a Mortgaged Property located in Scotland;

"**Scottish Supplemental Charge**" means an assignation in security of the interest of the Issuer as a Beneficiary under the Scottish Declaration of Trust granted by the Issuer in favour of the Security Trustee on the Closing Date pursuant to the Deed of Charge;

"**Second Account Bank Agreement**" means the account bank agreement entered into on or about the Closing Date between the Second Issuer Account Bank, the Second Mortgages Trustee Account Bank, the Issuer, the Mortgages Trustee, the Issuer Cash Manager, the Trust Property Cash Manager and the Security Trustee;

"**Secured Creditors**" means the Note Trustee, the Security Trustee (and any receiver appointed pursuant to the Deed of Charge), the Basis Rate Swap Provider, the Currency Swap Provider, the Subordinated Loan Provider, the Issuer Cash Manager, the Corporate Services Provider, the Issuer Account Banks, the Issuer Swap Collateral Account Banks, the VM Issuer Account Bank, the Paying Agents, the Agent Bank, the Transfer Agent, the Registrar and the Noteholders and any party who accedes to the Deed of Charge as a Secured Creditor;

"**Security Interest**" means any mortgage or sub-mortgage, Standard Security, charge or sub-charge (whether legal or equitable), encumbrance, pledge, lien, hypothecation, assignment by way of security, assignation in security, or other security interest or title retention arrangement or right of set-off and any agreement, trust or arrangement having substantially the same economic or financial effect as any of the foregoing (other than a lien arising in the ordinary course of business or by operation of the law);

"**Seller Share Event**" means, on a Trust Calculation Date which occurs whilst any Notes remain outstanding, the Seller Share on that Trust Calculation Date either is or would be less than the Minimum Seller Share for such Trust Calculation Date (determined, for the purposes of this calculation only, on the assumption that distributions of the Mortgages Trustee Available Principal Receipts due on the immediately following Distribution Date are made in accordance with the Mortgages Trustee Principal Priority of Payments as if no Seller Share Event had occurred but taking into account any Mandatory Seller Cash Contribution made on the immediately following Distribution Date);

"**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 the Agent Bank Agreement;

"**Spot Rate**" means, on any day, the spot rate of exchange available that day offered by a bank selected by the Issuer Cash Manager for the purchase of US Dollars with Sterling, provided that in no event shall the Issuer Cash Manager be liable to the Issuer or any other person for the spot rate of exchange so obtained (including if a spot rate of exchange more favourable to the Issuer could have been obtained from another bank);

"**Standard Security**" means a heritable security created by a standard security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

"**Step-Up Date**" means:

(a) in respect of the Class A1 Notes, the Payment Date falling in August 2023;

(b) in respect of the Class A2 Notes, the Payment Date falling in August 2023;

(c) in respect of the Class A3 Notes, the Payment Date falling in August 2023; and

(d) in respect of the Class M Notes, the Payment Date falling in August 2023.

"**Sterling Equivalent Principal Amount Outstanding**" means:

(a) in relation to any Sterling Note, the Principal Amount Outstanding of that Sterling Note; and

(b) in relation to any US$ Note:

(i) if the Original Currency Swap Agreement has not terminated early, the Sterling equivalent of the Principal Amount Outstanding of that US$ Note converted at the Original Exchange Rate (and rounded to the nearest whole penny); or

(ii) if the Original Currency Swap Agreement has terminated early (and irrespective of whether a replacement Currency Swap Agreement has been entered into), the Deemed Principal Amount Outstanding,

as calculated by the Issuer Cash Manager;

"**Sterling Interest Determination Date**" means, in respect of the Sterling Notes, the first day of the Interest Period for which the rate will apply or, in respect of the first Interest Period, the Closing Date;

"**Subordinated Loan Provider**" means Virgin Money;

"**Subscription Agreement**" means the subscription agreement dated on or around 14 September 2018 between, *inter alios*, the Issuer, the Seller, the Mortgages Trustee and the Joint Lead Managers, relating to the sale of the Notes;

"**Swap Agreements**" means the Basis Rate Swap Agreements and the Currency Swap Agreement;

"**Swap Excess Reserve Account**" means a US Dollars account to be opened by the Issuer Cash Manager in the name of the Issuer with an Issuer Account Bank as soon as reasonably practicable following the termination of the Original Currency Swap Agreement;

"**Swap Providers**" means each Basis Rate Swap Provider and the Currency Swap Provider;

"**Target Amortisation Amount**" means, as the context may require, the Class A1 Target Amortisation Amount or the Class A2 Target Amortisation Amount (as such terms are defined in Condition 5(B) (*Mandatory Redemption of the Notes in Part*));

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority in the jurisdiction in which the Issuer is incorporated or subject to taxation or the jurisdiction in which the Swap Counterparty is incorporated or subject to taxation (as the case may be) and "**Taxes**", "**taxation**", "**taxable**"" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state, municipal, local, federal or other fiscal, revenue customs or excise authority, body or official anywhere in the world;

"**Transaction Account Banks**" means the Mortgages Trustee Account Banks and the Issuer Account Banks.

"**Transaction Documents**" means the Notes, the Administration Agreement, the Corporate Services Agreement, the Account Bank Agreements, the VM Mortgages Trustee Account Bank Agreement, the VM Issuer Account Bank Agreement, the Swap Collateral Account Bank Agreement, the Collection Account Declaration of Trust, the Mortgage Sale Agreement, the Mortgages Trust Deed, the Beneficiaries Deed, the Deed of Charge, the Trust Deed, the Scottish Declaration of Trust, the Scottish Supplemental Charge, the Paying Agent and Agent Bank Agreement, the Issuer Cash Management

Agreement, the Trust Property Cash Management Agreement, the Basis Rate Swap Agreements, the Currency Swap Agreement, the Subordinated Loan Agreement, the Master Definitions and Construction Schedule and such other related documents which are referred to in the terms of the above documents and any other document designated as a Transaction Document by the Issuer;

"**Transfer Date**" means the relevant date of transfer of New Mortgage Loans and their Related Security to the Mortgages Trustee pursuant to the terms of the Mortgage Sale Agreement;

"**Transfer Order**" means the Northern Rock plc Transfer Order 2009, made under Section 8 of the Banking (Special Provisions) Act 2008;

"**Trust Calculation Date**" means the day falling one Business Day prior to each Distribution Date;

"**Trust Calculation Period**" means the period from (and including) the first date of each calendar month (or, in the case of the first Trust Calculation Period, the Closing Date) to (and including) the last day of the same calendar month;

"**Trust Property Cash Management Agreement**" means the cash management agreement dated on or about the Closing Date, as amended from time to time, between the Trust Property Cash Manager, the Issuer, the Mortgages Trustee and the Security Trustee;

"**Trust Property Cash Management Services**" means the cash management services provided by the Trust Property Cash Manager to the Mortgages Trustee pursuant to the terms of the Trust Property Cash Management Agreement; and

"**Trust Property Cash Manager**" means Virgin Money or such other person or persons for the time being acting, under the Trust Property Cash Management Agreement, as agent for the Issuer for the purposes of, *inter alia*, managing all cash transactions on behalf of the Issuer and the Mortgages Trustee;

"**US$**", "**US Dollars**" or "**US dollars**" means the lawful currency of the United States of America;

"**US$ Interest Determination Date**" means, in respect of the Class A1 Notes, the second Business Day prior to the first day of the Interest Period for which the rate will apply or, in respect of the first Interest Period, the second Business Day prior to the Closing Date;

"**US$ Notes**" means the Class A1 Notes;

"**US$ Rule 144A Global Note**" means the Rule 144A Global Note representing the US$ Notes;

"**Virgin Money**" means Virgin Money plc, which was formerly known as Northern Rock plc;

"**VM Issuer Account**" means an account set up in the name of the Issuer held with Virgin Money;

"**VM Issuer Account Bank**" means Virgin Money;

"**VM Issuer Account Bank Agreement**" means the account agreement entered into on or about the Closing Date between the VM Issuer Account Bank, the Issuer, the Issuer Cash Manager and the Security Trustee;

"**VM Issuer Account Loss**" means upon the occurrence of an Insolvency Event in respect of Virgin Money, the amount standing to the credit of the VM Issuer Account on the date of such Insolvency Event if such amount is not withdrawn from the VM Issuer Account and transferred to an Issuer Transaction Account on such date;

"**VM Issuer Account Recovered Amount**" means the receipt by or on behalf of the Issuer of any amount of cash that previously represented all or part of a VM Issuer Account Loss;

"**VM Issuer Permitted Cash Amount**" means:

(a) prior to an Insolvency Event in respect of Virgin Money or a Pass-Through Trigger Event, on each Payment Calculation Date, an amount equal to the greater of zero and the product of:

(i) the Actual Class A Subordination Percentage minus the Minimum Class A Subordination Percentage;

(ii) the aggregate of the GBP Equivalent of the Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class Z Notes that will be outstanding on the immediately succeeding Payment Date following the application of any Issuer Available Principal Receipts in or towards the redemption of such Notes (as calculated by the Issuer Cash Manager);

(iii) 1.00 minus the Minimum Class A Subordination Percentage; and

(iv) 0.3; and

(b) following an Insolvency Event in respect of Virgin Money or a Pass-Through Trigger Event, zero;

"**VM Mortgages Trustee Account**" means an account set up in the name of the Mortgages Trustee held with Virgin Money.

"**VM Mortgages Trustee Account Bank**" means Virgin Money;

"**VM Mortgages Trustee Account Bank Agreement**" means the account agreement entered into on or about the Closing Date between the VM Mortgages Trustee Bank, the Mortgages Trustee, the Trust Property Cash Manager and the Security Trustee;

"**VM Mortgages Trustee Account Loss**" means, upon the occurrence of an Insolvency Event in respect of Virgin Money, the amount standing to the credit of the VM Mortgages Trustee Account on the date of such Insolvency Event if such amount is not withdrawn from the VM Mortgages Trustee Account and transferred to a Mortgages Trustee Transaction Account on such date;

"**VM Mortgages Trustee Account Recovered Amount**" means the receipt by on or on behalf of the Mortgages Trustee of an amount of cash received that previously represented all or part of a VM Mortgages Trustee Account Loss;

"**VM Mortgages Trustee Permitted Cash Amount**" means:

(a) prior to an Insolvency Event in respect of Virgin Money, an amount of cash deposits equal to A – B where:

A = the Seller Share (as calculated on the previous Trust Calculation Date); and

B = the Minimum Seller Share (as calculated on the previous Trust Calculation Date); and

(b) following an Insolvency Event in respect of Virgin Money, zero.

USE OF PROCEEDS

The proceeds from the issue of the Notes will equal approximately (a) in respect of the Sterling Notes, £1,001,486,000, and (b) in respect of the US$ Notes US$557,895,000. The expenses of the Issuer are to be paid by the Issuer and will be funded by the Subordinated Loan Agreement. The proceeds from the issue of the Notes will be used by the Issuer (after exchanging on the Closing Date the gross proceeds of the US$ Notes for Sterling proceeds by reference to the Original Exchange Rate) to pay the Initial Contribution for the Issuer Share of the Trust Property to the Mortgages Trustee.

MATURITY AND PREPAYMENT CONSIDERATIONS

The average lives of the Notes cannot be stated accurately, because the actual rate of repayment of the Mortgage Loans and redemption of the Mortgages and a number of other relevant factors are unknown. Calculations of the possible average lives of the Notes can be made, however, based on certain assumptions. The assumptions used to calculate the possible average lives of the Notes in the following tables are that:

1. the Issuer exercises its option to redeem the Rated Notes on 25 August 2023 in the first scenario, or the Issuer does not exercise its option to redeem the Rated Notes on 25 August 2023, in the second scenario;

2. the Issuer Security has not been enforced;

3. the Mortgage Loans are not subject to any defaults or losses, and no Mortgage Loan falls into arrears;

4. no event occurs that would cause payments on the Class M Notes and the Class Z Notes to be deferred;

5. no interest or fees are paid from principal receipts;

6. all Payment Dates occur on the 25th of the month and are not adjusted for non-Business Days;

7. the constant prepayment rates applied in calculation of weighted average lives are assumed from the Provisional Mortgage Portfolio Information Date;

8. the Closing Date is as of 24 September 2018;

9. there is no debit balance on any of the sub-ledgers of the Principal Deficiency Ledger on any Payment Date;

10. the Seller is not in breach of the terms of the Mortgage Sale Agreement;

11. no Further Advances are made in respect of the Mortgage Portfolio;

12. the Mortgage Portfolio as of the Closing Date has the same characteristics as the Provisional Mortgage Portfolio. Any New Mortgage Loans that revolve into the portfolio have the same characteristics, including amortisation profile, as the Provisional Mortgage Portfolio;

13. New Mortgage Loans are added to the portfolio to the extent required to meet the minimum seller requirement;

14. the minimum seller share is 1% of the aggregate Current Balance of Mortgage Loans in the Trust Property;

15. the Mortgage Loans revert to their respective reversion margins on the applicable reversion date, if any;

16. the assets of the Issuer are not sold by the Note Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes; and

17. on the Closing Date (a) the Rated Notes comprise 93.0% of the Sterling equivalent (calculated by reference to the Original Exchange Rate) of the aggregate principal amount of the Notes respectively, with the Class A1 Notes, the Class A2 Notes and the Class A3 Notes comprising 29.83%, 28.72% and 30.95% of such aggregate principal amount respectively; and (b) the Seller Share comprises 10.00% of the aggregate principal amount of the Provisional Mortgage Portfolio balance.

18. no Pass-Through Trigger Event occurs and any Seller Cash Contribution amounts are fully re-invested in New Mortgage Loans;

19. Seller Share paid down to Minimum Seller Share on each Payment Date;

20. the Original Currency Swap Agreement remains in full force and effect; and

21. on the Step-Up Date, the Target Principal Amount Outstanding of any Note is assumed to be zero.

Assumption (1) reflects the Issuer's current expectations, although no assurance can be given that repayment of the Notes will occur as described. Assumptions (2), (3), (4), (5), (7), (9), (10), (11), (12), (13), (14), (16), (18), (19) and (20) relate to unpredictable circumstances.

Based upon the foregoing assumptions, the approximate average lives of the Notes (expressed in years), at various constant prepayment rates for the Mortgage Loans, would be as follows:

Note: 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 are realistic and consequently they must therefore be viewed with considerable caution.

Class A1 Balance

WAL and Payment Window	0%	5%	10%	15%	20%	25%	30%
With Optional Redemption	3.93	2.86	1.96	1.96	1.96	1.96	1.96
	Nov-18 – Aug 23	Nov-18 - Aug-23	Nov-18 - Aug-22	Nov-18 - Aug-22	Nov-18 - Aug-22	Nov-18 - Aug-22	Nov-18 - Aug-22
Without Optional Redemption	5.07	2.91	1.96	1.96	1.96	1.96	1.96
	Nov-18 – Aug 27	Nov-18 - May-24	Nov-18 - Aug-22	Nov-18 - Aug-22	Nov-18 - Aug-22	Nov-18 - Aug-22	Nov-18 - Aug-22

Class A2 Balance

WAL and Payment Window	0%	5%	10%	15%	20%	25%	30%
With Optional Redemption	4.31	3.63	2.96	2.96	2.96	2.96	2.96
	Nov-18 - Aug-23	Nov-18 - Aug-23	Nov-18 - Aug-23	Nov-18 - Aug-23	Nov-18 - Aug-23	Nov-18 - Aug-23	Nov-18 - Aug-23
Without Optional Redemption	8.93	4.54	2.97	2.97	2.96	2.96	2.96
	Nov-18 - Feb-32	Nov-18 - Aug-26	Nov-18 - Nov-23	Nov-18 - Nov-23	Nov-18 - Nov-23	Nov-18 - Nov-23	Nov-18 - Aug-23

Class A3 Balance

WAL and Payment Window	0%	5%	10%	15%	20%	25%	30%
With Optional Redemption	4.92	4.92	4.92	4.92	4.92	4.92	4.92
	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23
Without Optional Redemption	16.81	11.06	7.67	7.52	6.91	6.49	6.19
	Feb-32 - Feb-39	Aug-26 - Aug-33	Nov-23 - May-29	Nov-23 - Aug-29	Nov-23 - Feb-28	Nov-23 - May-27	Aug-23 - Aug-26

Class M Balance

WAL and Payment Window	0%	5%	10%	15%	20%	25%	30%
With Optional Redemption	4.92	4.92	4.92	4.92	4.92	4.92	4.92
	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23	Aug-23 - Aug-23
Without Optional Redemption	21.04	15.38	11.19	11.48	10.00	8.98	8.21
	Feb-39 – May-40	Aug-33 – Aug-34	May-29 – May-30	Aug-29 - Nov-30	Feb-28 - May-29	May-27 - Feb-28	Aug-26 - May-27

RATINGS OF THE NOTES

The Notes are expected to be assigned the following ratings by Fitch and Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances in the future so warrant.

Class of Notes	**Expected Ratings**	
	Fitch	**Moody's**
Class A1 Notes……..	AAAsf	Aaa(sf)
Class A2 Notes……..	AAAsf	Aaa(sf)
Class A3 Notes……..	AAAsf	Aaa(sf)
Class M Notes……	AA+sf	Aa2(sf)
Class Z Notes……..	Unrated	Unrated

The ratings assigned by Fitch to each Class of the Notes address the likelihood of full and timely payment of all payments of interest on each Payment Date under those Classes of Notes. The ratings also address the likelihood of ultimate payment of principal on the Final Redemption Date of each Class of Notes. The ratings assigned by Moody's address the expected loss in proportion to the initial principal amount of the each Class of Notes posed to any Noteholder by the Final Redemption Date. In Moody's opinion, the structure allows for timely payment of interest and principal at par on or before the Final Redemption Date. The ratings do not address the likely actual rate of prepayments on the Mortgage Loans. The rate of prepayments, if different than originally anticipated, could adversely affect the yield realised on the Notes.

Assignment of the expected ratings to the Rated Notes will be a condition to issue of the Notes.

UNITED KINGDOM TAXATION

*The following is a summary of the UK withholding taxation treatment in relation to payments of principal and interest in respect of the Notes and certain other UK taxation considerations in relation to the Notes as at the date of this Prospectus. It is based on current law and practice of Her Majesty's Revenue and Customs ("***HMRC***") which may be subject to change, sometimes with retrospective effect. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The summary set out below is a general guide and should be treated with appropriate caution. The UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their professional advisers. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.*

UK Withholding Tax on UK source interest

The Notes issued by the Issuer will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 to the extent that they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange has been designated as a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List of the UK Listing Authority and are admitted to trading on the Regulated Market. While the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

In all other cases falling outside the exemption described above, an amount may be required to be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary by HMRC under an applicable double taxation treaty or to any other exemption which may apply.

Other Information relating to UK Withholding Tax

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 15 (*Substitution*) of the Terms and Conditions of the Notes and does not consider the tax consequences of any such substitution.

United Kingdom Stamp Duty and SDRT

As at the date hereof, provided that the Notes do not carry and will not at any time carry (i) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital, or (ii) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the UK Listing Authority, no United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on a transfer of, or agreement to transfer, full legal and beneficial ownership of any Note.

UNITED STATES TAXATION

The following is a discussion of certain US federal income tax considerations relating to the acquisition, ownership and disposition of the Class A Notes. This discussion addresses only US Holders (as defined below) who purchase Notes in the original offering for cash at a price equal to the issue price (generally, the first price at which a substantial amount of Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers)), hold the Notes as capital assets and use the US dollar as their functional currency. This discussion assumes that the issue price of the Notes will be their par amount or, if the Notes are issued at a discount to par, that discount will be no more than de minimis. For this purpose, discount will be de minimis if the difference between the issue price of the Notes and their par amount is less than 0.25 per cent. of the par amount multiplied by the number of full years to weighted average maturity. This discussion is not a complete description of all US tax considerations relating to the Notes. It does not address all of the tax consequences that may be relevant in light of a US Holder's particular circumstances, including tax consequences that may be applicable to prospective purchasers subject to special rules, such as banks, certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, certain US expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. This discussion does not address any US state or local or non-US tax considerations or any US federal estate or gift tax considerations. For purposes of this section, a reference to "Notes" excludes the Class A3 Notes, the Class M Notes and the Class Z Notes (Virgin Money will, on the Closing Date, purchase 100 per cent. of the Class A3 Notes, the Class M Notes and the Class Z Notes).

As used in this discussion, the term "US Holder" means a beneficial owner of a Note that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) that is organised under the laws of the United States or any state or the District of Columbia, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

The tax treatment of a partner in a partnership (or an entity treated as a partnership for US federal income tax purposes) that acquires, owns or disposes of the Notes generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership should consult its own advisers about the tax consequences for its partners of the acquisition, ownership or disposition of the Notes.

Certain Accrual Method Taxpayers

Under recently enacted legislation, certain U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on their financial statements—which may be earlier than would be the case under the rules described below. This rule generally is effective for such U.S. Holders for tax years beginning after December 31, 2017, except that in the case of income from a debt instrument having original issue discount, the rule will be effective for tax years beginning after December 31, 2018. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situations.

Payments of Stated Interest

A US Holder must include stated interest on the Notes in gross income in accordance with its regular method of accounting for tax purposes. Interest on the Notes will be ordinary income from sources outside the United States.

A cash basis US Holder receiving interest denominated in a currency other than US dollars must include in income an amount equal to the US dollar value of the payment based on the spot exchange rate on the date of receipt whether or not the payment is converted to US dollars. An accrual basis US Holder generally must include in income an amount equal to the US dollar value of accrued interest based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). An accrual basis US Holder may elect, however, to translate accrued interest into US dollars at the spot exchange rate on the last day of the accrual period

(or, for an accrual period that spans two taxable years, the exchange rate on the last day of the first taxable year for interest accrued through that date) or the spot exchange rate on the date of receipt in the case of interest received within five business days of the last day of the accrual period. Currency translation elections must be applied consistently to all debt instruments that the electing US Holder holds or acquires, and they cannot be revoked without the consent of the US Internal Revenue Service ("**IRS**").

Upon receipt of a payment in a currency other than US dollars, US Holders that have accrued interest will recognise exchange gain or loss equal to any difference between the US dollar amount accrued and the US dollar value of the payment received at the spot exchange rate on the date of receipt. Any exchange gain or loss generally will be US source ordinary income or loss.

For purposes of this discussion, the "spot exchange rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency other than the US dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The "average rate" for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a US Holder.

Interest and exchange gain or loss received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Sale, Exchange or Retirement of the Notes

A US Holder generally will recognise US source gain or loss on a sale, exchange, retirement or other disposition of a Note in an amount equal to the difference between the US dollar value of the amount realised (less any amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the US Holder's adjusted tax basis in the Note. A US Holder's adjusted tax basis in a Note generally will be the amount paid for the Note reduced by any payments other than stated interest. The amount paid for a Note denominated in a currency other than US dollars will be the US dollar value of the currency on the date of purchase (or, if the Notes are traded on an established securities exchange and the US Holder is a cash basis or an electing accrual basis holder, the settlement date) determined at the spot rate.

Gain or loss on disposition of a Note will generally be capital gain or loss except to the extent of any exchange gain or loss, as discussed below. Any capital gain or loss will be long-term capital gain or loss if the US Holder has held the Note for more than one year at the time of disposition. A non-corporate US Holder's long-term capital gain is generally taxed at a rate lower than the rate that applies to ordinary income. Deductions for capital losses are subject to limitations.

A US Holder that is entitled to receive currency other than US dollars upon sale or other taxable disposition of the Notes will realise an amount equal to the US dollar value of that currency, generally determined on the date of disposition. If the Notes are traded on an established securities market, however, a cash basis US Holder or electing accrual basis taxpayer will determine the amount realised by translating the units of that currency received into US dollars at the spot rate on the settlement date. A US Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

A US Holder generally will recognise exchange gain or loss on sale or other taxable disposition of a Note equal to the difference between the US dollar value of the principal amount of the Note on the date of acquisition and the date of disposition. Exchange gain or loss cannot exceed overall gain or loss realised on disposition of the Note. A US Holder will have a tax basis in the currency equal to the US dollar amount realised. Any exchange gain or loss generally will be US source ordinary income or loss. Any gain or loss realised by a US Holder on a subsequent conversion of currency for US dollars will generally be US source ordinary income or loss.

Capital gain or loss received by certain individuals, estates and trusts will generally be includible in "net investment income" for purposes of the Medicare contribution tax.

Substitution of the Issuer

If a successor is substituted for the Issuer, the substitution may, depending on the circumstances, be treated as an exchange of the Notes for deemed new notes of the successor. In such an event, unless a non-recognition provision applies, a US Holder generally will recognise any gain or loss realised in the deemed exchange in an amount equal to the difference, if any, between (i) the issue price of the new notes (which would be their fair market value assuming the Notes are traded on an established market) and (ii) the US Holder's adjusted tax basis in the Notes. If the stated principal amount of the new notes received in the deemed exchange exceeds their issue price by as much as 0.25 per cent. multiplied by the number of full years to weighted average maturity computed as of the date of the substitution, a US Holder may be required to recognise original issue discount ("**OID**") as ordinary income on the new notes as a result of the substitution. The OID would be the amount by which the stated principal amount of the new notes exceeds their issue price. Regardless of its regular method of tax accounting, a US Holder would be required to accrue any OID as ordinary income on a constant yield to maturity basis whether or not it received cash payments. US holders should consult their own advisers regarding the foregoing, including the manner of accounting for OID under the foreign currency rules.

Reportable Transactions

A sale, exchange, retirement or other taxable disposition of a Note denominated in a currency other than US dollars or of currency other than US dollars received in respect of a Note that results in a recognised loss in excess of a threshold amount may be required to be reported to the IRS. US Holders subject to these reporting rules that fail to timely file a required disclosure may be subject to substantial penalties. Potential investors should consult with their own tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note that are made within the United States or through certain US related financial intermediaries may be reported to the IRS unless the US Holder establishes it is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the US Holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its US federal income tax returns. A holder can claim a credit or refund against its US federal income tax liability for the amount of any backup withholding tax provided that the required information is timely furnished to the IRS.

US Holders may be required to report to the IRS information with respect to Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisers regarding the possible implications of these rules for their investment in Notes.

FATCA

Sections 1471 through 1474 of the US Internal Revenue Code of 1986 ("**FATCA**") impose an information reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-US financial institution (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the 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 (including by reason of being treated as in compliance with an applicable intergovernmental agreement between the United States and the jurisdiction in which the FFI operates (an "**IGA**")) and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a US person or should otherwise be treated as holding a "**United States account**" of a Participating FFI (a "**Recalcitrant Holder**").

Withholding under FATCA in respect of "**foreign passthru payments**" (a term not yet defined) is expected to begin no earlier than 1 January 2019. FATCA withholding in respect of "foreign passthru payments" generally is not required for Notes that are not treated as equity for US federal income tax purposes unless such obligations are issued or materially modified more than six months after the date on which the final regulations defining "foreign passthru payments" are published in the US Federal Register.

The United States and a number of other jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, IGAs to facilitate the implementation of FATCA. FFIs or branches of FFIs established in a jurisdiction that has entered into an IGA generally are not expected to be required to withhold under FATCA or the relevant IGA (or any legislation implementing such IGA) from payments that they make on securities such as the Notes, but would be required to collect and report certain information in respect of its account holders and investors (other than holders of Notes that are "regularly traded on an established securities market" as defined for purposes of the relevant IGA) to the IRS or to local tax authorities as may be provided in the relevant IGA, in which case the local tax authorities generally will be obligated to share such information with the IRS.

It is not expected that FATCA will affect the amount of any payment received by the Clearing Systems on Global Notes held within the Clearing Systems. With respect to Notes held through a sub-custodian, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold under FATCA if the sub-custodian or other nominee or custodian receiving payments on the Notes has not entered into an agreement with the IRS to report certain information about its accountholders to the IRS or is not otherwise exempt from FATCA withholding (including pursuant to the terms of any applicable IGA entered into between the United States and such entity's jurisdiction of operation).

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of Notes by (i) "employee benefit plans" that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (ii) "plans" (including individual retirement accounts) as defined in and subject to Section 4975 of the Code, (iii) any plan, account or arrangement (including, without limitation, governmental, church and non-U.S. plans) that, while not subject to Title I of ERISA or Section 4975 of the Code, is subject to other federal, state, local or non-U.S. laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Laws**"), and (iv) entities whose underlying assets are considered to include "plan assets" (within the meaning of ERISA or Similar Law) of any such plans, accounts and arrangements described in (i), (ii), (iii) or (iv) (each, a "**Plan**"). This summary is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their own counsel to determine whether such Plan is subject to Title I of ERISA, Section 4975 of the Code or any other Similar Law, in which case you may be prohibited from purchasing, acquiring or holding the Notes.

General Fiduciary Considerations

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "**ERISA Plan**") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation, direct or indirect, to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

When considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any other Similar Law relating to the fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other Similar Law.

Prohibited Transaction Considerations

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of Section 3(14) of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption or exception is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The acquisition or holding of the Notes by an ERISA Plan with respect to which the Issuer and any of its affiliates are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory or administrative exemption or exception. In this regard, the U.S. Department of Labor (the "**DOL**") has issued prohibited transaction class exemptions ("**PTCEs**") that may apply to the acquisition and holding of the Notes. These exemptions include, without limitation, PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by an " **Qualified Professional Asset Manager**"), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house asset manager) and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code could provide relief from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan; provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than, and receives no less than, adequate consideration in connection with the transaction. There can be no assurance that any of the PTCEs or any

other exemption or exception will be available with respect to any particular transaction involving the Notes, or that, if any of the PTCEs or another exemption or exception is available, it will cover all aspects of any particular transaction.

Because of the foregoing, the Class A Notes should not be purchased, held or disposed of by any Plan or any person acting on behalf of any Plan, unless such purchase, holding or disposition, as applicable, would not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any other Similar Law. As discussed further below, the Class M Notes and the Class Z Notes may not be transferred to or held by an ERISA Plan.

Plan Asset Considerations

Regulations promulgated under ERISA by the DOL, as modified by Section 3(42) of ERISA (together, the "**Plan Asset Regulations**"), provide that when an ERISA Plan acquires an "equity interest" in an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not "significant" or that the entity is an "operating company," in each case as defined in the Plan Asset Regulations. For purposes of the Plan Asset Regulations, equity participation in an entity by benefit plan investors will not be significant if benefit plan investors hold, in the aggregate, less than 25 per cent. of the value of each class of equity interests of such entity, excluding equity interests held by any person (other than a "**Benefit Plan Investor**") who has discretionary authority or control with respect to the assets of the entity or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such person. For purposes of this 25 per cent. test, "benefit plan investors" include ERISA Plans and any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, their "plan assets" by reason of such plan's investment in the entity under the Plan Asset Regulations, but exclude governmental, church and non-U.S. plans.

If the Issuer's assets were deemed to be "plan assets" of an ERISA Plan holding the Notes, this would result in, among other things, (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the Issuer, and (ii) the possibility that certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the Code and might have to be rescinded.

While the discussion under "*United States Taxation*" assumes the Class A Notes will be treated as debt for U.S. federal income tax purposes, such characterisation is not entirely clear, and no assurances can be given that the IRS would not assert, or that a court would not uphold, a different characterisation of the Class A Notes. In addition, it is anticipated that (i) the Notes will not constitute "publicly offered securities" for purposes of the Plan Asset Regulations and (ii) the Issuer will not be an investment company registered under the Investment Company Act.

Although there is little guidance on how this definition applies, this discussion assumes that the Class A Notes will not be treated as equity interests in the Issuer for purposes of the Asset Plan Regulations, although no assurance can be given in this regard.

However, in an effort to avoid issues that could arise if the assets of the Issuer were to be treated as plan assets for purposes of ERISA or Section 4975 of the Code, ERISA Plans will not be permitted to acquire or hold Class M Notes or Class Z Notes.

Representations

Accordingly, each purchaser and holder of the Class A Notes (or any interest therein) will be deemed to have represented that (A) (i) it is not a Plan and is not acting on behalf of any Plan, or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or under any other Similar Law for which an exemption is not available, and (B) it will not transfer the Notes to any transferee that is a Plan or any person acting on behalf of any Plan.

Each purchaser of Class A Notes that is a Plan by its purchase of such Notes will be deemed to have represented that: (1) none of Issuer, the Seller, the Arrangers, the Joint Lead Managers, the Security Trustee, the Note Trustee or any of their respective affiliates (the "**Transaction Parties**") has provided any investment recommendation or investment advice to the Plan or any fiduciary or other person investing the assets of the Plan (a "**Plan Fiduciary**") on which either the Plan or Plan Fiduciary has relied in connection with the decision to purchase such Notes, and that none of the Transaction Parties is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of such Notes; and (2) the Plan Fiduciary is exercising its own independent judgement in evaluating the transaction.

Each purchaser or subsequent transferee of a Class M Note, Class Z Note or interests therein, will be deemed to represent and warrant that (1) it is not, and for so long as it holds such Notes it will not be acting on behalf of, a Benefit Plan Investor, and (2) if it is a governmental, church or non-U.S. plan, (x) it is not, and for so long as it holds such Notes (or any interest therein) will not be, subject to any federal, state, local, non-U.S. or other law or regulation that could cause the underlying assets of the Issuer to be treated as assets of the investor in any such Note (or any interest therein) by virtue of its interest and thereby subject the Issuer (or other persons responsible for the investment and operation of the Issuer's assets) to Similar Laws and (y) its acquisition, holding and disposition of such Notes will not constitute or result in a non-exempt violation of any Similar Law. No purchase of a Class M Note or a Class Z Note (or any interests therein) by, or transfer of any such Note (or any interest therein) to, a Benefit Plan Investor will be permitted or recognised.

PRIOR TO MAKING AN INVESTMENT IN NOTES, PROSPECTIVE INVESTORS INCLUDING EMPLOYEE BENEFIT PLAN INVESTORS (WHETHER OR NOT SUBJECT TO ERISA OR SECTION 4975 OF THE CODE) SHOULD CONSULT WITH THEIR LEGAL AND OTHER ADVISERS CONCERNING THE IMPACT OF ERISA AND THE CODE (AND, PARTICULARLY IN THE CASE OF NON–ERISA PLANS AND ARRANGEMENTS, ANY ADDITIONAL U.S. STATE OR LOCAL LAW AND NON–U.S. LAW CONSIDERATIONS).

SUBSCRIPTION AND SALE

Lloyds Bank Corporate Markets Plc, Merrill Lynch International, Lloyds Securities Inc., Citigroup Global Markets Limited and BNP Paribas, London Branch (together, the "**Joint Lead Managers**") will, pursuant to a subscription agreement dated 14 September 2018 amongst Virgin Money, the Joint Lead Managers, the Mortgages Trustee and the Issuer (the "**Subscription Agreement**"), agree with the Issuer (subject to certain conditions) to subscribe and pay for, or procure subscription of, (i) US$530,000,000 of the Class A1 Notes at the issue price of US$530,000,000 and (ii) £375,000,000 of the Class A2 Notes at the issue price of £375,000,000. Affiliates of the Joint Lead Managers may subscribe for and effect sales of the Notes in jurisdictions where they are licensed, subject to compliance with the applicable selling restrictions.

Virgin Money will, pursuant to the Subscription Agreement, agree with the Issuer (subject to certain conditions) to subscribe and pay for (i) US$27,895,000 of the Class A1 Notes at the issue price of US$27,895,000, (ii) £34,935,000 of the Class A2 Notes at the issue price of £34,935,000, (iii) £441,684,000 of the Class A3 Notes at the issue price of £441,684,000, (iv) £49,956,000 of the Class M Notes at the issue price of £49,956,000 and (v) £99,911,000 of the Class Z Notes at the issue price of £99,911,000.

Pursuant to the Subscription Agreement, Virgin Money will undertake to retain a material net economic interest pursuant to paragraphs (a) to (e) (as applicable) of Article 405 of the CRR, Article 51 of AIFMR and Article 254 of the Solvency II Regulation until the maturity of the Notes. Virgin Money will also undertake to comply with its obligations under Articles 405 to 409 of the CRR and Article 52 of the AIFMR, subject always to any requirement of law, and to disclose any change in the manner in which such retained interest is held (which as at the Closing Date will be the retention by Virgin Money of the Class Z Notes). For a description of Virgin Money's risk retention for the purposes of the US Risk Retention Rules, see "*Certain US Regulatory Disclosures*".

The Issuer will agree to indemnify the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the offer and sale of the Notes and to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes.

Other than admission of the Notes to the Official List and the admission to trading on the Regulated Market, no action will be taken by the Issuer, Virgin Money or the Joint Lead Managers, which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Seller and its affiliates in the ordinary course of business. The Joint Lead Managers will be receiving a fee in connection with the issue of the Notes. Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

Accordingly, conflicts of interest may exist or may arise as a result of parties to this transaction: (a) having previously engaged or in the future engaging in transactions with other parties to the transaction; (b) having multiple roles in this transaction; (c) purchasing some of the Notes and subsequently dealing in such Notes and/or (d) carrying out other transactions for third parties.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related

derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes or whether a specified barrier or level is reached. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States of America

Each Joint Lead Manager has acknowledged to the Issuer that the Notes have not been and will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions complying with the requirements of, and in reliance on, Rule 144A under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act and applicable state securities laws.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. Each Joint Lead Manager has agreed that it will only offer, sell or deliver the Notes within the United States to persons it reasonably believes to be QIBs (as that term is defined under Rule 144A of the Securities Act) who are also QPs (as that term is defined in Section 2(a)(51) of the United States Investment Company Act of 1940) who can represent that they are (a) QIBs who are QPs; (b) they are not broker-dealers that own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) they are not participants in directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is a QP; (e) they are not formed for the purpose of investing in the Issuer or the Notes; (f) each account for which they are purchasing will hold and transfer at least US$200,000 in principal amount of the Offered Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; and (h) they will provide notice of the transfer restrictions set forth in this Prospectus to any subsequent transferees.

In connection with sales outside the United States each Joint Lead Manager has agreed under the Subscription Agreement that it will not offer, sell or deliver the Notes to, or for the account or benefit of U.S. persons (a) as part of the Joint Lead Manager's distribution at any time or (b) otherwise prior to the date that is 40 days after the later of the commencement of the offering and the issue date of the Notes (the "**Distribution Compliance Period**") and, accordingly, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering and resale restriction requirements of Regulation S under the Securities Act to the extent applicable.

Each Joint Lead Manager under the Subscription Agreement has also agreed that, at or prior to confirmation of sales of any Notes, it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells any Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until the end of the Distribution Compliance Period, the offer or sale of any Notes within the United States by a distributor, dealer or other person that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Joint Lead Manager has agreed that, in connection with each sale of the Notes to a QIB that is also a QP, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act, that such resale or transfer is being made in accordance with, and reliance on, Rule 144A and that transfers of the Notes are restricted as set forth in the Trust Deed. Any offer or sale of the Notes within the United States and/or to, or for the account or

benefit of, U.S. persons will be made by broker–dealers, including affiliates of the Joint Lead Managers, who are registered as broker–dealers under the Exchange Act. The Joint Lead Manager may allow a concession, not in excess of the selling concession, to certain brokers or dealers.

The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason.

United Kingdom

Each of the Joint Lead Managers and Virgin Money has represented and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Lead Managers and Virgin Money has acknowledged that, save for having obtained the approval of the Prospectus as a Prospectus in accordance with Part VI of the FSMA and having applied for the admission of the Notes to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, no further action has been or will be taken in any jurisdiction by the Joint Lead Managers or Virgin Money that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

European Economic Area

In relation to each Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Issuer and each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes will require the Issuer, nor any Joint Lead Manager 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 provisions, the expression of 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 for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Joint Lead Manager has

represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Prohibition of Sales to EEA Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

General

Each of the Joint Lead Managers and Virgin Money has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, Prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

The following restrictions will apply to the Notes. Investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes.

Offers and Sales by the Joint Lead Managers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Investor Representations and Restrictions on Resale Representations and restrictions applicable to all Notes

144A Notes

The Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs that are also QPs pursuant to Rule 144A.

Each purchaser of Rule 144A Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book Entry Interests) by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB within the meaning of Rule 144A that is also a QP, (b) not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account or for the account of a QIB, each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the sale or transfer of such Notes to it may be made in reliance on Rule 144A and the Issuer is relying on an exemption from the United States Investment Company Act of 1940 provided by Section 3(c)(7) thereof.

(2) It will (a) along with each account for which it is purchasing or transferring, hold and transfer beneficial interests in the relevant Rule 144A Notes in a principal amount that is not less than U.S.$200,000, and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(3) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP, each of which is purchasing not less than US$200,000 principal amount of Notes, or (b) in an offshore transaction in accordance with Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(4) It understands that the Issuer has the power under the Trust Deed, on behalf of itself to compel any beneficial owner of Rule 144A Notes that is not a QIB and a QP to sell its interest in the relevant Rule 144A Notes, or may sell such interest on behalf of, or purchase such interest from, such owner. The Issuer has the right on behalf of itself to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.

(5) It understands that such Notes will bear a legend substantially to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS (1) A "QUALIFIED

INSTITUTIONAL BUYER" ("**QIB**") (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT IS ALSO A "QUALIFIED PURCHASER" ("**QP**") (AS DEFINED IN SECTION 2(A)(51) UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS THAT ARE ALSO QPs, (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN, (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB THAT IS ALSO A QP, (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE, (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST US$200,000 IN PRINCIPAL AMOUNT OF NOTES, (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES, OTHER THAN (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND (C) AGREES TO GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY ON BEHALF OF ITSELF (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS ALSO A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER. THE ISSUER HAS THE RIGHT ON BEHALF OF ITSELF TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN WILL BE REQUIRED OR DEEMED TO REPRESENT, WARRANT AND AGREE THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN [**IN THE CASE OF THE CLASS A NOTES:** (1) EITHER (A) IT IS NOT A PLAN (AS DEFINED BELOW) AND IS NOT ACTING ON BEHALF OF ANY PLAN OR (B) IT IS NOT AND IS NOT USING ASSETS OF A BENEFIT PLAN INVESTOR (AS DEFINED IN SECTION 3(42) OF ERISA (AS DEFINED BELOW) OR (C) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 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 UNDER ANY OTHER FEDERAL, STATE,

LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") FOR WHICH AN EXEMPTION IS NOT AVAILABLE, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING DEEMED REPRESENTATIONS, WARRANTIES AND AGREEMENTS. ''BENEFIT PLAN INVESTORS'' INCLUDE (1) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO PART 4 OF TITLE I OF ERISA, (2) ANY PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS (EACH OF (1) AND (2) A **''PLAN''**), AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA (INCLUDING, FOR THIS PURPOSE, THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE ''PLAN ASSETS'' UNDER SECTION 401(c) OF ERISA, OR A WHOLLY OWNED SUBSIDIARY THEREOF).] [**IN THE CASE OF THE CLASS M NOTES AND THE CLASS Z NOTES:** (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH NOTES IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, A (A) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (''**ERISA**'')), THAT IS SUBJECT TO PART 4 OF TITLE I OF ERISA (B) ANY PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''**CODE**") APPLIES, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS (EACH OF (A) AND (B) A ''**PLAN**''), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA AND (2) IF IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, (X) IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH NOTES (OR ANY INTEREST THEREIN) WILL NOT BE, SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT COULD CAUSE THE UNDERLYING ASSETS OF THE ISSUER TO BE TREATED AS ASSETS OF THE INVESTOR IN ANY SUCH NOTE (OR ANY INTEREST THEREIN) BY VIRTUE OF ITS INTEREST AND THEREBY SUBJECT THE ISSUER (OR OTHER PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE ISSUER'S ASSETS) TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF THE CODE ("**SIMILAR LAW**") AND (Y) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW.]

(6) It understands that the Rule 144A Notes will be represented by one or more Rule 144A Global Notes. Before any interest in a Rule 144A Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide the Transfer Agent with a written certification to the extent required by the Paying Agent and Agent Bank Agreement as to compliance with applicable securities laws.

(7) At the time of its purchase and throughout the period in which it holds any Class A Notes or any interest therein: (1) either (a) it is not a Plan and is not acting on behalf of any Plan or (b) it is not and is not using assets of a benefit plan investor (as defined in Section 3(42) of ERISA), or a governmental, church or non-U.S. plan that is subject to any Similar Law or any entity whose assets are treated as assets of any such plan, unless the acquisition, holding and disposition of the Notes or any interest therein (x) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law, and (y) will not subject the Issuer to any such provision of ERISA or the Code or any Similar Law, and (2) it will not sell or otherwise transfer any such note or interest to any person without first obtaining these same foregoing deemed representations, warranties and agreements. Benefit plan investors include (1) any Plan, and (2) any entity whose underlying assets include plan assets by reason of a Plan's

investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (including, for this purpose, the general account of an insurance company, any of the underlying assets of which constitute "plan assets" under section 401(c) of ERISA, or a wholly- owned subsidiary thereof).

If it is a Plan purchasing Class A Notes, it will be deemed to have represented by its purchase of such Notes that: (1) none of the Transaction Parties has provided any investment recommendation or investment advice to the Plan or the Plan Fiduciary on which either the Plan or Plan Fiduciary has relied in connection with the decision to purchase such Notes, and that none of the Transaction Parties is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of such Notes; and (2) the Plan Fiduciary is exercising its own independent judgement in evaluating the transaction.

At the time of its purchase and throughout the period in which it holds any Class M or Class Z Notes or any interest therein, (1) it is not, and for so long as it holds such Notes it will not be, and will not be acting on behalf of, a Plan or a benefit plan investor (defined as aforesaid) and (2) if it is a governmental, church or non-U.S. plan, (x) it is not, and for so long as it holds such Notes (or any interest therein) will not be, subject to any federal, state, local, non-U.S. or other law or regulation that could cause the underlying assets of the Issuer to be treated as assets of the investor in any such Note (or any interest therein) by virtue of its interest and thereby subject the Issuer (or other persons responsible for the investment and operation of the Issuer's assets) to Similar Laws and (y) its acquisition, holding and disposition of such Notes will not constitute or result in a non-exempt violation of any Similar Law.

If the Issuer determines that any Note is held by a benefit plan investor, the Issuer may cause a sale or transfer of such Note. Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of this paragraph 6 shall be null and void *ab initio*.

(8) The Issuer, the Principal Paying Agent, the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

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.

Regulation S Notes

Each purchaser of Regulation S Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book Entry Interests) and each subsequent purchaser of such Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and, if prior to the expiration of a period ending 40 days after the later of the commencement of the offering and the issue date of the Notes (the "**Distribution Compliance Period**") (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) to a person that is not a U.S. person and not for the account or benefit of a U.S. person within the meaning of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is

a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Notes will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO ANY U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL: (1) PRIOR TO THE EXPIRATION OF THE 40-DAY PERIOD AFTER THE COMMENCEMENT OF THE OFFERING OF THE NOTES OR THE ISSUE DATE OF THE NOTES, WHICH EVER IS LATER, NOT OFFER, SELL, OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**''RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") THAT IS ALSO A "QUALIFIED PURCHASER" ("**QP**") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME OR BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND (2) GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN WILL BE REQUIRED OR DEEMED TO REPRESENT, WARRANT AND AGREE THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN [**IN THE CASE OF THE CLASS A NOTES:** (1) EITHER (A) IT IS NOT A PLAN (AS DEFINED BELOW) AND IS NOT ACTING ON BEHALF OF ANY PLAN OR (B) IT IS NOT AND IS NOT USING ASSETS OF A BENEFIT PLAN INVESTOR (AS DEFINED IN SECTION 3(42) OF ERISA (AS DEFINED BELOW) OR (C) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 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 UNDER ANY OTHER FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") FOR WHICH AN EXEMPTION IS NOT AVAILABLE, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING DEEMED REPRESENTATIONS, WARRANTIES AND AGREEMENTS. ''BENEFIT PLAN INVESTORS'' INCLUDE (1) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO PART 4 OF TITLE I OF ERISA, (2) ANY PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS (EACH OF (1) AND (2) A

''PLAN''), AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA (INCLUDING, FOR THIS PURPOSE, THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE ''PLAN ASSETS'' UNDER SECTION 401(c) OF ERISA, OR A WHOLLY OWNED SUBSIDIARY THEREOF).] [**IN THE CASE OF THE CLASS M NOTES AND THE CLASS Z NOTES:** (1) IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH NOTES IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, A (A) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (''**ERISA**'')), THAT IS SUBJECT TO PART 4 OF TITLE I OF ERISA (B) ANY PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''**CODE**") APPLIES, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS (EACH OF (A) AND (B) A ''**PLAN**''), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA AND (2) IF IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, (X) IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH NOTES (OR ANY INTEREST THEREIN) WILL NOT BE, SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW OR REGULATION THAT COULD CAUSE THE UNDERLYING ASSETS OF THE ISSUER TO BE TREATED AS ASSETS OF THE INVESTOR IN ANY SUCH NOTE (OR ANY INTEREST THEREIN) BY VIRTUE OF ITS INTEREST AND THEREBY SUBJECT THE ISSUER (OR OTHER PERSONS RESPONSIBLE FOR THE INVESTMENT AND OPERATION OF THE ISSUER'S ASSETS) TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF THE CODE ("**SIMILAR LAW**") AND (Y) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAW.]

(4) At the time of its purchase and throughout the period in which it holds any Class A Notes or any interest therein: (1) either (a) it is not a Plan and is not acting on behalf of any Plan or (b) it is not and is not using assets of a benefit plan investor (as defined in Section 3(42) of ERISA), or a governmental, church or non-U.S. plan that is subject to any Similar Law or any entity whose assets are treated as assets of any such plan, unless the acquisition, holding and disposition of the Notes or any interest therein (x) does not violate Section 406 of ERISA, Section 4975 of the Code or Similar Law, and (y) will not subject the Issuer to any such provision of ERISA or the Code or any Similar Law, and (2) it will not sell or otherwise transfer any such note or interest to any person without first obtaining these same foregoing deemed representations, warranties and agreements. Benefit plan investors include (1) any Plan, and (2) any entity whose underlying assets include plan assets by reason of a Plan's investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (including, for this purpose, the general account of an insurance company, any of the underlying assets of which constitute "plan assets" under section 401(c) of ERISA, or a wholly- owned subsidiary thereof).

If it is a Plan purchasing Class A Notes, it will be deemed to have represented by its purchase of such Notes that: (1) none of the Transaction Parties has provided any investment recommendation or investment advice to the Plan or the Plan Fiduciary on which either the Plan or Plan Fiduciary has relied in connection with the decision to purchase such Notes, and that none of the Transaction Parties is otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of such Notes; and (2) the Plan Fiduciary is exercising its own independent judgement in evaluating the transaction.

At the time of its purchase and throughout the period in which it holds any Class M or Class Z Notes or any interest therein, (1) it is not, and for so long as it holds such Notes it will not be, and will not be acting on behalf of, a Plan, and (2) if it is a governmental, church or non-U.S. plan, (x)

it is not, and for so long as it holds such Notes (or any interest therein) will not be, subject to any federal, state, local, non-U.S. or other law or regulation that could cause the underlying assets of the Issuer to be treated as assets of the investor in any such Note (or any interest therein) by virtue of its interest and thereby subject the Issuer (or other persons responsible for the investment and operation of the Issuer's assets) to Similar Laws and (y) its acquisition, holding and disposition of such Notes will not constitute or result in a non-exempt violation of any Similar Law.

The purchaser and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuer, the Principal Paying Agent, the Joint Lead Managers and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

If the Issuer determines that any Note is held by a benefit plan investor, the Issuer may cause a sale or transfer of such Note. Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of this paragraph 4 shall be null and void *ab initio*.

(5) The Issuer, the Principal Paying Agent, the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(6) It understands that the Regulation S Notes will be represented by one or more Regulation S Global Notes. Prior to the expiration of the Distribution Compliance Period, before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide the Transfer Agent with a written certification as to compliance with applicable securities laws.

GENERAL INFORMATION

Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 12 September 2018.

Listing of the Notes

It is expected that admission of the Notes to the Official List and to trading on the Regulated Market will be granted on or about 21 September 2018 subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the day of the transaction.

Clearing and settlement

The Notes have been accepted for clearing through Clearstream, Luxembourg and Euroclear. The applicable ISINs and Common Codes are specified below:

Class of Notes	ISIN Reg S Notes	ISIN 144A Notes	Common Code Reg S Notes	Common Code 144A Notes	CUSIP 144A Notes
Class A1 Notes.....	XS1863916679	US38312RAA14	186391667	-	38312R AA1
Class A2 Notes.....	XS1863917057	XS1863917131	186391705	186391713	-
Class A3 Notes.....	XS1863917214	XS1863917305	186391721	186391730	-
Class M Notes.....	XS1863917644	XS1863917727	186391764	186391772	-
Class Z Notes.....	XS1863918022	XS1863918451	186391802	186391845	-

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, Holdings or the Mortgages Trustee respectively is aware), since 2 July 2018 (being the date of incorporation of each of the Issuer, Holdings and the Mortgages Trustee) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer, Holdings or the Mortgages Trustee (as the case may be).

Accounts and Operations

No statutory or non-statutory accounts within the meaning of section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.

For so long as the Notes are admitted to the Official List and to trading on the Regulated Market, the Issuer shall maintain a Principal Paying Agent in the United Kingdom.

The Issuer did not trade during the period from its date of incorporation on 2 July 2018 to the date of this Prospectus nor has it received any income nor did it incur any expense nor pay any dividends. Consequently no profit and loss account has been prepared. Since the date of its incorporation, the Issuer has not commenced operations and no financial statements have been made up.

Cash Flow Modelling

From the Closing Date until the Final Redemption Date, the Issuer shall make available a cash flow model in respect of the transaction to Investors via the Global ABS Portal or such similar website.

Significant or Material Change

Since the date of its incorporation, the Issuer has not entered into any contract or arrangement not being in the ordinary course of business other than the Transaction Documents.

Since 2 July 2018 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

Since 2 July 2018 (being the date of incorporation of the Mortgages Trustee), there has been (a) no material adverse change in the financial position or prospects of the Mortgages Trustee and (b) no significant change in the financial or trading position of the Mortgages Trustee.

Since 2 July 2018 (being the date of incorporation of Holdings), there has been (a) no material adverse change in the financial position or prospects of Holdings and (b) no significant change in the financial or trading position of Holdings.

Charges and Guarantees

Save as disclosed in this document, neither the Issuer nor the Mortgages Trustee has any outstanding loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer or the Mortgages Trustee created any mortgages or given any charges or guarantees.

Reports

The Issuer intends to provide post issuance transaction information. Monthly Investor Reports, which will include, without limitation, information on the loans and payments in arrears, and the Seller's holding of the Notes, its compliance with the EU Risk Retention Requirements and which are prepared by the Administrator, will be published by the Administrator on the Virgin Money public website free of charge (http://uk.virginmoney.com/virgin/investor-relations/securitisation.jsp) (please note, the content of this website does not form part of this Prospectus). Additionally, the Issuer will make available information in relation to each Mortgage Loan, and each Monthly Investor Report will specify where such information can be accessed. Such reports are not incorporated by reference into this Prospectus. The published reports will be made available no later than ten business days after the Distribution Date.

The first Monthly Investor Report shall disclose the principal value of the Notes:

(a) privately-placed with investors which are not affiliated to the Originator;

(b) retained by a member of the Originator's group; and

(c) publicly-placed with investors which are not in the Originator's group.

In relation to any Notes initially retained by a member of the Originator's group, but subsequently placed with investors which are not in the Originator's group, it will (to the extent permissible) disclose such placement in the next monthly Investor Report.

Underlying Assets

On the Closing Date the assets backing the issue of the Notes, when taken together with the Basis Rate Swap Agreements and the Currency Swap Agreement to be entered into by the Issuer on the Closing Date, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, regard should be had to the characteristics of the Mortgage Portfolio and the risks to which they (and the Issuer and the Notes) may be exposed. Prospective Noteholders should consider the detailed information set out elsewhere in this Prospectus, including without limitation under "*Risk Factors*" and "*Credit Structure*" above.

Documents Available

From the date of this Prospectus, and for so long as the Notes are admitted to trading on the Regulated Market, physical copies of the following documents may be inspected at the offices of the Issuer at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the offices of the Principal Paying Agent during usual business hours, on any week day (excluding Saturdays, Sundays and public holidays):

(a) Memorandum and Articles of Association of each of the Issuer and the Mortgages Trustee;

(b) Prior to the Closing Date, drafts (subject to amendment) and after the Closing Date copies of the following documents:

(i) the Mortgages Trust Deed;

(ii) the Beneficiaries Deed;

(iii) the Mortgage Sale Agreement;

(iv) the Deed of Charge;

(v) the Collection Account Declaration of Trust;

(vi) the Basis Rate Swap Agreements;

(vii) the Currency Swap Agreement;

(viii) the Trust Deed;

(ix) the Scottish Declaration of Trust;

(x) the Paying Agent and Agent Bank Agreement;

(xi) the Administration Agreement;

(xii) the Trust Property Cash Management Agreement;

(xiii) the Issuer Cash Management Agreement;

(xiv) the First Account Bank Agreement;

(xv) the Second Account Bank Agreement;

(xvi) the VM Mortgages Trustee Account Bank Agreement;

(xvii) the VM Issuer Account Bank Agreement;

(xviii) the Swap Collateral Account Bank Agreement;

(xix) the Master Definitions and Construction Schedule;

(xx) the Corporate Services Agreement; and

(xxi) the Subordinated Loan Agreement.

INDEX OF DEFINED TERMS

ISSUER

Gosforth Funding 2018-1 plc
Fifth Floor
100 Wood Street
London EC2V 7EX

ADMINISTRATOR

Virgin Money plc
Jubilee House
Gosforth
Newcastle upon Tyne NE3 4PL

NOTE TRUSTEE AND SECURITY TRUSTEE

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Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

PRINCIPAL PAYING AGENT, AGENT BANK, REGISTRAR AND TRANSFER AGENT

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Canary Wharf
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LEGAL ADVISER TO THE ISSUER, THE MORTGAGES TRUSTEE AND VIRGIN MONEY

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LEGAL ADVISERS TO THE JOINT LEAD MANAGERS, THE ARRANGERS, THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

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