

## **\$7,500,000,000 Medium Term Note Programme**

*(ultimately backed by trust property in the South Gyle Receivables Trust held by South Gyle Receivables Trustee Limited)*

### **Arran Funding (UK) Plc**

issuing entity

### **The Royal Bank of Scotland plc**

sponsor, originator and servicer

### **National Westminster Bank Plc**

originator

### **RBS Cards Securitisation Funding Limited**

depositor and loan note issuing entity

Arran Funding (UK) Plc, as issuing entity, has entered into a medium term note programme and has prepared this base prospectus to describe it. Under the programme, notes may be issued from time to time denominated in US dollars, sterling or euro. Notes will be issued in series, each with two or three classes of notes as specified in the relevant final terms. Each class may comprise one or more sub-classes with each sub-class having the same maturity date and differing in, among other things, the currency and interest rate of the relevant sub-class. The maximum aggregate principal amount of notes outstanding under the programme at any time may not exceed \$7,500,000,000 (or its equivalent in other currencies).

The offer of a series of notes will be made through this base prospectus and a prospectus supplement containing a set of final terms that will set forth the terms and conditions of the respective notes and the names of the dealers participating in the offering. In compliance with the Financial Services and Markets Act 2000 ("FSMA"), this base prospectus may not be used to offer any notes more than 12 months after the date of this base prospectus. Application has been made for notes issued under the programme during the first 12 months following the date of this base prospectus to be admitted to listing on the Official List of the Financial Services Authority in its capacity as the UK Listing Authority (the "UKLA") and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**"). The regulated market of the London Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (the "**regulated market of the London Stock Exchange**"). In the case of notes listed on the regulated market of the London Stock Exchange, a copy of the prospectus supplement containing the final terms will be delivered to the regulated market of the London Stock Exchange on or before the date of issue of those notes.

The ultimate source of payment on the notes will be collections on consumer credit card accounts originated in the United Kingdom by The Royal Bank of Scotland plc and by its subsidiary National Westminster Bank Plc, both acting through The Royal Bank of Scotland plc's Retail Markets Division – Cards Business, or by RBS Advanta and transferred to The Royal Bank of Scotland plc.

No notes may be issued under the programme which have a minimum denomination of less than €50,000 (or such amount as shall at least be equal to its equivalent in sterling or US dollars as at the date of issue of those notes specified in the relevant final terms) in the case of any notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the "**prospectus directive**").

In the case of each class or sub-class of notes denominated in US dollars or euro, a separate currency swap transaction will be entered into by the issuing entity to convert the sterling amounts received into US dollar or euro amounts for payments to that class or sub-class.

**Please review and consider the risk factors beginning on page 20 in this base prospectus carefully before you purchase any notes. You should read this base prospectus and the applicable final terms carefully before you invest. A note is not a deposit and neither the notes nor the underlying receivables are insured or guaranteed by The Royal Bank of Scotland plc, National Westminster Bank Plc, RBS Cards Securitisation Funding Limited, The Bank of New York Mellon or by any United Kingdom or United States governmental agency. The notes offered under this base prospectus will be obligations of the issuing entity only. The issuing entity will only have a limited pool of assets to satisfy its obligations under the notes. The notes will not be obligations of The Royal Bank of Scotland plc, National Westminster Bank Plc, RBS Cards Securitisation Funding Limited, The Bank of New York Mellon or any of their affiliates.**

Unless otherwise specified in the relevant final terms, the notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account of, "**US persons**" (within the meaning of Regulation S of the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Unless otherwise specified in the relevant final terms, the notes may only be offered, sold or delivered outside the United States to persons who are not US persons in offshore transactions in reliance on Regulation S. None of the United States Securities and Exchange Commission, any state securities commission or any other United States regulatory authority has approved or disapproved the notes or determined that this base prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

Arranger

**The Royal Bank of Scotland**

Dealer

**The Royal Bank of Scotland**

16 December 2008

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## IMPORTANT NOTICES

This document constitutes a 'base prospectus' for the purposes of article 5.4 of the prospectus directive for the purposes of giving information with regard to the issuing entity which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuing entity.

The notes will be obligations of the issuing entity only. They will not be obligations or responsibilities of, nor will they be guaranteed by, any other party, including The Bank of New York Mellon, RBS Cards Securitisation Funding Limited, The Royal Bank of Scotland plc and/or National Westminster Bank Plc in any of its capacities, or any of their affiliates or advisers, successors or assigns.

No request has been made for a certificate permitting public offers of the notes in other member states of the European Union.

**In connection with the issue of any series of notes, the dealer or dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable final terms 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(s) (or persons acting on behalf of the stabilising manager(s)) will undertake such stabilisation action. Any stabilisation action may begin at any time after the adequate public disclosure of the final terms of the offer of the relevant series of notes and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant series of notes and 60 days after the date of the allotment of the relevant series of notes. Any stabilisation action or over-allotment must be concluded by the relevant stabilising manager(s) or persons acting on behalf of any stabilising manager(s) in accordance with all applicable laws and rules.**

We include cross-references to captions in this base prospectus where you can find further related discussions. The following table of contents provides the pages on which these captions are located.

You can find an index beginning on page 232 in this document under the caption "*Index of Terms In The Base Prospectus*" which lists where some terms used in this document are explained.



## SUPPLEMENTARY PROSPECTUS

The issuing entity has undertaken, in connection with the admission of the notes to listing on the Official List of the UKLA and the admission to trading on the regulated market of the London Stock Exchange, that if there shall occur any adverse change in the business or financial position of the issuing entity or any change in the information set out under "*Terms and Conditions of the Notes*", that is material in the context of issuance of notes under the programme pursuant to Section 87G of the FSMA, then the issuing entity will prepare or procure the preparation of an amendment or supplement to this base prospectus for use in connection with any subsequent issue by the issuing entity of notes to be listed on the regulated market of the London Stock Exchange which shall constitute a supplementary prospectus as required by the UKLA and Section 87G of the FSMA or, as the case may be, publish a new base prospectus.

When delivered in connection with an offer of notes which, pursuant to the final terms describing such notes, are being offered in the United States, this base prospectus must be accompanied by a set of final terms pursuant to which the series of notes referred to therein will be offered. Such final terms are contained in a prospectus supplement and constitute, with respect to the series of notes offered thereby, the "**relevant final terms**" or the "**applicable final terms**" referred to herein.

The issuing entity will, at the specified offices of the paying agents, provide, free of charge, upon oral or written request, a copy of this base prospectus. Written or telephone requests for this base prospectus should be directed to the specified office of any paying agent.

## **RESPONSIBILITY STATEMENT**

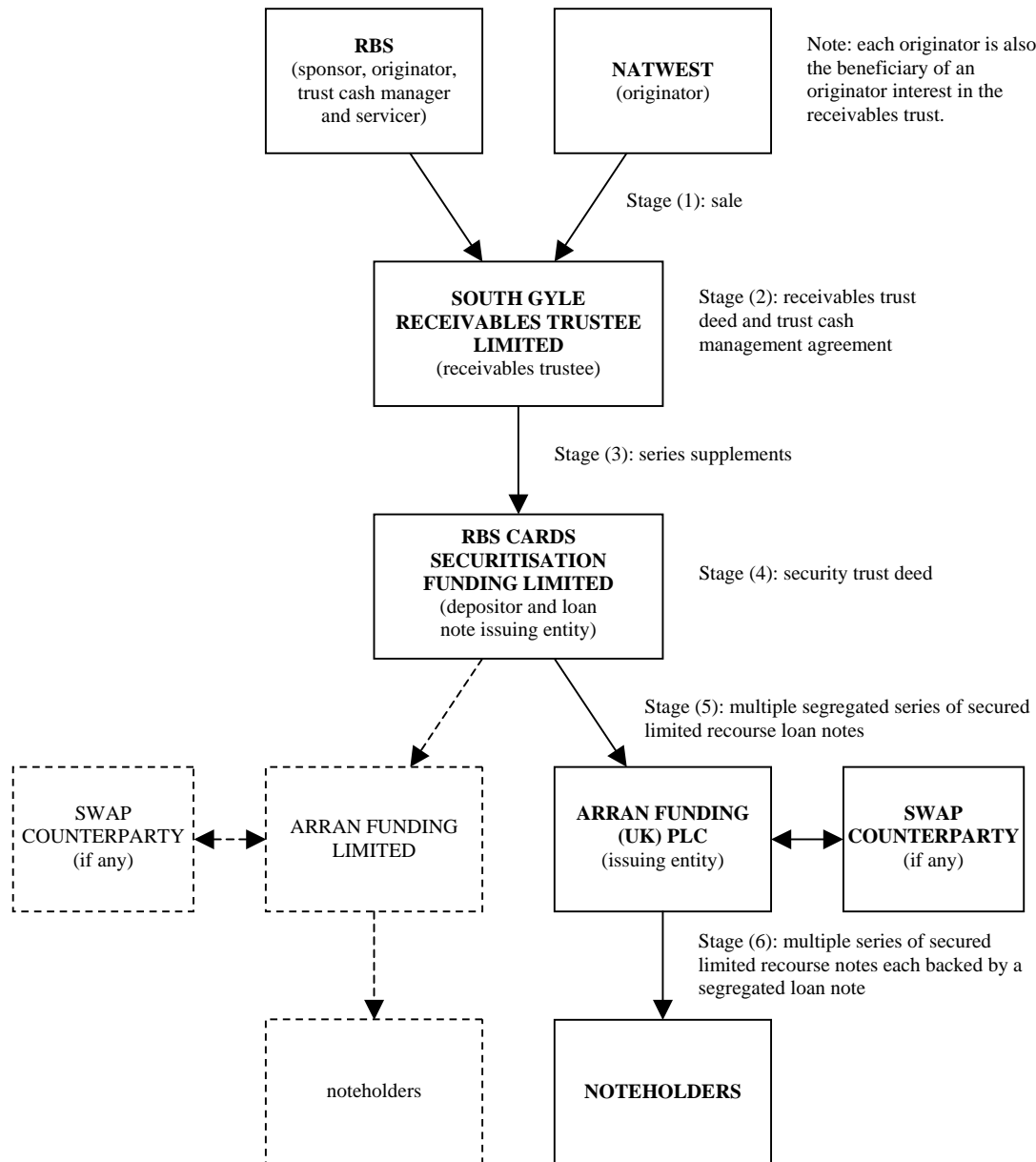
The issuing entity accepts responsibility for the information contained in this base prospectus. The issuing entity declares that, having taken all reasonable care to ensure that such is the case, the information contained in this base prospectus is, to the best of its knowledge, in accordance with the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

The information relating to RBS Cards Securitisation Funding Limited and South Gyle Receivables Trustee Limited has been accurately reproduced from information provided by RBS Cards Securitisation Funding Limited and South Gyle Receivables Trustee Limited, respectively. So far as the issuing entity is aware and/or is able to ascertain from information provided by each of RBS Cards Securitisation Funding Limited and South Gyle Receivables Trustee Limited, no facts have been omitted which would render the reproduced information misleading.

The information relating to The Royal Bank of Scotland plc, National Westminster Bank Plc and their affiliates has been accurately reproduced from information provided by The Royal Bank of Scotland plc. So far as the issuing entity is aware and/or is able to ascertain from information provided by The Royal Bank of Scotland plc, no facts have been omitted which would render the reproduced information misleading.

## PROSPECTUS OVERVIEW

### Structural Diagram of the Securitisation Programme



The loan note issuing entity has funded prior acquisitions of its undivided beneficial interest in the receivables trust by issuing limited recourse loan notes to, among others, Arran Funding Limited. The loan note issuing entity may fund future acquisitions of its undivided beneficial interest in the receivables trust by issuing limited recourse loan notes to Arran Funding Limited, Arran Funding (UK) Plc or other investors. See *"Issuance of New Series of Loan Notes and Notes"*.

This base prospectus has been prepared by Arran Funding (UK) Plc to describe notes issued by it and does not describe notes issued by Arran Funding Limited.

## Programme Structural Overview

*The following is a brief overview description of the Arran Funding (UK) Medium Term Note Programme, of which your notes will form a part.*

In this base prospectus, we will refer to The Royal Bank of Scotland plc as "**RBS**", to National Westminster Bank Plc as "**NatWest**", to RBS, in its capacity as sponsor of the programme as the "**sponsor**" and to both of them, in their capacities as originators of the receivables, as the "**originators**". "**We**" means Arran Funding (UK) Plc, RBS Cards Securitisation Funding Limited and South Gyle Receivables Trustee Limited. Where we refer to these companies separately, we will identify them specifically. The servicer of the receivables (the "**servicer**") is the Retail Markets Division – Cards Business of RBS. The cash managers of the receivables trust (the "**trust cash manager**") are jointly the Retail Markets Division – Cards Business and the Global Banking & Markets division of RBS. We will refer to South Gyle Receivables Trustee Limited as the "**receivables trustee**", to Arran Funding (UK) Plc as the "**issuing entity**", to the Retail Markets Division – Cards Business of RBS as "**Cards Business**" and the Global Banking & Markets division of RBS as "**GBM**".

## Receivables Master Trust

From time to time, one or both originators may transfer to the receivables trustee all of their respective present and future beneficial interests in receivables in designated revolving credit card accounts originated or purchased by each of RBS and NatWest in the United Kingdom. As regards receivables that are governed by English law, such transfers are constituted by way of assignment under the terms of the receivables securitisation agreement. As regards receivables that are governed by Scots law, such transfers are constituted by way of Scottish declarations of trust. Only the receivables will be so transferred. The accounts will be retained by RBS and NatWest, respectively.

In 2000, RBS and its indirect wholly-owned subsidiary RBS Advanta, which we will refer to as "**RBSA**" effected three transfers by way of assignment and Scottish declaration of trust of the present and future beneficial interest in receivables in designated revolving credit card accounts originated in the United Kingdom by, respectively, RBS and RBSA. We refer to the transfers that occurred in 2000 as aforesaid as the "**2000 transfers**" and we refer to the 2000 transfers and each assignment and Scottish declaration of trust that has occurred, or that will occur, after the 2000 transfers, as the "**transfers**" with each being a "**transfer**" and the term "**transferred**" shall be construed accordingly in that context. The credit card portfolio of RBSA was transferred to RBS on 1 January 2004, at the same time as the transfer of the originator interest of RBSA in the receivables trust (as defined below) to RBS. NatWest acceded to the receivables trust (as defined below) pursuant to a deed of accession (the "**NatWest deed of accession**") on 27 October 2005. RBS and NatWest made an offer of receivables to the receivables trustee on 27 October 2005 and, when the offer was accepted, NatWest received an originator interest in its capacity as an originator beneficiary (as defined below) in the receivables trust. The originators may, but are not obliged to, assign to the receivables trustee their present and future beneficial interest in receivables arising on further credit card accounts originated or purchased by RBS and NatWest in the United Kingdom.

The receivables trustee will hold the receivables on trust for RBS and NatWest, as originator beneficiaries, and for a special purpose vehicle subsidiary of RBS called RBS Cards Securitisation Funding Limited, as investor beneficiary (as defined below). In this base prospectus, we will refer to this trust as the "**receivables trust**". When we describe their entitlement to property in the receivables trust, we will refer to RBS, NatWest and any future originator beneficiary as the "**originator beneficiaries**" and each an "**originator beneficiary**". We will refer to RBS Cards Securitisation Funding Limited as the "**loan note issuing entity**" and the "**investor beneficiary**" in this base prospectus.

"**receivables**" means finance charge receivables and principal receivables arising on accounts held within the receivables trust.

## Issuance of New Series of Loan Notes and Notes

The loan note issuing entity has funded prior acquisitions, and may fund future acquisitions, of its undivided beneficial interest in the receivables trust by issuing limited recourse loan notes. We will refer to these limited recourse loan notes as the "**loan notes**". The loan note issuing entity may have future

issuances of loan notes listed on the Channel Islands Stock Exchange or such other stock exchange as the loan note issuing entity may choose.

In 2000, the loan note issuing entity issued the series 00-A, 00-B and 00-C loan notes (to which we will refer, collectively, as the "**2000 loan notes**"). The 2000 loan notes were sold by the loan note issuing entity to Arran One Limited and Arran Two Limited and the proceeds of those sales were used by the loan note issuing entity to fund its purchase of its undivided beneficial interest in the receivables trust. See "*The Depositor and Loan Note Issuing Entity*". The 2000 loan notes have now all been redeemed.

On 15 December 2005, the loan note issuing entity issued the series 2005-A and 2005-B loan notes (to which we will refer, collectively, as the "**2005 loan notes**"). The 2005 loan notes were sold by the loan note issuing entity to Arran Funding Limited and the proceeds of those sales were used by the loan note issuing entity to increase its beneficial interest in the receivables trust. The series 2005-A loan note was redeemed on 15 December 2008. As at the date of this base prospectus, the series 2005-B loan note remains outstanding.

On 1 February 2007, the loan note issuing entity issued the series 2007-A loan note (to which we will refer as the "**2007 loan note**"). The 2007 loan note was sold by the loan note issuing entity to Arran Funding Limited and the proceeds of this sale were used by the loan note issuing entity to increase its beneficial interest in the receivables trust. As at the date of this base prospectus, the 2007 loan note remains outstanding.

In connection with each issuance of a series of notes by the issuing entity under the programme, the loan note issuing entity will acquire or increase its undivided beneficial interest in the receivables trust using the proceeds of the issuance of a corresponding loan note to the issuing entity. The limited recourse nature of each loan note will ensure that the loan note issuing entity is only ever liable to the issuing entity as the purchaser of any loan note for payments in an amount equal to payments received by the loan note issuing entity from the receivables trustee in respect of that loan note. Each loan note will be segregated from each previously issued loan note and will not provide any cross-collateralisation. Each increase in the loan note issuing entity's undivided beneficial interest in the receivables trust will be evidenced by a corresponding annotation to the investor certificate, which sets out the size of the loan note issuing entity's beneficial interest. See "*The Receivables – Assignment of the Receivables to the Receivables Trustee*" and "*The Receivables Trust – Acquisitions*".

The initial principal amount of a loan note is the amount that is stated in the loan note supplement for such loan note to be payable to the holder of such loan note. It will be denominated in sterling. Such amount will be set out in the final terms of the series which such loan note supports.

The outstanding principal amount of a loan note is the initial principal amount of that loan note, as described in the relevant loan note supplement for such loan note and the relevant final terms, less principal payments made to the holder of that loan note.

The issuing entity will finance its subscription for each loan note by issuing under the programme a separate series of notes that will be sold to investors from time to time (after swapping the proceeds of the notes in any currency other than sterling into sterling, if applicable).

Each series of notes to be issued by the issuing entity will be secured in favour of a note trustee for the benefit of the secured creditors of the relevant series. The secured asset for a whole series of notes is the corresponding single loan note. The security for a series of notes will not be cross-collateralised with the security for another series of notes. The secured creditors of each relevant series will include, among others, the note trustee for itself and acting on behalf of the noteholders of such series. The issuance of any new series of notes will not require the approval of the noteholders of any outstanding series and such noteholders will not be entitled to receive any prior notice of such new issuance.

From time to time the loan note issuing entity may use the proceeds of further loan notes to increase further the size of its undivided beneficial interest in the receivables trust. Alternatively, the loan note issuing entity may repay principal on a loan note or there may be charge-offs on receivables in the receivables trust (as described further below), thereby reducing the size of its undivided beneficial interest in the receivables trust. The receivables trustee will annotate the investor certificate to show the correct size of the loan note issuing entity's undivided beneficial entitlement each time the loan note issuing entity increases the size of its beneficial entitlement or receives payments of principal amounts from the

receivables trust. By owning its undivided beneficial interest in the receivables trust, the loan note issuing entity will be entitled to receive payments from the receivables trustee by way of distribution in respect of interest, principal and certain other fees paid by cardholders on designated revolving credit card accounts. The size of the loan note issuing entity's share of the collections from the cardholders will be in proportion to the size of its undivided beneficial interest in the receivables trust.

## **OVERVIEW OF THE ARRAN FUNDING (UK) MEDIUM TERM NOTE PROGRAMME**

*The following overview does not purport to be complete and is qualified in its entirety by the remainder of this base prospectus and, with respect to a particular series, the relevant final terms contained in a prospectus supplement.*

### **Initial Programme Amount**

Up to \$7,500,000,000 (or its equivalent in other currencies) aggregate principal amount of notes outstanding at any one time.

### **Issuance in Series**

Notes issued under the programme will be issued in series. Each series will comprise two or three classes of notes (as specified in the relevant final terms) issued on a single issue date. Each class of notes within a series may be comprised of sub-classes, each denominated in any of sterling, US dollars or euro. The notes of the same class or sub-class within a given series will all be subject to identical terms and conditions in all respects. These sub-classes within a class of notes will rank *pari passu* among themselves and rateably without priority or preference among themselves. The notes of each series will not necessarily be subject to identical terms in all respects. Differences may include interest rates, interest calculations, the date of expected maturity and final maturity.

### **Final terms**

Each series will be the subject of a set of final terms which, for the purposes of that series only, supplements the terms and conditions of the notes in this base prospectus, and must be read in conjunction with this base prospectus. The terms and conditions applicable to any particular series of notes are the terms and conditions of the notes as supplemented, amended and/or replaced by the relevant final terms.

## THE PARTIES

### Sponsor

The Royal Bank of Scotland plc, acting through its Global Banking & Markets division.

### Dealer

The Royal Bank of Scotland plc, acting through its Global Banking & Markets division and any other dealer appointed from time to time by the issuing entity either generally in respect to the programme or in relation to a particular series or class of notes in accordance with the terms of the dealer agreement (see "*Plan of Distribution*").

### The Issuing Entity

Arran Funding (UK) Plc is a public limited liability company incorporated in England and Wales. Its registered office is at Eighth Floor, 68 King William Street, London EC4N 7DZ. Its telephone number is + 44 (0)20 7469 8000.

The issuing entity is a special purpose vehicle described below under "*The Issuing Entity*". The purpose of the issuing entity is to issue, from time to time, notes under the programme as described below under "*The Notes*", which represent its asset-backed debt obligations. On each respective closing date under the programme on which a series is issued, the issuing entity will utilise the proceeds of issue of the issued series of notes to acquire an additional loan note issued by the loan note issuing entity. The issuing entity will not engage in any activities which are not related to the issue of the notes (see "*The Loan Notes*", "*The Issuing Entity*" and "*Use of Proceeds*").

### The Note Trustee, Principal Paying Agent, Registrar and Agent Bank

The note trustee is The Bank of New York Mellon, acting through its London branch. The Bank of New York Mellon has served as trustee in numerous asset-backed securitisation transactions and programmes involving pools of credit card receivables. The Bank of New York Mellon is also the principal paying agent and agent bank. The note trustee will act as trustee for the noteholders of each series under the trust deed (and each relevant trust deed supplement), as described below under "*The Trust Deed*" and "*The Notes and The Global Notes*". The note trustee will also hold the security for the notes of each series under the terms of the trust deed (and the relevant trust deed supplement), as described below under "*Terms and Conditions of the Notes*". The principal paying agent will make payments on the notes of each series. The agent bank will calculate the interest rate on the notes of each class or sub-class. The registrar and transfer agent is The Bank of New York (Luxembourg) S.A. The registrar will maintain the register of notes and is responsible for the transfers of the notes between noteholders. The Bank of New York Mellon's address in London is One Canada Square, London E14 5AL and its address in New York is 101 Barclay Street, Floor 21 West, New York, New York 10286. Its telephone number in London is + 44 (0)20 7570 1784 and its telephone number in New York is +1 212 495 1784. The Bank of New York (Luxembourg) S.A.'s address is Aerogolf Center, 1A, Hoehenhof, L-1736 Senningerberg, Luxembourg and its telephone number is + 352 34 20 90 56 30.

### The Security Trustee

The security trustee in relation to the loan note issuing entity is The Bank of New York Mellon, acting through its London branch, whose principal place of business is at One Canada Square, London E14 5AL, England (the "**security trustee**"). The security trustee acts as trustee for the holder of each series loan note (including the issuing entity) under a security trust deed (and the relevant loan note supplement), which we will refer to in this base prospectus as the "**security trust deed**".

### The Depositor, Loan Note Issuing Entity and Investor Beneficiary

RBS Cards Securitisation Funding Limited, the loan note issuing entity and depositor, is a private limited liability company incorporated in Jersey, Channel Islands. Its registered office is located at Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ, Channel Islands. Its telephone number is + 44 (0)1534 285 279. The loan note issuing entity is a wholly-owned subsidiary of RBS.



The loan note issuing entity was incorporated on 2 February 2000 to issue loan notes from time to time in respect of which it becomes an investor beneficiary of the receivables trust.

The loan note issuing entity does not have any employees. The loan note issuing entity has entered into an agreement dated 27 March 2000 with The Royal Bank of Scotland International Limited, a wholly-owned subsidiary of RBS incorporated and resident in Jersey, under which The Royal Bank of Scotland International Limited has agreed to provide administrative services to the loan note issuing entity.

#### **The Royal Bank of Scotland plc**

The Royal Bank of Scotland plc is a public limited company incorporated in Scotland. Its registered office is located at 36 St Andrew Square, Edinburgh EH2 2YB, Scotland. It is regulated in the United Kingdom by the Financial Services Authority. Its telephone number is + 44 (0)131 556 8555.

#### **National Westminster Bank Plc**

National Westminster Bank Plc is a public limited company incorporated in England and Wales. Its registered office is located at 135 Bishopsgate, London EC2M 3UR. It is a wholly-owned subsidiary of RBS. It is regulated in the United Kingdom by the Financial Services Authority as part of the RBS group of companies. Its telephone number is + 44 (0)20 7085 5000.

#### **The Originators**

RBS and NatWest, both acting through Cards Business, originate, and may from time to time purchase, portfolios of revolving credit card accounts. RBS and NatWest have transferred receivables to the receivables trustee prior to the date of this base prospectus and each of RBS and NatWest may in the future transfer additional receivables to the receivables trustee.

#### **The Servicer**

RBS, acting through Cards Business, services the receivables in the receivables trust. Except in exceptional circumstances, RBS may not resign as servicer, but its appointment may be terminated and a successor servicer appointed in the event of a default by the servicer. In the future, additional originators, if any, may act as co-servicers.

#### **The Trust Cash Manager**

RBS, acting through both Cards Business and GBM, acts as trust cash manager of the receivables trustee in connection with the programme.

#### **The Receivables Trustee**

South Gyle Receivables Trustee Limited, the receivables trustee, is a private limited liability company, which was incorporated in Jersey, Channel Islands on 2 February 2000. Its registered office is located at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands. Its telephone number is +44 (0)1534 609000. The receivables trustee does not have any employees. The shares of the receivables trustee are held by two nominees for a professional trust company – not affiliated to RBS – on trust for charitable purposes. After the receivables trustee has paid all amounts due in respect of each beneficial interest in the receivables trust and met all of its costs and expenses, any profits will be paid as dividends to the professional trust company which will pay them on to charities in Jersey selected at its discretion. The payments on your notes will not be affected by this arrangement.

## THE RECEIVABLES

The receivables consist of amounts charged by cardholders, who are individuals, to designated MasterCard® and VISA® revolving credit card accounts of the originators originated or acquired in the United Kingdom for the acquisition of merchandise, services and cash advances. The receivables also include the periodic finance charges and fees charged to the credit card accounts.

Only receivables that meet specified conditions will be added to the securitised portfolio. Those conditions include that the receivable be payable in sterling (or, in the case of receivables from accounts in other permitted jurisdictions, the currency of that jurisdiction), not be classified by the originator as counterfeit, cancelled, fraudulent, lost or stolen, and not be a defaulted receivable, and that the cardholder be an individual whose most recent billing address is located in England, Wales, Scotland or Northern Ireland or a permitted additional jurisdiction.

As of 31 October 2008, the aggregate face value of the receivables in the securitised portfolio was £4,374,395,043.02. The final terms in respect of each series of notes will contain more detailed information regarding the composition of the securitised portfolio at the time of the offering of such series.

Subject to a maximum permitted number, the originators have the right to transfer additional future and existing receivables in respect of additional accounts **provided that** certain preconditions are satisfied or the rating agencies affirm the current ratings assigned to any outstanding notes (see "*The Receivables – Transfer of Receivables to the Receivables Trust*"). Receivables will be immediately removed from the receivables trust once the relevant account of these receivables is redesignated as a defaulted account, a cancelled account or a zero balance account. Receivables may also be removed if, together with other conditions, the rating agencies affirm the current ratings assigned to any outstanding notes (see "*The Receivables – Redesignation and Removal of Accounts*").

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\* MasterCard® and VISA® are US federally registered servicemarks of MasterCard® International Inc. and VISA® USA Inc., respectively, and are registered trademarks in the United Kingdom of MasterCard® International Inc. and VISA® International Service Association, respectively.

## THE RECEIVABLES TRUST

The receivables trust was established on 27 March 2000 under the terms of the receivables trust deed and trust cash management agreement dated 27 March 2000 (we will refer to this agreement as the "**receivables trust deed and trust cash management agreement**"), under which the originator beneficiaries and the investor beneficiary have an undivided interest in the trust property equal to the proportion of their contributions to the receivables trust.

The receivables trustee was established to acquire credit card receivables from RBS and RBSA, pursuant to the 2000 transfers, and any additional originators (such as NatWest) and to hold those receivables and the related collections on trust for the beneficiaries under the terms of the receivables trust set out in the receivables trust deed and trust cash management agreement and to make payments to the beneficiaries in accordance with the terms of that agreement as supplemented from time to time. Further transfers of receivables to the receivables trust may occur from time to time. The receivables trustee has previously accepted offers of credit card receivables from RBS and RBSA in an initial transaction on 27 March 2000 and in subsequent transfers on 30 June 2000, 10 September 2001, 26 November 2001, 8 January 2002, 1 February 2002 (two transfers on that date), 31 May 2002 and 25 June 2003. The receivables trustee has previously accepted offers of credit card receivables from RBS and NatWest on 27 October 2005, 31 October 2006 and 1 April 2008. Before the first offer from NatWest was accepted, NatWest acceded to the receivables trust as originator beneficiary with an originator interest in the receivables trust. The receivables trustee may from time to time adjust the relative sizes of the undivided beneficial interests in the receivables trust. The receivables trustee may not engage in any unrelated activities.

### The Investor Interest

As is further described under "*The Receivables Trust – Acquisitions*", the loan note issuing entity will pay the proceeds of the issue of each loan note to the receivables trustee to increase its undivided beneficial interest in the receivables trust. We will refer to that undivided beneficial interest as the "**aggregate investor interest**". The aggregate investor interest is evidenced by an investor certificate which will be annotated to evidence each increase in the aggregate investor interest.

The loan note issuing entity will make payments of principal and interest on each loan note using distributions made to it by the receivables trustee with respect to that part of the aggregate investor interest which is referable to that loan note. We call the part of the aggregate investor interest, for the purposes of calculating these amounts for a series, a "**series investor interest**".

The receivables trustee will be entitled to use the amount contributed by the loan note issuing entity – together with monies contributed to it by the other beneficiaries of the receivables trust – in the ways set out in the receivables trust deed and trust cash management agreement, which include accepting offers by the originators to transfer to the receivables trustee the present and future receivables generated by credit card accounts of the originators, making further payments in respect of future receivables on existing accounts which have been assigned to the receivables trustee by the originators, and distributing any remaining available cash to the originator beneficiaries in accordance with their beneficial entitlement to the undivided trust property.

The receivables trustee has used the previous trust contributions made by the loan note issuing entity together with contributions made by the originator beneficiaries to accept the offers made by the originators described above.

The aggregate investor interest will entitle the loan note issuing entity to receive at specified times payment of a designated proportion of collections of the credit card receivables and interchange assigned by the originators to the receivables trustee in respect of each series investor interest. The loan note issuing entity will use those collections to pay amounts due on the corresponding series loan note.

### Swap Counterparty

The notes within a series to be issued by the issuing entity from time to time may be denominated in different currencies and have a fixed or floating rate of interest (as specified in the relevant final terms). The issuing entity may, in relation to certain classes and sub-classes of notes, enter into an ISDA master agreement and related schedules and confirmations (each, referred to herein as a "**swap agreement**") with a swap counterparty (referred to herein as the "**swap counterparty**"). Each set of final terms will provide

details of any swap agreement in respect of a particular class or sub-class of notes including the name of the swap counterparty (see "*Description of the Swap Agreements*").

### TRANSACTION FEES

The following table summarises certain fees payable out of cashflows from the receivables trust.

<b>Recipient</b>	<b>Fee</b>	<b>Priority in cashflow</b>	<b>Frequency</b>
Servicing Fee.....	0.75% of adjusted investor interest of each series	Proportionately to each class of notes	Each distribution date
Trust Cash Management Fee .....	£6,000 per annum per series in issuance or as otherwise set out in the relevant final terms	Proportionately to each class of notes	Each distribution date
Interest on Expense Loan Facility .....	As set forth in the relevant final terms	Subordinated to class A and (if relevant) class B monthly distribution amounts	Each payment date
Interest on Loan Note Issuing Entity Expense Loan Facility (if any)....	As set forth in the relevant final terms	Subordinated to class A and (if relevant) class B monthly distribution amounts	Each payment date

## THE NOTES – OVERVIEW

### Listing

Each series may be admitted to the Official List of the UKLA and admitted to trading on the regulated market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange, regulated market, and/or quotation system as may be agreed between the issuing entity, the arranger and the relevant dealer(s) and specified in the relevant final terms.

### Clearing Systems

The clearing systems are the Depository Trust Company ("**DTC**"), Euroclear Bank S.A./N.V. ("**Euroclear**") (1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium) and/or Clearstream Banking, *société anonyme* ("**Clearstream**") (L-2967 Luxembourg, Luxembourg) and/or, in relation to any series, any other clearing system as may be specified in the relevant final terms.

### Status, Security and Priority of Payments of the Notes

Each series will be constituted by a trust deed supplement between, among others, the issuing entity and the note trustee (referred to herein as the "**trust deed supplement**"). Within a series, notes of each class will rank *pari passu* among themselves and rateably without preference or priority among themselves. Each class of notes within a series may be comprised of sub-classes, each denominated in any of sterling, US dollars or euro. The sub-classes within a class of notes will rank *pari passu* among themselves and rateably without priority or preference among themselves. As security for the payment of all monies payable in respect of a series, the issuing entity will, pursuant to the trust deed and the relevant trust deed supplement executed in relation to that series, create a first fixed security interest over, amongst other things, its rights to receive payments under the relevant loan note (see "*Terms and conditions of the Notes*", "*The Loan Notes*" and "*The Trust Deed and the Trust Deed Supplements*"). The note trustee will be the registered holder of each loan note in order to perfect properly the first fixed security interest in respect of each loan note, which is the main asset of the issuing entity backing the relevant series (see "*The Loan Notes*").

For details of the priority of payments with respect to amounts available to the issuing entity, both prior to and post enforcement of the security see "*Cashflows of the issuing entity*" and "*Terms and Conditions of the Notes*".

Amounts available to the issuing entity for payment of, among other things, interest and repayment of principal on a series will be derived from amounts received by the issuing entity from the loan note issuing entity as payments of interest and principal on the corresponding loan note (see "*The Loan Notes*").

Such payments will, if paid in full, be sufficient for the issuing entity to meet the amounts required (a) to pay the fees, costs and expenses of the issuing entity and the note trustee as herein described, (b) to make any necessary payments to the swap counterparty, if any, as specified in the relevant final terms, (c) to make payments of interest on the notes as specified in this base prospectus and the relevant final terms, (d) to make payments of principal on the notes on the relevant distribution date or dates as specified in this base prospectus and relevant final terms, (e) to pay certain amounts representing earnings of the issuing entity in the conduct of its business, and (f) to make other payments required to be made by the issuing entity from time to time as herein described or as further described in the relevant final terms.

We will refer to the 15th day in each month or, if such day is not a business day, the next business day, or any other date as may be specified in the relevant final terms as a "**distribution date**" in this base prospectus. References in this base prospectus, unless specified otherwise, to a "**business day**" have the meaning given to it in the terms and conditions of the notes (See also "*The Receivables Trustee*", "*The Loan Notes*" and "*The Trust Deed and the Trust Deed Supplements*").

### Form of Notes

The notes will be issued in registered form. The notes of each class or sub-class will be represented by a global note certificate registered in the name of a nominee for The Depository Trust Company or for Clearstream and/or Euroclear and/or, in relation to any series, for any other clearing system as may be specified in the relevant final terms. We refer to each beneficial interest in a global note certificate as a

**"book-entry note".** A holder of notes may exchange those notes for other notes of the same class or sub-class of any authorised denominations and of the same aggregate stated principal amount and tenor.

Any holder of a note may present that note for registration of transfer, with the form of transfer properly executed, at the office of the registrar or at the office of any transfer agent that the issuing entity designates. Holders of notes will not be charged any service charge for the exchange or transfer of their notes. Holders of notes that are to be transferred or exchanged will be liable for the payment of any taxes and other governmental charges described in the trust deed or any trust deed supplement before the transfer or exchange is completed. The registrar or transfer agent, as the case may be, will effect a transfer or exchange when it is satisfied with the documents of title and identity of the person making the request.

The issuing entity has appointed The Bank of New York (Luxembourg) S.A. as the registrar for the notes. The issuing entity may also at any time designate additional transfer agents for any series or class or sub-class of notes. The issuing entity may at any time rescind the designation of any transfer agent or approve a change in the location through which any transfer agent acts. However, the issuing entity will be required to maintain a transfer agent in each place of payment for a series or class or sub-class of notes.

### **Currencies**

Notes of each class or sub-class will be denominated in US dollars, sterling or euro, as specified in the relevant final terms, and subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### **Issue Price**

Notes may be issued at any price as specified in the relevant final terms.

### **Maturities**

Notes may be issued with any maturity as specified in the relevant final terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

### **Scheduled Redemption**

Unless previously purchased and cancelled, each class or sub-class of a particular series will be redeemed on the scheduled redemption date as specified in the relevant final terms of such series to the extent of the amount which has on that day been credited to the relevant class or sub-class distribution ledger in the relevant issuing entity distribution account of such series, in accordance with the provisions of the relevant loan note.

### **Mandatory Early Redemption and Priority of Payments**

Notes of a particular class or sub-class may be redeemed before their stated scheduled redemption date upon the commencement of a rapid amortisation period or (if applicable) a regulated amortisation period (see "*Terms and Conditions of the Notes*", and "*Description of the Swap Agreements*") as further specified in this base prospectus and in the relevant final terms.

### **Optional Early Redemption**

Notes of a particular series may be issued as being able to be redeemed on any call date if specified as such in the relevant final terms (see "*Terms and Conditions of the Notes*"). If specified in the final terms of a series, the issuing entity shall redeem such series in full in accordance with condition 7(c) (*Optional Early Redemption in Full*) if the loan note issuing entity has refinanced the loan note which corresponds to the relevant series through the issuance of a new loan note and used the proceeds received from the issuance of the new loan note to redeem the existing loan note. Prior to giving notice of its intention to redeem the notes of a particular series, the issuing entity is required to provide the note trustee with a certificate signed by two directors of the issuing entity to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the relevant series on such interest payment date as aforesaid and to pay any amounts required to be paid in priority to or *pari passu* with such series outstanding in accordance with the conditions of the trust deed and relevant trust deed supplement.

**Final Redemption**

If a series has not been redeemed in full as described in the "*Scheduled Redemption*" section of the relevant final terms, the series will be finally redeemed at its principal amount outstanding plus accrued interest by the final redemption date as specified in the relevant final terms.

**Interest**

Interest will be payable in arrear and accrue at a fixed rate or a floating rate (see "*Terms and Conditions of the Notes*") and the method of calculating interest will be specified in the relevant final terms for each series of notes. An interest payment date for each series will be specified in the relevant final terms but may be subject to change upon the commencement of a rapid amortisation period or regulated amortisation period.

References in this base prospectus to an "**interest period**" shall mean the period commencing on and including an interest payment date or, in the case of a first period for a series, the relevant closing date for such series, and ending on but excluding the next interest payment date or, in the case of the first period, the first interest payment date as specified in the relevant final terms.

**Denominations**

Notes will be issued in such denominations as may be specified in the relevant final terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes will be issued in minimum denominations of at least €50,000 or such amount as shall be at least equal to its equivalent in any other currency as at the date of issue of those notes as specified in the relevant final terms in the case of any notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the prospectus directive.

**Negative Covenants**

The notes will have the benefit of negative covenants of the issuing entity as described in condition 5 (see "*Terms and Conditions of the Notes – Negative Covenants of the Issuing Entity*").

**Credit Enhancement**

Credit enhancement for a particular series may be provided by a reserve account funded from excess finance charge collections ultimately being paid to the originators by the receivables trustee as additional consideration to the extent not utilised as enhancement. Credit enhancement for a particular series may also be provided (unless specified to the contrary in the relevant final terms) by a spread account funded either initially and/or from excess finance charge collections ultimately being paid to the originators by the receivables trustee as additional consideration to the extent not used as enhancement. The amount of spread available to a relevant series will be described in the relevant final terms for such series (see "*Sources of Funds to Pay the Loan Notes – Available Spread and Spread Account*").

Each series is entitled to (or subject to) varying percentages of principal collections, finance charge collections and losses in respect of receivables. Any loss not covered by enhancements or credit support will be borne in order of subordination of the different classes and sub-classes of notes among themselves, as described in the relevant final terms.

**Taxation**

In the event of any withholding or deduction for, or on account of, any taxes, duties, assessments or government charges of whatever nature being imposed, levied, collected, withheld or assessed on payments of principal or interest in respect of the notes by the United Kingdom or any other jurisdiction or political subdivision or any authority in or of such jurisdiction having power to tax, the issuing entity or the paying agent shall make such payments after such withholding or deduction and neither the issuing entity nor the paying agent will be required to make any additional payments to holders of the affected series of notes in respect of such withholding or deduction.



**Governing Law**

English law.

**Enforcement of Notes in Global Form**

In the case of each global note certificate in relation to a class or sub-class, noteholders' rights against the issuing entity will be governed by the trust deed and the relevant trust deed supplement which will be entered into by the issuing entity prior to the issuance of each series.

**Ratings**

Each class of notes may on issue be assigned a rating by any of Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), Moody's Investors Service, Inc. ("**Moody's**") or Fitch Ratings Ltd ("**Fitch Ratings**" and, together with Standard & Poor's and Moody's, the "**rating agencies**"). The ratings expected to be assigned to each class of notes by the relevant rating agency will be stated in the final terms for that series. A rating is not a recommendation to buy, sell or hold the notes. A rating may be suspended, lowered or withdrawn at any time.

**Selling Restrictions**

Unless otherwise specified in the relevant final terms, the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Unless otherwise specified in the relevant final terms, the notes may only be offered, sold or delivered outside the United States to persons who are not US persons in offshore transactions in reliance on Regulation S.

Any other selling restrictions applicable to a series will be described in the relevant final terms.

## **TAX AND ERISA CONSIDERATIONS**

### **United Kingdom Tax Status**

Provided the notes are and continue to be listed on a "**recognised stock exchange**" within the meaning of section 1005 of the Income Tax Act 2007 then interest payments thereon may be made without withholding or deduction on account of UK income tax. HMRC guidance indicates that the London Stock Exchange is currently a "**recognised stock exchange**" for these purposes.

### **Jersey Tax Status**

The issuing entity is not regarded as resident for income tax purposes in Jersey and, consequently, is not liable to be charged to tax under Schedule D under the Income Tax (Jersey) Law 1961, as amended; and it is not expected that the issuing entity will be in receipt of income that would be liable to be charged to tax under any other Schedule under that Law.

The loan note issuing entity is not entitled to make any deduction or withholding for or on account of Jersey income tax from any interest or other payments on any loan note. No holder of a loan note (other than a resident of Jersey) is subject to any tax in Jersey in respect of the acquisition, ownership, sale, exchange or other disposition of such loan note.

The receivables trustee will not be liable for tax in Jersey on the income of the receivables trust.

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposition *inter vivos* of the loan notes.

### **Certain ERISA Considerations for Investors**

Unless otherwise stated in the relevant final terms, employee benefit plans subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and any "plan" as defined in and subject to the provisions of Section 4975 of the Code (including any entity the assets of which are deemed to constitute the assets of any such employee benefit plan or plan), will not be permitted to purchase or hold notes (or any interest therein).

## RISK FACTORS

*The following is a summary of the principal risks in connection with the Arran Funding (UK) Medium Term Note Programme and an investment in the notes issued under such programme and is not intended to be exhaustive. You should carefully consider the following principal risk factors and any additional risk factors set out in the applicable final terms before deciding to invest in the notes offered by this base prospectus and the applicable final terms.*

### **You may not be able to sell your notes.**

There is currently no secondary market for the notes. The arranger and dealers expect, but are not obliged, to make a market in the notes. If no secondary market develops, you may not be able to sell your notes. We cannot offer any assurance that a secondary market will develop or, if one does develop, that it will continue.

In addition, noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this base prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the notes. Such lack of liquidity may result in noteholders suffering losses on the notes in secondary resales even if there is no decline in the performance of the securitised portfolio. The issuing entity cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the notes and instruments similar to the notes at that time.

"**securitised portfolio**" means the pool of receivables that have been transferred to the receivables trustee from time to time as set out in the relevant final terms.

### **The issuing entity's ability to meet its obligations on your notes depends on receipt of payments due under the relevant loan note.**

The ability of the issuing entity to pay the principal of and interest on your notes will depend on the receipt by it of payments due under the relevant loan note issued by the loan note issuing entity.

The issuing entity will be entitled to receive interest payments under the relevant loan note for each series which will be applied (a) to pay the fees, costs and expenses of the issuing entity and the note trustee as herein described, (b) to make any necessary payments to the swap counterparty, if any, as specified in the relevant final terms, (c) to make payments of interest on the notes as specified in this base prospectus and the relevant final terms, (d) to pay certain amounts representing earnings of the issuing entity in the conduct of its business and (e) to make other payments required to be made by the issuing entity from time to time as herein described or as further described in the relevant final terms. Additionally, the issuing entity will be entitled to receive certain principal payments under the relevant loan note which will be applied in redeeming the notes (either directly or indirectly via payments made to and received from swap counterparties).

The notes are limited recourse obligations of the issuing entity. If the issuing entity does not receive sufficient funds under the relevant series loan note, then the payment of interest and/or the repayment of principal on your notes may be delayed or reduced.

The issuing entity's receipt of sufficient funds under the relevant loan note to pay the amounts due and to repay the entire principal amount of the notes will be dependent on, amongst other things: (i) payments actually being made by cardholders (from whom no security has been taken in the support of those payments) and the proceeds of any relevant guarantees or insurance policies in respect of cardholders (to the extent such are capable of assignment), (ii) those payments being collected by the servicer in accordance with the provisions of the receivables trust deed and trust cash management agreement and paid to the receivables trustee, (iii) distributions being made by the receivables trustee to the loan note issuing entity of amounts allocable to the loan note issuing entity in accordance with the receivables trust deed and trust cash management agreement in respect of the relevant loan note, (iv) payment being made by the relevant swap counterparty, if any, in respect of its obligations to the issuing entity under the swap agreements (if any), and (v) payment being made by the loan note issuing entity in respect of its obligations to the issuing entity under the relevant loan note.

Amounts paid to the issuing entity by the loan note issuing entity in respect of each loan note will be used to pay principal and interest on the notes of the corresponding series in accordance with the terms and

conditions for that series (subject to payment of amounts for fees, costs and expenses of the issuing entity and the note trustee).

**Investors in class B notes (if any) and class C notes (and any sub-class thereof) of any series will have additional risks because their notes are subordinated.**

The class B notes (if any) of a series (and every sub-class thereof (if any)) are subordinated in right of payment of interest and principal to the class A notes (and every sub-class thereof (if any)) in the same series. Interest and principal payments to the class B noteholders (if any) will not be made until the class A noteholders are paid interest and principal due in full. This could cause the class B noteholders (if any) not to receive the full amount of interest and principal due to them or for such payment to be delayed.

The class C notes of a series (and every sub-class thereof (if any)) are subordinated in right of payment of interest and principal to the class A notes (and every sub-class thereof (if any)) and the class B notes (if any) (and every sub-class thereof (if any)) in the same series. Interest and principal payments to the class C noteholders will not be made until the class A noteholders and the class B noteholders (if any) are paid interest and principal due in full. This could cause the class C noteholders not to receive the full amount of interest and principal due to them or for such payment to be delayed.

If available funds are not sufficient to pay interest on all classes of notes, the notes may not receive full payment of interest if, in the case of class A and class B notes (if any), there are insufficient retained principal collections to cover such shortfall and if, in the case of class C notes, there are insufficient amounts on deposit in the spread account (if any) to cover the shortfall.

**"class A noteholder"** means, in respect of a class A global note certificate, the holder of the class A global note certificate or any sub-class thereof or, in respect of a class A individual note certificate, the person whose name appears on the register (or if more than one person is named in the register, the first person named).

**"class B noteholder"** means, in respect of a class B global note certificate (if any), the holder of the class B global note certificate or any sub-class thereof or, in respect of a class B individual note certificate (if any), the person whose name appears on the register (or if more than one person is named in the register, the first person named).

**"class C noteholder"** means, in respect of a class C global note certificate, the holder of the class C global note certificate or any sub-class thereof or, in respect of a class C individual note certificate, the person whose name appears on the register (or if more than one person is named in the register, the first person named).

**The issuance of additional series of notes from time to time may, in certain circumstances, adversely affect your rights by diluting your voting power.**

The issuing entity may issue additional series of notes from time to time. Noteholders of a given series may be entitled to instruct the note trustee to enforce their rights against the issuing entity. Under the trust deed, the giving of some instructions to the note trustee may only necessitate the vote of the noteholders of one particular series. However, the giving of other instructions to the note trustee may require the consent or approval of a percentage of the noteholders of all outstanding series of notes. Thus, under the latter scenario, the issuance of future series that will be entitled to vote together with pre-existing series will dilute the voting power of holders of those pre-existing series.

Noteholders whose notes are related to a loan note of a given series may require the loan note issuing entity, as investor beneficiary, to enforce its rights against the receivables trustee to require it to perform its role as receivables trustee. However, it may be necessary to obtain the consent or approval of noteholders whose notes are related to a certain percentage of the total principal balance of all series loan notes to require or direct those actions. These actions include terminating the appointment of the servicer under the beneficiaries servicing agreement. Thus noteholders whose notes are related to any future series loan note will have voting rights that will reduce the percentage interest of noteholders whose notes are related to previously issued loan notes. Noteholders whose notes are related to loan notes of various series may have interests that conflict with the interests of noteholders whose notes are related to another series loan note. This may ultimately restrict the ability of the noteholders or the note trustee to direct the loan note issuing entity or the security trustee to take the actions referred to above.

**Allocations of charged-off receivables could reduce your payments.**

We anticipate that the servicer will charge-off or write-off as uncollectable some of the receivables (we will refer to these throughout this base prospectus as "**charged-off receivables**"). Each beneficiary of the receivables trust – including the investor beneficiary – will bear a proportionate share of charged-off receivables. If the amount of charged-off receivables allocated to the investor interest with respect to any series of notes issued under this base prospectus and the relevant final terms exceeds the amount of funds available to cover those charge-offs, the amount paid to the issuing entity in respect of the corresponding loan note by the loan note issuing entity on the next following payment date may be reduced. This could cause the holders of the notes not to receive the full amount of principal and interest due to them. Any loss will be borne in order of subordination of the different classes and sub-classes of notes among themselves, as described in the relevant final terms.

**Inability of noteholders to receive the full percentage allocation of principal collections during the regulated amortisation period could delay payments on your notes or cause a loss on your notes.**

Unless specified otherwise in the relevant final terms, some series pay-out events with respect to a series of notes issued under this base prospectus and the relevant final terms may cause the start of the regulated amortisation period rather than the rapid amortisation period. During a regulated amortisation period, not all of the principal collections allocated to the series investor interest with respect to any such series of notes may be used to make payments of principal to the loan note issuing entity, as they would be during a rapid amortisation period. Instead, the amount of principal payments to the loan note issuing entity – and thus ultimately on your notes – will not exceed the controlled deposit amount. This could cause you to receive payments of principal more slowly than you would during a rapid amortisation period. A deterioration in the performance of the receivables may have the effect of starting a regulated amortisation period with respect to a class or sub-class of notes, which could cause a delay in the principal payments on your notes or expose you to an increased risk of losses on your notes.

**There has been no independent investigation of receivables.**

None of the loan note issuing entity, the receivables trustee, the security trustee, the note trustee, the issuing entity, the arranger or the dealers has undertaken or will undertake any investigations, searches or other actions to verify the details of the receivables – other than steps taken by the issuing entity to verify the details of the receivables that are presented in any set of final terms – or to establish the credit-worthiness of any cardholder on the designated accounts. The loan note issuing entity, the receivables trustee, the security trustee, the note trustee and the issuing entity will rely solely on the representations given by an originator to the receivables trustee about its receivables, the cardholders on the designated accounts, the designated accounts and the effect of the assignment of its receivables.

"**designated account**" means an account which has been originated under and continues to conform to the credit card eligibility criteria described in the base prospectus and has been flagged on the relevant originator's system as being the subject of an offer of transfer to the receivables trustee.

**Insolvency of an originator may result in an inability to repurchase receivables.**

If any representation made by an originator about the receivables proves to have been incorrect when made, that originator will be required to repurchase the affected receivables from the receivables trustee. If an originator becomes bankrupt or insolvent, the receivables trustee may be unable to compel that originator to repurchase receivables, causing a loss on, and/or the early redemption of, the notes.

**Insolvency of the issuing entity, the loan note issuing entity or the receivables trustee could cause a loss on, and/or the early redemption of, the notes.**

The ability of each of the issuing entity, the loan note issuing entity and the receivables trustee to meet its obligations under the notes, the relevant loan note, the receivables securitisation agreement (as defined under the heading "*The Receivables – Assignment of Receivables to the Receivables Trustee*") or the receivables trust deed and trust cash management agreement, as the case may be, will depend upon its continued solvency.

Each of the issuing entity, the loan note issuing entity and the receivables trustee has been structured so that the likelihood of its becoming insolvent is remote. Each of these entities is or will be contractually restricted from undertaking any business other than in connection with the financings described in this

base prospectus. Each of them is or will be expressly prohibited from incurring any additional indebtedness, except as permitted by the agreements to which it is a party, having any employees, owning any premises and establishing or acquiring any subsidiaries. Contractual provisions are or will be contained in each of the agreements to which they are or will be a party that will prohibit the other parties to those agreements from taking any actions against any of these entities that might lead to its insolvency. Together, these provisions help ensure that the likelihood of any of these entities becoming insolvent is remote.

Notwithstanding these actions, it is still possible that the issuing entity, the loan note issuing entity or the receivables trustee could become insolvent. If this were to occur, you could suffer a loss on, and/or the early redemption of, your notes.

### **Enforcement of the Security for the Notes**

If the security for the notes of your series created by the relevant trust deed supplement is enforced following an event of default in respect of such series, the note trustee will have recourse to payments due from the loan note issuing entity under the loan note securing the series of which your notes are a part. However, enforcement of the security will not result in accelerated repayment of your notes unless amounts become available for distribution as a result of the enforcement of the relevant security. It is expected that the note trustee will only be able to distribute to you and other noteholders within a particular series those funds which are available under the loan note securing that series. If the security is enforced, the monies deposited in respect of the loan note securing that series on each distribution date in the relevant issuing entity distribution account of such series will be applied firstly to meet any remuneration due to any receiver appointed pursuant to the trust deed and the note trustee, to meet other fees, costs and amounts due to the note trustee as provided in the trust deed and applicable trust deed supplement and to pay any outstanding issuing entity costs amount, secondly (to the extent not already paid) to meet the fees, costs and expenses of the note trustee and/or any agent and to pay any outstanding amounts under the corporate services agreement and, thirdly, to meet payments of interest and principal on the notes and payments to the swap counterparty (if any).

### **Enforcement of the Security for the Loan Notes**

Upon enforcement of the loan note security for any loan note, the security trustee will have recourse only to the loan note issuing entity's beneficial entitlement to trust property under the receivables trust to the extent of that part of the investor interest backing the relevant loan note. However, enforcement of the loan note security in respect of a single series will not result in accelerated repayment of all of the loan notes, except in the event of a trust pay-out event (see "*The Loan Notes – Loan note events of default*") or unless amounts become available for distribution as a result of the enforcement of the relevant security. With respect to each series, the security trustee will only be able to pay to the issuing entity as beneficial holder of the relevant loan note those funds which are credited to the relevant loan note issuing entity distribution account of the series (in accordance with the relevant final terms). The loan note issuing entity and the security trustee will have no recourse to any originator other than the ability (in certain circumstances) to call upon the receivables trustee to exercise its rights against an originator for any breach of certain representations in respect of the receivables and for any breach of certain other obligations as therein specified. In summary, if the security over the loan note of a particular series is enforced, the monies deposited in the relevant loan note issuing entity distribution account of such series on each distribution date will be applied first to meet any remuneration due to any receiver appointed pursuant to the security trust deed and the security trustee, to meet other fees, costs and amounts due to the security trustee as provided in the security trust deed and to meet the fees, costs and expenses of the loan note issuing entity, and secondly to meet payments of principal and interest on the relevant loan note. If funds credited to the relevant loan note issuing entity distribution account are insufficient to meet payments of principal and interest on the loan note of the series, payments of principal and interest on your notes may be delayed or reduced.

### **The receivables trustee, the loan note issuing entity and the issuing entity are reliant on third parties.**

Each of the receivables trustee, the loan note issuing entity and the issuing entity is a party to contracts with a number of other third parties that have agreed to perform certain services in relation to the receivables. For example, the servicer has agreed to provide services in respect of the receivables under the servicing agreement, the cash manager has agreed to provide certain cash management and calculation

services under the receivables trust deed and trust cash management agreement, the relevant swap counterparty may agree to provide currency and/or interest rate swaps under the relevant swap agreement(s). The servicer may delegate all or part of their obligations to another party in accordance with the servicing agreement.

Disruptions in the servicing and/or cash management process, which may be caused by the failure to appoint a successor servicer and/or a successor cash manager (or, to the extent that the servicer is unable to perform its obligations as servicer, a delegate servicer) or the failure of the servicer and/or cash manager to carry out its services, could lead to a loss on the notes and/or early redemption of the notes.

Each of the receivables trustee, the loan note issuing entity and the issuing entity will rely on the relevant third party or its delegate, where applicable, to exercise the rights and carry out the obligations under the respective agreement to which it is a party. In the event that any relevant third party or its delegate was to fail to perform its obligations under the respective agreements, one or more series may be adversely affected.

**Application of the Consumer Credit Act 1974, as amended by the Consumer Credit Act 2006, and other legislation may impede collection efforts and could cause a loss on, and/or the early redemption of, your notes.**

There is an increasing volume of legislation that is applicable to consumer credit in the United Kingdom. Of particular importance for your investment in the notes are the Consumer Credit Act 1974 as amended by the Consumer Credit Act 2006 (we refer to the Consumer Credit Act 2006 as the "**CCA 2006**" and the Consumer Credit Act 1974, as amended by the CCA 2006, as the "**CCA**"), and the related Unfair Terms in Consumer Contracts Regulations 1999, as amended (the "**UTCCR**"). The Office of Fair Trading (the "**OFT**") is responsible for the issue of licences under, and the superintendence of, the CCA, related consumer credit regulations and other consumer protection legislation including the UTCCR. The OFT may review businesses and operations, provide guidelines to follow and take action when necessary. The CCA and UTCCR apply, in whole or in part to the transactions occurring on the designated accounts and to the underlying credit card agreements, which may result in adverse consequences, such as possible unenforceability of all or part of an agreement, remedies for the imposition of an unfair relationship or possible liabilities for misrepresentation or breach of contract.

*Enforcement of improperly executed or modified credit card agreements*

Any credit card agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures and (in so far as applicable) pre-contract disclosure. If a credit card agreement entered into before 6 April 2007 does not comply with these requirements, then, to the extent that the credit card agreement is regulated by the CCA or treated as such, it may, depending upon the nature of the non-compliance and origination of the agreement, be unenforceable either automatically or unless the creditor obtains a court order.

In respect of credit card agreements entered into on or after 6 April 2007, the CCA 2006 abolished the mandatory unenforceability provisions. Accordingly, if such an agreement does not comply with the relevant requirements, it will be unenforceable unless the creditor obtains a court order.

Where the court is able to exercise its discretion, the court will take into account any prejudice suffered by the cardholder and any culpability by the creditor.

The court has the discretion, if it appears just to do so, to amend the credit card agreement, impose conditions upon its performance or to make a time order (for example, give extra time for arrears to be cleared). Should a credit card agreement be unenforceable against a cardholder without a court order, the originators cannot guarantee that a court order could be obtained.

As is common with many other UK credit card issuers, some of the originators' credit card agreements do not comply in all respects with the CCA, the UTCCR or other related legislation.

In addition, the originators, in common with many other UK credit card issuers, have received and expect to continue to receive correspondence from and to have discussions with, the OFT in relation to concerns the OFT may raise from time to time in respect of compliance of the originators' credit card agreements with the CCA, the UTCCR or other related legislation, or any other concerns that the OFT may have in

respect of originators' credit card agreements or the originators' advertising, marketing or administration thereof. In addition, there are a number of claims management companies who are encouraging customers to raise technical CCA compliance issues against financial institutions. This raises the possibility that technical issues described may be raised by cardholders in the future and that the number of such issues raised could begin to grow in number.

If a credit card agreement related to a designated account has not been executed or modified in accordance with the provisions of the CCA and is totally unenforceable as a result, the principal receivables arising thereon will be treated as ineligible receivables. See "*The Receivables – Representations*".

#### *Remedies for the imposition of an unfair relationship*

The CCA 2006 introduced an unfair relationship test to all new and existing credit agreements. There is no statutory definition of what constitutes an unfair relationship. The test allows the courts to be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. Once the cardholder alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary.

If the relationship arising out of an agreement is found to be unfair, the court may: (a) require the creditor to repay sums to the debtor, (b) require the creditor to do, not to do or to cease doing anything in relation to the agreement, (c) reduce or discharge any sums payable by the debtor or surety, (d) direct the return of any surety, (e) alter the terms of the agreement or (f) direct accounts to be taken.

In addition, it is possible that certain clauses of a credit card agreement may be found to be unfair under UTCCR. Such unfair clauses may be found by the courts to be unenforceable against the consumer.

The possible unenforceability of, or liabilities due to, an underlying credit card agreement constituting an unfair relationship may result in unrecoverable losses on accounts to which such agreement applies. If losses arise on these accounts, they will be written off and borne by the investor beneficiary and originator beneficiary based on their interests in the receivables trust. Accordingly, this may result in adverse consequences such as a loss on, and/or the early redemption of, the notes.

With respect to those credit card agreements that may not be compliant, such that a court order enforcing such agreement could not be obtained, the originators estimate that, on any pool selection date or additional selection date, they will represent less than 1 per cent. of the aggregate principal amount of receivables in the designated accounts. The originators do not anticipate any material increase in the percentage of these receivables in the securitised portfolio. In respect of those designated accounts that do not comply with the CCA, it may still be possible to collect payments and seek arrears from cardholders who are falling behind with their payments. It is unlikely that the originators will have an obligation to pay or to account to a cardholder for any payments received from the cardholder because of this non-compliance with the CCA. Any such receivables will be treated by the receivables trustee as ineligible receivables. See "*The Receivables – Representations*".

#### *Liability for supplier's misrepresentation or breach of contract*

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

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

The receivables trustee has agreed on a limited recourse basis to indemnify each originator for any loss suffered by it from a cardholder claim under section 75 of the CCA. This indemnity cannot exceed the original outstanding principal balance of the affected charges on a designated card account. The receivables trustee's indemnity will be payable only from and to the extent of available spread on the



receivables. Any amounts that an originator recovers from the supplier will reduce such originator's loss for the purposes of the receivables trustee's indemnity.

Satisfaction by the receivables trustee of any such indemnity payment (as described above) could have the effect of reducing or eliminating excess spread which might otherwise have been available to the loan note issuing entity. These consequences could result in noteholders incurring a loss on, and/or the early redemption of, the notes.

The originators will have rights of indemnity against suppliers under section 75 of the CCA. The originator may also be able to "charge-back" the transaction in dispute with the supplier under the operating regulations of VISA® or MasterCard®.

The possible liabilities for misrepresentation or breach of contract in relation to an underlying credit card agreement may result in unrecoverable losses on accounts to which such agreements apply. If losses arise on these accounts, they will be written off and borne by the investor beneficiary and originator beneficiary based on their interests in the receivables trust. Accordingly, if this were to occur, it may result in adverse consequences such as a loss on, and/or the early redemption of, the notes.

**Recent and proposed legislative changes regarding consumer credit agreements and related matters may affect the yield obtained on the securitised portfolio and cause a loss on, and/or the early redemption of, your notes.**

The regulation of consumer credit agreements and related matters is subject to regular legislative intervention both at a European and UK level. There are several recent and proposed changes in law that may have an impact on the performance of the securitised portfolio, including:

*EU directive on unfair business-to-consumer commercial practices*

In May 2005, the European Parliament and the Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive has been implemented in the UK through the Consumer Protection from Unfair Practices Regulations (the "**CPR**"), which came into force on 26 May 2008. The CPR prohibits certain practices that are deemed "unfair". Breach of the CPR does not, of itself, render an agreement void or unenforceable but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit card agreement may result in unrecoverable losses on amounts to which such agreements apply. If losses arise on the credit card accounts, they will be borne by the investor beneficiary and the originator beneficiaries on the basis of their respective interests in the receivables trust. This may result in adverse consequences such as a loss on, and/or the early redemption of, the notes.

*EU directive relating to payment services*

The Payment Services Directive (the "**PSD**") is part of the EU's development of the Single European Payments Area, which is intended to harmonise and remove legal barriers for payments throughout the EU. Once implemented, the PSD will introduce authorisation and conduct of business requirements including rules covering pre- and post-contract information requirements, notice of variation of terms, termination rights and information on transactions. Other provisions address authorisation procedures for payments, refunds, liability for unauthorised or incorrect payments, procedure for execution and value dating.

*EU directive relating to consumer credit*

The second EU directive relating to consumer credit (the "**Consumer Credit Directive**") relates to consumer loans between €200 and €75,000, which are not required to be repaid within a month. The main effects of the Consumer Credit Directive are: the standardisation of information to be provided in advertising, the requirement for pre-contractual and contractual information, consumer cancellation rights, the right to early repayment and rules for the calculation of compensation and the requirement to specify the annual percentage rate of charge.

Until the PSD and the Consumer Credit Directive are implemented into UK legislation (which is required by November 2009 in respect of the PSD and May 2010 in respect of the Consumer Credit Directive) it is not possible to determine or predict accurately to what extent they will affect the yield on credit card agreements and receivables.

## **Banking (Special Provisions) Act 2008**

Under the Banking (Special Provisions) Act 2008, the UK Treasury (the "**treasury**") has been given certain powers in relation to authorised UK deposit-takers and their UK subsidiary undertakings such as the originators. These powers last until 21 February 2009 and are capable of having retrospective effect. The powers conferred on the treasury are wide-ranging and include the ability, in limited circumstances, to take various confiscatory, appropriative and similar measures in relation to property, rights and liabilities of an authorised UK deposit-taker. Although receivables sold by the originators to the receivables trustee will not constitute property of the originators for these purposes, given the extent of the treasury's powers, it is difficult to predict what effect their exercise might have on the performance of the securitised portfolio.

On 7 October 2008, the Banking Bill 2008 (the "**Banking Bill**") was published which, if enacted, would in large part implement on a permanent basis the temporary power granted to the treasury under the Banking (Special Provisions) Act 2008. The Banking Bill, if enacted, would provide the Bank of England with two stabilisation options in respect of UK-incorporated deposit-taking institutions, such as the originators, which are (i) private sale and (ii) transfer to a government owned "bridge bank". There is a third stabilisation option which entails the treasury being given the option to implement a temporary nationalisation of an institution. Although under the Banking Bill in its current form receivables sold by the originators to the receivables trustee would not constitute property of the originators for these purposes, it is difficult to determine to what extent the enactment of the Banking Bill and any exercise of any powers granted thereunder might impact the performance of the securitised portfolio.

### **Failure to notify cardholders of the transfer of receivables could delay or reduce payments on your notes.**

The transfer by the originators to the receivables trustee of the benefit of the receivables is governed by English law and does not give the receivables trustee legal title to the receivables. Notice to the cardholders of the transfer would be required to perfect the legal title of the receivables trustee to the receivables.

No notice has been given to cardholders of any transfers previously effected, and no notice is expected to be given to the cardholders of any future transfers of receivables to the receivables trustee. The receivables trustee has agreed that notice of the transfers will not be given to cardholders unless RBS's long-term senior unsecured indebtedness as rated by Moody's, Standard & Poor's or Fitch Ratings were to fall below Baa2, BBB or BBB, respectively. In the event that such notice is given to cardholders, it will specify that, from such time, payments should be made directly to the receivables trustee. The lack of notice has several legal consequences that could delay or reduce payments on your notes.

Until notice is given to a cardholder and, where necessary, a legal transfer of the receivable is made, the cardholder will discharge his or her obligation under that designated account by making payment to the relevant originator.

Until notice is given to a cardholder who is a depositor or other creditor of that originator, equitable set-offs may accrue in favour of the cardholder against his or her obligation to make payments to that originator under the designated account. These rights may result in the receivables trustee receiving reduced payments on the relevant receivables. The transfer of the benefit of any receivables to the receivables trustee will continue to be subject both to any prior equities that a cardholder has and to any equities the cardholder may become entitled to after the transfer. Where notice of the transfer is given to a cardholder, however, some rights of set-off may not arise after the date notice is given.

Failure to give notice to the cardholder means that the receivables trustee would not take priority over any interest of a later encumbrancer or transferee of the relevant originator's rights who has no notice of the transfer to the receivables trustee where such later encumbrancer or transferee gives notice. This could lead to a loss on, and/or the early redemption of, the notes.

Failure to give notice to the cardholder also means that the relevant originator and the cardholder could amend the credit card agreement without obtaining the receivables trustee's consent. This could adversely affect the receivables trustee's interest in the receivables, which could lead to a loss on, and/or the early redemption of, the notes.

### **Competition in the UK credit card industry could lead to an early redemption of your notes.**

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

Certain card issuers may rely on customer loyalty and may have particular ways of reaching and attracting customers. For example, major supermarket retailers are promoting the use of their own cards through extensive in-store campaigns and low introductory interest rates ("**teaser rates**"). Also, in the last few years a number of new card issuers have entered the UK market from the United States and have sought to build market share primarily through aggressive pricing. As a result of this competition, certain competitors offer cards to selected customers with various cost reducing features and/or at lower interest rates than those offered by the originators.

This competitive environment may affect the originators' ability to originate new accounts and generate new receivables and may also affect the level of retention of existing accounts. Some of the more recently originated accounts in the portfolio of the originators (which we will refer to as the "**bank portfolio**") were originated with the use of teaser rates. Such accounts are more susceptible to attrition upon expiration of the teaser rate (i.e. at repricing) than accounts originated without a teaser rate. Until recently, the attrition rate for such accounts has been increasing. However, the introduction of balance transfer fees has meant that this trend has softened. If the rate at which new receivables are generated declines significantly and if the originators are unable to nominate additional accounts for the receivables trust, a pay-out event could occur with respect to any series of notes issued under this base prospectus and the relevant final terms. Such a pay-out event could result in a loss on, and/or the early redemption of, your notes.

### **Social, legal, political and economic factors can affect credit card payments and may cause a delay in or default on payments.**

Changes in card use, payment patterns, amounts of yield on the bank portfolio generally and the rate of defaults by cardholders may result from a variety of social, legal, political and economic factors in the UK. Social factors include changes in public confidence levels, attitudes toward incurring debt and perception of the use of credit cards. Economic factors include the rate of inflation, the unemployment rate and relative interest rates offered for various types of loans. Political factors include lobbying from interest groups, such as consumers and retailers, and government initiatives in consumer and related affairs. For example, on 12 December 2008, the Department of Business, Enterprise and Regulatory Reform announced that credit card companies had agreed to a new set of 'fair principles' to apply when a credit card company increases the interest rate applicable to a credit card account.

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

In December 2003, the Secretary of State for Trade and Industry in the UK published a report entitled "Fair, Clear and Competitive: The Consumer Credit Market in the 21st Century" which set forth a number of government goals for reform in the consumer credit industry (which includes credit cards, loans and overdrafts). Pursuant to this report and the subsequent consultation process, new statutory instruments came into force on 31 October 2004 (covering advertising) and 31 May 2005 (covering the content and format of credit agreements, disclosure of pre-contract information and the calculation of rebates on early settlement), respectively. In addition, on 30 March 2006, the new CCA 2006 received Royal Assent.

The CCA 2006 is the culmination of a three-year review of consumer credit law. Its purpose is to reform the CCA to protect consumers and create a fairer, more transparent and more competitive credit market.

The new Consumer Credit Directive, which is expected to be implemented by May 2010, may result in further amendment of the CCA and secondary legislation.

The issuing entity is unable to determine and has no basis on which to predict accurately whether, or to what extent, such reforms may affect the balances, default rates or yield on the credit card portfolio or cardholder repayment patterns.

**Ongoing regulatory investigations may affect the yield obtained on the securitised portfolio and cause a loss on, and/or the early redemption of, your notes.**

There are various ongoing regulatory investigations into consumer credit and related financial services, in particular, by the UK Competition Commission, the OFT and the UK Financial Services Authority (the "FSA"). The outcome of these investigations is uncertain but they may have an impact on the yield obtained on the securitised portfolio which could, in turn, cause a loss on, and/or the early redemption of, your notes.

*Inquiries into payment protection insurance*

As a result of a super-complaint made by the Citizens Advice Bureau and a reference from the OFT, the UK Competition Commission is currently conducting an in-depth inquiry into payment protection insurance ("PPI"). The statutory deadline for the inquiry is February 2009. Separately, the FSA has recently published specific rules relating to PPI sales practices and continues to undertake further thematic work in this area.

The UK Competition Commission is currently considering and consulting on possible remedial action which might be taken as part of its industry-wide review. Possible remedial action being considered includes mandating that PPI is not sold at the same time as the credit product and/or the imposition of price caps on the PPI that is paid by a consumer.

On 30 September 2008, the FSA published its interim findings on the third phase of its thematic review of the sales processes and systems and controls around the sale of PPI. The FSA's findings are that some firms are failing to adequately explain PPI, to determine customers' eligibility and suitability and to establish appropriate compliance procedures. As a result of these findings, the FSA has confirmed that it will continue with the review and initiate enforcement action against firms which fail to meet FSA standards. A further update is expected to be published in early 2009.

We are unable to determine whether, or to what extent, any subsequent action by the OFT or the FSA in respect of PPI would affect the securitised portfolio or cardholder repayment patterns.

*Investigations relating to interchange*

The originators receive fees called "interchange" from the banks that clear transactions for merchants as partial compensation for, among other things, taking credit risk and absorbing fraud losses.

The OFT is conducting an ongoing examination of whether the levels of interchange paid by retailers in respect of MasterCard® and VISA® credit and charge cards in the UK are too high and in breach of competition law.

In December 2007, the European Commission announced that MasterCard's® default interchange fees for cross-border transactions with MasterCard® and Maestro® branded debit and consumer credit cards in the EEA violated EC Treaty rules on restrictive business practices and required MasterCard® to withdraw the fees. MasterCard® has since appealed this decision but has indicated that it will comply with the Commission's decision before the dispute is settled.

On 26 March 2008, the Commission formally announced that it would be initiating an in-depth inquiry into VISA's® multilateral interchange fees to assess their compatibility with EU laws (VISA® had benefited from an anti-trust exemption until December 2007).

The outcome of these investigations is uncertain but, if they result in a reduction of the rate of interchange, this could affect the future yield on the card portfolio and adversely affect payment on the notes, cause a loss on, and/or the early redemption of, the notes. In particular, given the inquiries into interchange are still on-going, there is a concern that a reduction in interchange may result in reductions in loyalty schemes (e.g. air miles), which may potentially result in cardholders with higher personal incomes using their credit cards less often.

#### *Super-complaint regarding the calculation of credit card interest charges*

In April 2007, the UK consumer interest association, Which?, submitted a super-complaint to the OFT criticising the various ways in which credit card companies calculate interest charges on credit card accounts. In February 2008, the OFT published a report on the ability of consumers to compare credit cards in the market and has since stated that it will work with the industry to implement improvements in this regard.

We are unable to determine, and have no basis on which to predict accurately, what effect this super-complaint may have on the cost of credit. No assurance can be given that the results of this programme of work will not adversely affect payment on the notes.

#### *Market study into personal current accounts*

In April 2007, the OFT announced a market study into personal current accounts ("PCAs") in the UK. The study will focus on PCAs but will include an examination of other retail banking products, including credit cards. The findings of the market study will not be published until after the final resolution of a test case concerning unarranged overdraft charges.

We are unable to determine, and have no basis on which to predict accurately, what effect this market study might have on consumer credit agreements. No assurance can be given that the results of the markets study will not adversely affect the ability of the issuing entity to make payments on the notes. It should, however, be noted that the OFT has previously investigated default fees in respect of credit cards and set an intervention threshold of £12 in 2006.

**A change in the terms of the designated accounts may adversely affect the amount or timing of collections and may cause a loss on, and/or the early redemption of, your notes or a downgrade of your notes.**

Only the receivables arising under the designated accounts are transferred to the receivables trustee. Each originator will continue to own its designated accounts. As owners of their respective accounts, the originators retain the right to change the terms of those accounts. For example, the originators can change or eliminate fees on the accounts or change the required minimum monthly payment and various other terms with respect to the designated accounts, including increasing or decreasing the annual percentage rate and changing the annual percentage rate from a fixed rate to a floating rate. A decrease in the monthly periodic finance charges and a reduction in credit card or other fees would decrease the effective yield on the designated accounts and could result in the occurrence of a regulated amortisation trigger event with respect to each series and the commencement of the regulated amortisation period. In addition, if the rate of periodic finance charges is changed, the new rate of periodic finance charges will not be applicable until the following monthly period. There can be no guarantee that the yield represented by the amount of finance charge collections will remain at the same level relative to the rate of interest payable by the loan note issuing entity on the loan notes.

Each originator has agreed that it may change the terms of the credit card agreements or the credit card guidelines (including, without limitation, the reduction of the required minimum monthly payment and the calculation of the amount or the timing of finance charge and other fees assessed thereon) if such change (i) would not, in the reasonable belief of the originator, cause a pay-out event to occur, (ii) is made to the comparable segment of revolving credit card accounts owned and serviced by the originator which have characteristics the same as or substantially similar to the designated accounts which are subject to such change (unless the originator may not do so by the terms of an endorsement, sponsorship or other agreement between the originator and an unrelated third party or by the terms of the relevant credit card agreement) and (iii) would not reduce or release any amount owed by a cardholder to the originator.

The originators may change the terms of the accounts to maintain their competitive position in the UK credit card industry. Changes in interest rates and fees could lower the amount of finance charge receivables generated by affected accounts. This could cause a pay-out event to occur with respect to any series of notes issued under this base prospectus and the relevant final terms, which might cause a loss on, and/or the early redemption of, your notes. This could also cause a reduction in the credit ratings on your notes.

**Principal on your notes may be paid to you earlier than expected – creating a reinvestment risk – or later than expected.**

The receivables in the receivables trust may be paid at any time and we cannot assure you that new receivables will be generated or will be generated at levels needed to maintain the receivables trust. To prevent the early redemption of the notes, new receivables must be generated and added to the receivables trust or new accounts must be originated and designated for the receivables trust. The receivables trust is required to maintain a minimum amount of receivables. The generation of new receivables or receivables in new accounts will be affected by the originators' ability to compete in the then current industry environment and by customers' changing borrowing and payment patterns. If there is a decline in the generation of new receivables or new accounts, you may be repaid your principal before the expected date.

One factor that affects the level of finance charge collections and principal collections is the extent of convenience usage. Convenience usage means that the cardholders pay their account balances in full on or prior to the due date. The cardholder, therefore, avoids all finance charges on his or her account. An increase in the convenience usage by cardholders would decrease the effective yield on the accounts and could cause a pay-out event with respect to any series of notes issued under this base prospectus and the relevant final terms and, therefore, possibly an early redemption of your notes.

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

Alternatively, a decrease in convenience usage may reduce the principal payment rate on the accounts. This could result in you receiving the principal on your notes later than expected.

**The notes will not have the benefit of any external credit enhancement.**

Credit enhancement for your notes is limited and, unless otherwise indicated in the corresponding final terms, the notes will not benefit from any credit enhancement provided by a third party. The only assets that will be available to make payment on your notes are the assets of the issuing entity charged to secure payment of your notes (principally, the relevant series loan note).

**Disruptions to cashflow may lead to a loss on your notes.**

If problems develop with the receivables, such as an increase in losses on the receivables, or if there are problems in the collection and transfer of the receivables to the receivables trust, or if the relevant swap counterparty, if any, fails to make payments on the swap agreement, it is possible that you may not receive the full amount of interest and principal that you would otherwise receive.

**The issuance of additional series by the receivables trustee on behalf of the receivables trust may adversely affect payments on your notes.**

Each new series of beneficial entitlements – and the relevant loan note and notes – will be payable from the receivables in the receivables trust. The principal terms of each new series of beneficial entitlements will be contained in a new series supplement for the relevant new series to the receivables trust deed and trust cash management agreement. The terms of a new series contained in a new series supplement to the receivables trust deed and trust cash management agreement will not be subject to your prior review or consent.

The terms of a new series may include methods for determining investor percentages and allocating collections, provisions creating different or additional security or other credit enhancement for the new series, provisions subordinating the new series to other series and other amendments or supplements to the receivables trust deed and trust cash management agreement that apply only to the new series. It is a condition to the issuance of a new series that each rating agency that has rated any debt ultimately payable from a prior series of beneficial entitlements that is outstanding – including your notes – confirms in writing that the issuance of the new series will not result in a reduction or withdrawal of its then current rating.

However, the terms of a new series could adversely affect the timing and amounts of payments on any other outstanding series, including the series of which your notes are a part.

**Credit quality of the receivables trust's assets may be eroded by the addition of new accounts which could adversely affect collections of receivables.**

The originators may designate additional credit card accounts as designated accounts and offer the receivables trustee an assignment of the receivables arising under the additional accounts. The originators may be required at times to nominate additional accounts as designated accounts. These accounts may include accounts that were originated using criteria that are different from those applicable to the accounts from which receivables were originally assigned to the receivables trustee prior to the issuance of the series of notes issued pursuant to this base prospectus and the relevant final terms. For example, they could be originated at a different date with different underwriting standards or they could be acquired from another institution that used different underwriting standards. Consequently, there can be no assurance that accounts that become designated accounts in the future will have the same credit quality as the designated accounts on the closing date. This could adversely affect collections on the receivables which may result in a loss on, and/or the early redemption of, the notes.

**Breach of originators' representations**

In addition, each originator has represented or (as the case may be) will represent in the receivables securitisation agreement that the assignment of, or declaration of trust over, each receivable to the receivables trustee will pass good and marketable title to the receivable and the benefit of the receivable to the receivables trustee free of any encumbrances upon the receivable in favour of any person claiming through or under such originator or its affiliates.

If any representation made by an originator in respect of any principal receivable assigned to the receivable trustee proves to have been incorrect when made, the originator making the representation will pay to the receivables trustee an amount equal to the outstanding face amount thereof and that principal receivable may thereafter be reassigned to that originator for nominal consideration and will not be funded by the investor beneficiary. The obligation of the originator to make such payment to the receivables trustee may be fulfilled in whole or in part by a reduction in the amount of the originator interest; provided, however, that such decrease will not cause the originator interest to be decreased to an amount less than zero.

**Interest rate payable by the issuing entity on the notes may increase without a corresponding change in card rates potentially causing a loss on, and/or the early redemption of, your notes.**

In line with the rest of the UK market, the originators may apply differential interest rates to each product offering, some of which may be fixed for predetermined periods. The majority of the designated accounts have monthly interest rates that are constant, except that the relevant originator has the ability to change the interest rate at its discretion. This affects the amount of finance charge collections the receivables trustee can pay to the loan note issuing entity to fund interest payments on the loan notes then outstanding. In addition, the interest rate paid by the loan note issuing entity to the issuing entity on the loan notes will be based on the London interbank offered rate for deposits in sterling, which changes from time to time. Accordingly, the interest payable to the issuing entity by the loan note issuing entity could increase without a corresponding increase in the amount of finance charge collections. If this occurred, a pay-out event could occur causing a loss on, and/or the early redemption of, your notes.

**Commingling of receivables trust's collections with originators' may delay or reduce payments on your notes.**

Collections from cardholders for the designated accounts and other cardholders of non-securitised accounts will initially be paid to an operating account of each originator. Each originator has declared a trust over its operating account in favour of the receivables trustee for collections that are deposited in it. Collections on the designated accounts are transferred to the trustee collection account within two operating business days of being identified unless identified as collections in respect of ineligible receivables.

"**operating business day**" means, unless defined otherwise in the relevant final terms, a day other than a Saturday, a Sunday or a day on which banking institutions in London, England, New York, New York, Jersey, Channel Islands or Edinburgh, Scotland are authorised or obliged by law or executive order to be closed.

For the limited time that collections on the designated accounts are in an operating account, they may be commingled with other funds of the relevant originator and they may be untraceable. Consequently, if an originator was to become insolvent, there may be a delay in the transfer of collections to the receivables trustee if that originator – or a liquidator or administrator of that originator – attempted to freeze the operation of its operating account pending completion of any rights of tracing. This could ultimately cause a delay or reduction in the payments you receive on your notes.

**If the originators opt to treat a portion of principal receivables as finance charge receivables, an early redemption of your notes could occur or payment on your notes could be delayed.**

Each of the originators may opt to cause a percentage of receivables that would otherwise be treated as principal receivables to be treated as finance charge receivables. This is called a discount option (the "**discount option**"). If an originator were to exercise this discount option, it could prevent a pay-out event from occurring because of a reduction of the portfolio yield, which could delay an early redemption of your notes at a time when the performance of the receivables is deteriorating. Having exercised its discount option, the originator may also redesignate all or part of such receivables as principal receivables at any time. However, this discount option, if exercised, will reduce the aggregate amount of principal receivables, which may increase the likelihood that the originators will be required to designate additional accounts from which receivables will be assigned to the receivables trustee. If the originators were unable to designate sufficient additional accounts, a pay-out event with respect to any series of notes issued under this base prospectus and the relevant final terms could occur and you could receive payments of principal on your notes before you otherwise would. See "*The Receivables – Discount Option Receivables*".

**If optional early redemption occurs, it will result in an early return of the notes, creating a reinvestment risk.**

If a series is specified in the relevant final terms as being able to be redeemed on any "**call date**", then (subject to any additional conditions (if any) specified in the relevant final terms) on any interest payment date falling on or after the relevant call date and upon giving not more than 60 nor less than 30 days' prior written notice to the note trustee, the swap counterparty (if any) and the noteholders, the issuing entity has the option to redeem the notes in full. This early redemption ("**optional early redemption**") may result in an early return of the investment. No premium will be paid in the event of an exercise of the early redemption option. If noteholders receive principal on the notes earlier than expected, the noteholders may not be able to reinvest the principal at a similar rate of return.

**If cardholders are concentrated in a geographic region, economic downturn in that region may adversely affect collections of receivables.**

If the receivables trust has a high concentration of receivables from cardholders located in a single region, an economic downturn in that region may have a material adverse effect on the receivables trust because of that concentration. The relevant final terms will contain a geographic breakdown of accounts and the amount of receivables in the securitised portfolio generated in the United Kingdom, although geographic concentrations may vary from time to time.

Future adverse economic conditions affecting any specific regions or any of the other regions, however, could adversely affect the performance of the receivables, which could result in a loss on your notes.

**Securitisation company tax regime**

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006. The TSC Regulations deal with the corporation tax position of securitisation companies such as the issuing entity with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007).

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



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

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

**Adoption of the European Monetary Union may have uncertain effects on the notes.**

It is possible that prior to the maturity of one or more series of notes, the United Kingdom may become a participating member state in the European Economic and Monetary Union and that, therefore, the euro may become the lawful currency of the United Kingdom. In that event, (i) all amounts payable in sterling in respect of a class or sub-class of notes may become payable in euro and (ii) applicable provisions of law may allow the issuing entity to redenominate each class or sub-class of notes denominated in sterling into euro and take additional measures in respect of each class or sub-class. If any class or sub-class is outstanding at a time when the euro becomes the lawful currency of the United Kingdom, the issuing entity intends to make payment on the notes of such class or sub-class in accordance with the then market practice of payment on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom may have on any class or sub-class of any series.

**The credit rating assigned to your notes is not a guarantee that you will receive all payments owed to you under your notes.**

Each credit rating assigned to your notes reflects the relevant rating agency's assessment only of the likelihood that interest and principal will be paid to you by the legal final redemption date, not that it will be paid when expected or scheduled, and may not reflect the potential impact of all risks related to the transaction structure, the other risk factors discussed in this base prospectus and the relevant final terms, or any other factors that may affect the value of the notes. These ratings are based, among other things, on the rating agencies' determination of the value of the receivables, the reliability of the payments on the receivables, the creditworthiness of any swap counterparty and the availability of credit enhancement. The ratings do not address the following:

- (i) the likelihood that the principal will be repaid or interest will be paid on your notes, as expected on the scheduled redemption dates;
- (ii) the possibility of the imposition of UK, Jersey or European withholding tax;
- (iii) the marketability of the notes, or any market price for the notes; or
- (iv) whether an investment in the notes is a suitable investment for you.

A rating is not a recommendation to purchase, hold or sell notes. A rating or rating confirmation does not impose on, or extend to, the rating agencies any actual or contingent liability to the noteholders or any other party or create any legal relations between the rating agencies and the noteholders or any other party.

**Ratings can be lowered or withdrawn after you purchase your notes.**

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

Any rating agency may also lower or withdraw its rating with respect to the relevant swap counterparty. Under the terms of any swap agreement that may be entered into in respect of a class or sub-class of notes, the swap counterparty shall be required to transfer or novate the swap agreement to a replacement swap counterparty or enter into other suitable arrangements if the long-term or short-term credit rating of the swap counterparty is withdrawn or reduced below certain thresholds. We cannot assure you, however, that the issuing entity would be able to find a replacement swap counterparty, transfer or novate

the swap agreement and/or enter into other suitable arrangements in this event or that the ratings of your notes will not be lowered or withdrawn in this event.

**Early termination of a swap agreement could result in an early redemption of your notes and/or an inability of the issuing entity to acquire sufficient amounts in the relevant currency to pay the amounts due on your notes.**

Any swap agreement may be terminated upon the occurrence of certain events. In the event that a swap agreement is terminated without replacement within 30 days, an event of default will occur under the terms and conditions of the relevant notes. There can be no assurance that a swap agreement will not be terminated prior to the payment in full of the notes of the relevant class or sub-class.

If a swap agreement is terminated before its scheduled termination date, the issuing entity or the swap counterparty may be liable to make an early termination payment to the other party. The amount of an early termination payment will be based on the market value of the terminated swap agreement. This market value will be computed on the basis of market quotations of the cost of entering into a swap transaction with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties. Any early termination payment could, if the relevant exchange rate has changed significantly, be substantial.

The termination of a swap agreement in connection with any class or sub-class of notes, whether or not your own, may reduce, accelerate or delay payments of interest and principal on your class or sub-class of notes and/or result in an insufficient amount of sterling being available to the issuing entity for the issuing entity to acquire the US dollar or other currency amounts due to you on your notes.

**Withholding taxes on swap payments may reduce the amount you are paid on your notes.**

The issuing entity and each swap counterparty will each represent and warrant in each swap agreement entered into in connection with any class or sub-class of notes that, under current law, it is entitled to make all payments required to be made by it under the swap agreement without deduction for any taxes or other charges (which we refer to as "**withholding taxes**"). However, if the law changes after the closing date, neither the issuing entity nor the swap counterparty will be required to indemnify the other party for any withholding taxes imposed on payments under the swap agreement.

However, if any withholding taxes are imposed by any jurisdiction on any payments made between the swap counterparty and the issuing entity and no reasonable steps can be taken by the swap counterparty or the issuing entity to avoid the obligation to deduct or withhold, then the issuing entity may terminate the swap agreement, but only if the issuing entity has been directed to do so by the relevant noteholders. Until the relevant noteholders elect to terminate the swap agreement corresponding to their notes, or if such noteholders do not so elect, payments to the noteholders of the relevant class or sub-class will be reduced proportionately among noteholders of that class or sub-class by an amount withheld for any withholding taxes, and the amount that you receive on your notes may accordingly be reduced.

**Change of Law – EU directive on the taxation of savings income**

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

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (in certain circumstances on a reciprocal basis) to those implemented by the EU savings tax directive. Investors should note that the European Commission has announced proposals to amend the EU savings tax directive. The proposed amendments, if implemented, would extend the scope of the directive so as to cover (i) a wider range of income similar to interest, and (ii) payments made through certain types of entity (whether or not established in a member state) for the ultimate benefit of an EU resident individual (see further the section entitled "*United Kingdom Taxation*").

*Treatment of the Notes*" under the heading "*European Union Directive on the Taxation of Savings Income*").

**Unless and until individual note certificates are issued, persons acquiring notes will only hold book-entry interests, which may result in delays in distributions and hamper their ability to both participate in votes of noteholders and grant security over their notes.**

Unless the global note certificates are exchanged for individual note certificates, which will only occur under a limited set of circumstances, persons acquiring notes will not be the legal owners or holders of such notes but will only hold book-entry interests through DTC, Euroclear or Clearstream (as the case may be). Holding a book-entry interest rather than an individual note certificate could, among other things: (a) result in payment delays on the notes because the issuing entity will be sending distributions on the notes to DTC, Euroclear or Clearstream (as the case may be) instead of directly to those holding book-entry interests; (b) make it difficult for those holding book-entry interests to act upon solicitations of consents or requests by the issuing entity for waivers or other actions from noteholders, because a holder of book-entry interests will only be permitted to participate in votes of noteholders to the extent that it has received appropriate proxies to do so from DTC, Euroclear or Clearstream (as the case may be); and (c) hinder the granting of security over the notes if physical note certificates are required by the party demanding the security.

## US DOLLAR/STERLING EXCHANGE RATE

References throughout this base prospectus to "£", "**pounds**" or "**sterling**" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland. References in this base prospectus to "US\$", "\$" "**US dollars**" or "**dollars**" are to the lawful currency of the United States of America.

The following table sets out the historical movement of the US dollar/sterling exchange rate. There can be no assurance that future movements in the exchange rate will follow the precedent displayed in the table.

### *US Dollar/Sterling Exchange Rate History<sup>(1)</sup>*

	Ten months ended October 31, 2008	Year ended 31 December,					
		2007	2006	2005	2004	2003	2002
Last <sup>(2)</sup> .....	1.6150	1.9827	1.9569	1.7230	1.9181	1.7858	1.6100
Average <sup>(3)</sup> .....	1.9198	2.0016	1.8433	1.8196	1.8334	1.6358	1.5038
High .....	2.0296	2.1101	1.9801	1.9291	1.9467	1.7858	1.6100
Low .....	1.5587	1.9229	1.7231	1.7142	1.7559	1.5541	1.4082

#### Notes:

<sup>(1)</sup> Data obtained from Bloomberg GBP Currency HP screen (closing exchange rate).

<sup>(2)</sup> Last is the closing exchange rate on the last operating business day of each of the periods indicated; periods commencing from 1 January or the next business day.

<sup>(3)</sup> Average is the average daily exchange rate during each of the periods indicated.

## THE ISSUING ENTITY

Arran Funding (UK) Plc, the issuing entity, is a public limited liability company which was incorporated in England and Wales, as a special purpose vehicle for the issue of asset backed securities, under the Companies Act 1985 (as amended) on 18 November 2008 with registered number 06752478. Its registered office and principal place of business are located at Eighth Floor, 68 King William Street, London EC4N 7DZ. The issuing entity does not have any subsidiaries. Its telephone number is + 44 (0)20 7469 8000.

The issuing entity was incorporated with an authorised share capital of £50,000, comprising 50,000 ordinary shares of £1 each. Two ordinary shares were allotted for cash, and fully paid, on incorporation. On 26 November 2008, 49,998 ordinary shares were resolved to be allotted and on 4 December 2008 were each quarter paid. 49,999 shares are held by Arran Holdings Limited and one share is held by a share trustee under the terms of a share declaration of trust on trust for Arran Holdings Limited.

Arran Holdings Limited is a private limited company that was formed in Jersey, Channel Islands on 2 February 2000 with registered number 76198. The registered office of Arran Holdings Limited is at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands. All of its issued share capital is held by Juris Limited and Lively Limited as nominees for a trust company incorporated in Jersey, Mourant & Co. Trustees Limited, which holds such shares on trust for charitable purposes.

The issuing entity was formed principally to:

- issue notes from time to time;
- enter into and perform its duties under all financial arrangements in connection with the programme;
- purchase the relevant loan notes;
- enter into and perform its duties under all the documents necessary to purchase each relevant loan note as specified in each set of final terms;
- enter into and perform its duties under all of the programme documents and exercise its powers in relation to the issue of the notes; and
- exercise its related rights and powers pursuant to the programme documents to which it is a party and perform any other activities incidental thereto.

### Directors and Secretary

The following sets out the directors of the issuing entity and their business addresses and principal activities. The issuing entity is organised as a special purpose vehicle and will be largely passive, engaging only in the types of transactions described in this base prospectus. The issuing entity is managed and controlled by its directors in the United Kingdom, however, in conducting its business, the company only requires a small amount of active management.

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Business Address</u>	<u>Principal Activities</u>
Vincent Rapley	48	British	Eighth Floor, 68 King William Street, London EC4N 7DZ	Managing Director, Mourant International Finance Administration
Ian O'Meara	42	British	Eighth Floor, 68 King William Street, London EC4N 7DZ	Solicitor

Mourant & Co Capital (SPV) Limited provides the issuing entity with general secretarial, registrar and company administration services under the terms of an agreement which we will refer to as the "**corporate services agreement**". The fees of Mourant & Co Capital (SPV) Limited for providing such services will be included in the amount of interest paid by the loan note issuing entity to the issuing entity in respect of each series loan note – see "*The Loan Notes*".

The secretary of the issuing entity is:

<b>Name</b>	<b>Business Address</b>
Mourant & Co Capital Secretaries Limited	Eighth Floor, 68 King William Street, London EC4N 7DZ

The net proceeds of the sale of each series of notes will be used by the issuing entity to purchase the corresponding series loan note. The issuing entity will be prohibited by the trust deed, the relevant trust deed supplement and the terms and conditions of the relevant series of notes from engaging in any business other than:

- the business described in this base prospectus;
- issuing the notes and using their proceeds to acquire the corresponding series loan note; and
- performing its obligations and preserving and exercising its rights under the dealer agreement, the loan notes, the agency agreement, the trust deed, each trust deed supplement, the expenses loan agreement, any swap agreements, the corporate services agreement and any documents relating thereto.

The issuing entity's ability to incur, assume or guarantee debt will also be restricted by the trust deed, each trust deed supplement and the terms and conditions of the relevant series of notes.

Neither RBS nor NatWest owns, directly or indirectly, any of the share capital of the issuing entity.

## **Management's Discussion and Analysis of Financial Condition**

### ***Sources of Capital and Revenue***

The issuing entity's source of capital will be the net proceeds of the offering of each series of notes.

The issuing entity's primary sources of revenue will be payments of interest and principal on each series loan note acquired from the loan note issuing entity and borrowings under any series expense loan drawings as described below.

### ***Capitalisation and Indebtedness***

The capitalisation and indebtedness of the issuing entity as at 5 December 2008 is as follows:

<b>Share Capital</b>	
Total authorised share capital .....	£50,000.00
Total issued share capital .....	£12,501.50
<b>Loan Capital</b> .....	<b>£0.00</b>

There are no outstanding loans or subscriptions, allotments or options in respect of the issuing entity. There are no guarantees or contingent liabilities in respect of the issuing entity.

The capitalisation and indebtedness of the issuing entity as set out above is correct as of 5 December 2008, however, the capitalisation and indebtedness of the issuing entity will change as new series of notes are issued from time to time. Each set of final terms will contain information regarding all series of notes issued under the programme then outstanding.

There is no goodwill in the balance sheet of the issuing entity, nor will any goodwill need to be written off upon the issue of any notes.

### ***Results of Operations***

As of the date of this base prospectus, the issuing entity does not have an operating history and has not traded. Because the issuing entity does not have an operating history, we have not included in this base prospectus any historical or pro forma ratio of earnings to fixed charges. The earnings on the loan notes acquired from the loan note issuing entity, the interest costs of the notes and the related operating expenses will determine the issuing entity's results of operations in the future. Amounts received by the issuing entity on the loan notes will be used to pay principal and interest on the corresponding series of notes.

## **Litigation**

The issuing entity neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuing entity is aware) since the date of the issuing entity's incorporation on 18 November 2008 which may have, or have had in the recent past, significant effects on the issuing entity's financial position or profitability.

## **Financial Position**

The issuing entity has not traded since its incorporation on 18 November 2008. There has been no material adverse change in the issuing entity's financial position or prospects since its date of incorporation and, since such date, there has been no significant change in the financial or trading position of the issuing entity.

The issuing entity has not commenced operations and no financial statements have been produced as at the date of this base prospectus.

## **Use of Proceeds**

The proceeds of the issue of each series of notes (after taking into account the conversion into sterling of any other currency received with respect to the issue of the notes) will be used to purchase from the loan note issuing entity the corresponding loan note of such value and on such terms as further specified in the relevant final terms. The issuing entity will pay the fees and commissions arising from the issue of each series of notes by making a drawing under the corresponding series expense loan drawing (as defined below) of an amount at least equal to the fees and commissions payable on the notes.

## **Series expense loan drawings**

On or prior to the issue date of the first series of notes, the issuing entity will enter into a term facility under a loan agreement (the "**expenses loan agreement**") made with RBS as lender, this facility being the "**expense loan facility**". On the date of issuance of each series of notes (a "**closing date**"), the issuing entity – as borrower – may (if specified in the relevant final terms) make a drawing under the expense loan facility under which RBS will lend to the issuing entity in respect of such series an amount to be set out in the final terms corresponding to such series, to be used by the issuing entity to meet its costs and expenses relating to issuing such series of notes. Each such drawing under the expense loan facility is called a "**series expense loan drawing**". The amount outstanding under each series expense loan drawing will bear interest at the rate set out in the final terms corresponding to such series. The issuing entity will pay amounts due under each series expense loan drawing out of funds that would otherwise be ultimately payable to RBS from excess spread (see "*Series Available Spread*"). The issuing entity will pay interest to RBS on each payment date. If, on any payment date, the issuing entity has insufficient funds left after making all payments of principal and interest on the notes to pay amounts due under any series expense loan drawing, the obligation to pay the shortfall will be deferred until the next payment date.

## THE DEPOSITOR AND LOAN NOTE ISSUING ENTITY

RBS Cards Securitisation Funding Limited, the depositor and loan note issuing entity, is a private limited liability company which was formed in Jersey, Channel Islands under the Companies (Jersey) Law 1991 on 2 February 2000 with registered number 76199. Its registered office and principal place of business are located at Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ, Channel Islands.

The authorised share capital of the depositor and loan note issuing entity is £10,000, comprising 10,000 shares, each of £1 par value. The issued share capital of the depositor and loan note issuing entity is £10, comprising 10 shares, each of which is fully paid. RBS holds 100 per cent. of the issued share capital of the depositor and loan note issuing entity. By way of a resolution passed on 25 July 2000, the depositor and loan note issuing entity changed its fiscal year end from 30 September to 31 December, which is its current fiscal year end. It will publish audited accounts for each fiscal year within six months of its year end. It does not have any subsidiaries. Its telephone number is +44 (0)1534 285 280.

The depositor and loan note issuing entity was formed principally to:

- issue loan notes;
- enter into the financial arrangements to issue loan notes;
- purchase an initial investor certificate representing the aggregate investor interest in the receivables trust on 27 March 2000 and, thereafter, to increase its aggregate investor interest in the receivables trust by further investments in the receivables trust; and
- enter into documents and exercise its powers connected to the above.

The depositor and loan note issuing entity has not engaged in any activities since its incorporation other than the above.

### Directors and Secretary

The following sets out the directors of the depositor and loan note issuing entity and their business addresses and principal activities. The depositor and loan note issuing entity is organised as a special purpose vehicle and is largely passive, engaging only in the types of transactions described in this base prospectus. The depositor and loan note issuing entity is managed and controlled by its directors in Jersey, however, it is expected that it will continue to only require a small amount of active management with respect to its day-to-day activities.

<b>Name</b>	<b>Nationality</b>	<b>Business Address</b>	<b>Principal Activities</b>
Richard Le Breton	British	Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ, Channel Islands	Regional Director Structured Lending, RBS International
Mark Hansford	British	Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ, Channel Islands	Director, Money Markets, RBS International
Helen Grant	British	22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands	Business Manager, Mourant International Finance Administration



The secretary of the depositor and loan note issuing entity is:

<b>Name</b>	<b>Business Address</b>
The Royal Bank of Scotland International Limited	Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ, Channel Islands

The directors of the depositor and loan note issuing entity do not have a specific term of office but each may be removed by a resolution passed at a shareholders' meeting. Richard Le Breton and Mark Hansford are employees of RBS International. Helen Grant is an employee of Mourant Services Limited.

RBS International is a subsidiary of RBS, the servicer and one of the originators. The depositor and loan note issuing entity is aware that, if a conflict arises between the interests of RBS and those of the depositor and loan note issuing entity, there will be a conflict of interest between the duties Richard Le Breton and Mark Hansford owe to the depositor and loan note issuing entity as directors and their private interests and/or other duties as employees of RBS International.

Furthermore, fees are payable by the depositor and loan note issuing entity to RBS International as administrator pursuant to the administration agreement (described below). The depositor and loan note issuing entity is aware that, if a conflict arises between the interests of RBS International and those of the depositor and loan note issuing entity, there will be a conflict of interest between the duties Richard Le Breton and Mark Hansford owe to the depositor and loan note issuing entity as directors and their private interests and/or other duties as employees of RBS International.

Helen Grant is also a director of the receivables trustee. The depositor and loan note issuing entity is aware that, if a conflict arises between the interests of the receivables trustee and those of the depositor and loan note issuing entity, there will be a conflict of interest between the duties Helen Grant owes to the depositor and loan note issuing entity as a director and her other duties as a director of the receivables trustee.

#### **Administration Agreement**

The depositor and loan note issuing entity does not and will not have any employees. In order to fulfil its obligations under the loan notes and the documents to which it is a party, the depositor and loan note issuing entity on 27 March 2000 entered into an administration agreement with RBS International, (the "**administration agreement**" and the "**administrator**", respectively). Under the terms of the administration agreement, the administrator has agreed to provide company secretarial, company administration and management services to the depositor and loan note issuing entity, in return for a fee, which will be paid out of the depositor and loan note issuing entity costs amount.

#### **Management's Discussion and Analysis of Financial Condition**

##### ***Sources of Capital and Revenue***

The depositor and loan note issuing entity's source of capital will be the proceeds of the offering of each series loan note.

The depositor and loan note issuing entity's primary source of revenue will be payments in respect of the aggregate investor interest.

##### ***Capitalisation and Indebtedness***

The capitalisation and indebtedness of the depositor and loan note issuing entity as at 31 December 2007, is as follows:

<b>Share Capital</b>	
Total authorised share capital .....	£10,000
Total issued share capital .....	£10
<b>Loan Capital</b> .....	<b>£ 2,948,836,738</b>

There are no other outstanding loans or subscriptions, allotments or options in respect of the depositor and loan note issuing entity. There are no guarantees or contingent liabilities in respect of the depositor and loan note issuing entity.

There is no goodwill in the balance sheet of the depositor and loan note issuing entity.

The capitalisation and indebtedness of the depositor and loan note issuing entity as set out above is correct as of 31 December 2007, however, the capitalisation and indebtedness of the depositor and loan note issuing entity will change as new series loan notes are issued from time to time. Each set of final terms will contain information regarding all loan notes issued by the loan note issuing entity then outstanding.

### **Litigation**

The depositor and loan note issuing entity neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the depositor and loan note issuing entity is aware) during the 12 months before the date of this base prospectus which may have, or have had in the recent past, significant effects on the depositor and loan note issuing entity's financial position or profitability.

### **Financial Position**

The depositor and loan note issuing entity's audited financial statements as at and for the year ended 31 December 2007 are set out in appendix A hereto and the depositor and loan note issuing entity's audited financial statements as at and for the year ended 31 December 2006 are set out in appendix B hereto, together with the report of the depositor and loan note issuing entity's independent auditors thereon. These financial statements have been prepared in accordance with IFRS. There has been no material adverse change in the depositor and loan note issuing entity's financial position or prospects since 31 December 2007 and, since such date, there has been no significant change in the financial or trading position of the depositor and loan note issuing entity.

### **Series loan note issuing entity expense loan drawings**

The loan note issuing entity may enter into a term facility under a loan agreement (the "**loan note issuing entity expenses loan agreement**") with RBS as lender, any such facility being a "**loan note issuing entity expense loan facility**". On the date of issuance of each series of notes, the loan note issuing entity – as borrower – may (if specified in the relevant final terms) make a drawing under a loan note issuing entity expense loan facility under which RBS will lend to the loan note issuing entity in respect of such series an amount to be set out in the relevant final terms, to be used by the loan note issuing entity to (a) meet its costs and expenses relating to issuing the relevant loan note and/or (b) fund the relevant series spread ledger. Each such drawing under a loan note issuing entity expense loan facility is called a "**series loan note issuing entity expense loan drawing**". The amount outstanding under each series loan note issuing entity expense loan drawing will bear interest at the rate set out in the relevant final terms. The loan note issuing entity will pay amounts due under each series loan note issuing entity expense loan drawing out of funds that would otherwise be ultimately payable to RBS as transferor from excess spread (see "*Available Spread*"). The loan note issuing entity will pay interest to RBS on each payment date. If, on any payment date, the loan note issuing entity has insufficient funds left after making all payments of principal and interest on the relevant loan notes to pay amounts due under any series loan note issuing entity expense loan drawing, the obligation to pay the shortfall will be deferred until the next payment date.

## THE ADMINISTRATOR

The Royal Bank of Scotland International Limited, which we will refer to as "**RBS International**", is the administrator under the administration agreement and provides company secretarial, company administration and management services to the loan note issuing entity in order to enable the loan note issuing entity to fulfil its obligations under the loan notes.

RBS International is a private limited company which was incorporated in Jersey, Channel Islands on 14 July 1966 with registered number 2304. Its registered office is located at Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ, Channel Islands.

The authorised share capital of RBS International is £300,000,000 of which £96,540,307 has been issued and paid up. The entire issued share capital of RBS International is held by The Royal Bank of Scotland International (Holdings) Limited, a non-trading company incorporated in Jersey, Channel Islands, other than 48 shares which are held by C J Fiduciaries Limited, which acts as the nominee of The Royal Bank of Scotland International (Holdings) Limited. The ultimate parent of RBS International is The Royal Bank of Scotland Group plc.

RBS International undertakes diversified financial services and banking activities, including offshore retail banking, treasury and corporate banking services. As of 31 December 2007, RBS International had approximately 1,523 employees.

## THE RECEIVABLES TRUSTEE

South Gyle Receivables Trustee Limited, the receivables trustee, is a private limited liability company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law 1991 on 2 February 2000 with registered number 76197. Its registered office is at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

All of the issued share capital of the receivables trustee is held by Juris Limited and Lively Limited as nominees for a trust company incorporated in Jersey, Mourant & Co. Trustees Limited, which holds such shares on trust for charitable purposes.

The receivables trustee was formed principally to:

- act as trustee of the receivables trust;
- purchase and accept transfers of the receivables from the originators;
- issue certificates to beneficiaries on behalf of the receivables trust; and
- enter into documents incidental to or relating to those activities.

### Directors and Secretary

Mourant & Co. Limited, a company incorporated in Jersey, Channel Islands, provides the receivables trustee with company secretarial, registrar and company administration services. Its fees for providing these services are included in the fees paid to the receivables trustee. See the section "*The Receivables Trust – Trustee Payment Amount*".

The following sets out the directors of the receivables trustee and their business addresses and principal activities. The receivables trustee is organised as a special purpose vehicle and is largely passive, engaging only in the types of transactions described in this base prospectus. The receivables trustee is managed and controlled by its directors in Jersey, however, it is expected that it will continue to require only a small amount of active management.

<b>Name</b>	<b>Nationality</b>	<b>Business Address</b>	<b>Principal Activities</b>
Helen Grant	British	22 Grenville Street, St. Helier, Jersey, JE4 8PX, Channel Islands	Business Manager, Mourant International Finance Administration
Dean Godwin	British	22 Grenville Street, St. Helier, Jersey, JE4 8PX, Channel Islands	Business Manager, Mourant International Finance Administration
Gareth Paul Essex-Cater	British	22 Grenville Street, St. Helier, Jersey, JE4 8PX, Channel Islands	Head of Corporate Operations, Mourant International Finance Administration

Helen Grant, Dean Godwin and Gareth Essex-Cater are employees of Mourant Services Limited. Each of Mourant & Co. Trustees Limited, Mourant & Co. Secretaries Limited, Mourant & Co. Limited and Mourant Services Limited are ultimately owned by Mourant Limited. Gareth Essex-Cater is a shareholder of Mourant Limited.

The directors of the receivables trustee do not have a specific term of office but each may be removed by a resolution passed at a shareholders' meeting.

RBS does not own, directly or indirectly, any of the share capital of the receivables trustee.

## Management and Activities

The receivables trustee has been established specifically to act as trustee of the receivables trust. Its activities are restricted by the receivables trust deed and trust cash management agreement and the related series supplements.

Since it was formed, the receivables trustee has:

- engaged in activities incidental to the declaration of the receivables trust;
- obtained any necessary consents or licences in the United Kingdom and/or Jersey;
- authorised and executed the documents to which it is a party in order to establish the receivables trust;
- purchased and accepted transfers of the receivables from the originators;
- issued certificates to beneficiaries in respect of their interests in the receivables trust;
- established and maintained a register of the entitlements of beneficiaries under the receivables trust;
- engaged in activities incidental to the transfer to it of receivables under the designated accounts, as defined under the heading "*Assignment of Receivables to the Receivables Trustee*"; and
- authorised the other documents to which it is to be party.

The receivables trustee has not engaged in any activities since its incorporation other than the above.

The receivables trustee has made a number of covenants in the receivables trust deed and trust cash management agreement, including that it will not without the prior written consent of each of the beneficiaries of the receivables trust:

- carry on any business other than as trustee of the receivables trust and will not engage in any activity or do anything at all except:
  - (1) hold and exercise its rights in the property of the receivables trust created by the receivables trust deed and trust cash management agreement and perform its obligations as trustee of the property of such trust;
  - (2) preserve, exercise and enforce any of its rights and perform and observe its obligations under the receivables trust deed and trust cash management agreement, the receivables securitisation agreement, the master framework agreement, each series supplement and each other related document, including any documents secured directly or indirectly by an interest under the receivables trust, any mandate and other agreement about a trust account – see "*The Receivables Trust – Application of Collections*", or a bank account in which the receivables trustee has a beneficial interest, the trust section 75 indemnity, and any other document contemplated by and executed in connection with any of the preceding documents. We refer to these documents collectively as the "**relevant documents**";
  - (3) pay dividends or make other distributions to the extent required by applicable law;
  - (4) use, invest or dispose of any of its property or assets in the manner provided in or contemplated by the relevant documents; and
  - (5) perform any and all acts incidental to or otherwise necessary in connection with (1), (2), (3) or (4) above;
- incur any debt other than debt that is described by this base prospectus or contemplated by the relevant documents;
- give any guarantee or indemnity in respect of any debt;

- create any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or other type of preferential arrangement having similar effect over any of its assets, or use, invest, sell or otherwise dispose of any part of its assets, including any uncalled capital or undertaking, present or future, other than as expressly contemplated by the relevant documents;
- consolidate or merge with any other person or entity or convey or transfer its properties or assets to any person or entity;
- permit the validity or effectiveness of the receivables trust to be supplemented, amended, varied, terminated, postponed or discharged – other than as expressly contemplated in the receivables trust deed and trust cash management agreement or in any series supplement;
- have any subsidiary; or
- have an interest in any bank account other than a trust account and its own bank account opened for the purpose of receiving and making payments to be made otherwise than in its capacity as receivables trustee – including paying the trust cash management fee to the trust cash manager and the annual fee due to Maurant & Co. Limited for the provision of corporate services to the receivables trustee.

## **THE NOTE TRUSTEE AND SECURITY TRUSTEE**

The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at One Wall Street, New York, NY 10286, USA and having a branch registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL.

The Bank of New York Mellon's corporate trust business services \$12 trillion in outstanding debt from 55 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralized debt obligations, derivative securities and international debt offerings. The Bank of New York Mellon's corporate trust and agency services are delivered through The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than \$23 trillion in assets under custody and administration and more than \$1.1 trillion in assets under management. Additional information is available at [bnymellon.com](http://bnymellon.com).

## THE ORIGINATORS

The Royal Bank of Scotland Group plc ("**RBSG**", together with its subsidiaries, the "**Group**") is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc ("**RBS**") and National Westminster Bank Plc ("**NatWest**"). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. In the United States, the Group's subsidiary Citizens was ranked the tenth-largest commercial banking organisation by deposits at 30 June 2008. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers in over 50 countries.

The Group had total assets of £1,948.7 billion and owners' equity of £61.6 billion at 30 June 2008. The Group's capital ratios, which included the equity minority interest of Fortis Bank Nederland and Santander in ABN AMRO, were a total capital ratio of 13.2 per cent., a core Tier 1 capital ratio of 6.7 per cent. and a Tier 1 capital ratio of 9.1 per cent., as at 30 June 2008.

On 17 October 2007, RFS Holdings B.V. ("**RFS Holdings**"), a company jointly owned by RBSG, Fortis Bank Nederland (Holding) N.V. and Banco Santander S.A. (the "**Consortium Banks**") and controlled by RBSG, completed the acquisition of ABN AMRO Holding N.V. ("**ABN AMRO**"). RFS Holdings is in the process of implementing an orderly separation of the business units of ABN AMRO, with RBSG principally retaining ABN AMRO's global wholesale businesses and international retail businesses in Asia and the Middle East. Certain other assets will continue to be shared by the Consortium Banks.

On 3 October 2008, the Dutch government acquired Fortis Bank Nederland (Holding) N.V. including Fortis' participation in RFS Holdings that represents the acquired activities of ABN AMRO.

### **Regional Markets**

Regional Markets is organised around the provision of retail and commercial banking to customers in four regions: the United Kingdom, the United States, Europe and the Middle East and Asia. This includes the provision of wealth management services both in the United Kingdom and internationally.

#### *UK Retail & Commercial Banking*

This comprises retail, commercial and corporate banking, and wealth management services in the United Kingdom. It supplies financial services through both the RBS and NatWest brands.

UK Retail Banking offers a full range of banking products and related financial services to the personal market. It serves customers through the largest network of branches and ATMs in the United Kingdom, and also through telephone and internet channels. Together, RBS and NatWest hold the joint number one position in personal current accounts. The division also issues credit and charge cards, including through other brands such as MINT.

UK Business & Commercial Banking is the largest provider of banking, finance, and risk management services to the SME sector in the United Kingdom. It offers a full range of banking products and related financial services through a nationwide network of relationship managers, and also through telephone and internet channels. The product range includes asset finance, in which it is the market leader through the Lombard brand.

UK Corporate Banking holds the largest market share in the United Kingdom of relationships with larger companies, offering a full range of banking, finance, and risk management services.

UK Wealth Management provides private banking and investment services through Coutts, Adam & Co., RBS International and NatWest Offshore.

#### *US Retail & Commercial Banking*

Citizens Financial Group provides financial services through the Citizens and Charter One brands as well as through Kroger Personal Finance, its credit card joint venture with the second-largest US supermarket group.



Citizens is engaged in retail and corporate banking activities through its branch network in 13 states in the United States and through non-branch offices in other states. Citizens was ranked the tenth-largest commercial banking organisation in the United States based on deposits as at 30 June 2008.

#### *Europe & Middle East Retail & Commercial Banking*

This comprises Ulster Bank and the Group's combined retail and commercial businesses in Europe and the Middle East.

Ulster Bank, including First Active, provides a comprehensive range of financial services across the island of Ireland. Its retail banking arm has a network of branches and operates in the personal, commercial and wealth management sectors, while its corporate markets operations provide services in the corporate and institutional markets.

The retail and commercial businesses in Europe and the Middle East offer services in Romania, Kazakhstan and the United Arab Emirates.

#### *Asia Retail & Commercial Banking*

Asia Retail & Commercial Banking holds prominent market positions in India, Pakistan, China and Taiwan, as well as presences in Hong Kong, Indonesia, Malaysia and Singapore. It provides financial services across four segments: affluent banking, cards and consumer finance, business banking and international wealth management, which offers private banking and investment services to clients in selected markets through the RBS Coutts brand.

### **Global Markets**

Global Markets is focused on the provision of debt and equity financing, risk management and transaction banking services to large businesses and financial institutions in the United Kingdom and around the world. Its activities have been organised into two divisions, Global Banking & Markets ("**GBM**") and Global Transaction Services, in order best to serve RBSG's customers whose financial needs are global.

GBM is a leading banking partner to major corporations and financial institutions around the world, providing an extensive range of debt and equity financing, risk management and investment services to its customers. The expanded division is organised along the following four principal business lines:

- *Rate, Currencies and Commodities* provides risk management, sales and trading activities in G11 and non-G11 (Local Markets) currencies/jurisdictions across this broad set of asset classes. Key product offerings include spot FX, local markets trading, short-term markets and financing, inflation products, swaps and bonds (G11) and covered bonds, interest rate and currency options and hybrids and prime brokerage and futures. This business line also includes RBS Sempra Commodities LLP, the commodities-marketing joint venture between RBS and Sempra Energy formed on 1 April 2008. Under the joint venture, RBS Sempra Commodities LLP purchased Sempra Commodities. RBSG's initial equity investment in the joint venture was US\$1.7 billion and RBSG will continue to provide any additional funding required for the ongoing operating expenses of the businesses.
- *Equities* provides a full range of origination, trading and distribution of cash and derivative products. The business provides a multi-product approach operating through a wide range of channels with an emphasis on revenue diversification. Key product offerings include equity origination, corporate broking, core equities sales and trading, equity derivatives sales and trading, equity financing and collateral trading.
- *Credit Markets* offers a full range of origination, trading and distribution activities on a global basis for clients across all sectors. Key product offerings include corporate and structured debt capital markets, financial institutions debt capital markets, leveraged finance, real estate finance, project finance, financial structuring and credit trading.
- *Asset and Portfolio Management* manages the lending portfolio and other assets of GBM and some third parties, ensuring efficient management of capital, credit and liquidity via portfolio management and global markets treasury. Key fund product offerings include fund of funds

structures, multimanager strategies, private equity and credit funds, other core products are equity finance and asset finance (covering shipping and aviation).

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

### **RBS Insurance**

RBS Insurance sells and underwrites retail and SME insurance over the telephone and internet, as well as through brokers and partnerships. Its brands include Direct Line, Churchill, Privilege, Green Flag and NIG. Direct Line, Churchill and Privilege sell general insurance products direct to the customer. Through its international division, RBS Insurance sells general insurance, mainly motor, in Spain, Germany and Italy. The Intermediary and Broker division sells general insurance products through independent brokers.

### **Group Manufacturing**

Group Manufacturing comprises the Group's worldwide manufacturing operations. It supports the Group's customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services. Global Manufacturing drives efficiencies and supports income growth across multiple brands and channels by using a single, scalable platform and common processes wherever possible. It also leverages the Group's purchasing power and has become the centre of excellence for managing large-scale and complex change.

### **The Centre**

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

### **Tesco Personal Finance**

On 28 July 2008, RBSG announced that it had agreed to sell its 50% shareholding in Tesco Personal Finance ("TPF") to its joint venture partner, Tesco plc for a cash consideration of £950 million, subject to transaction adjustments. As part of this transaction, RBSG will continue to provide certain commercial services to TPF post completion. The sale is subject to regulatory approvals and completion is expected to take place before the end of December 2008.

### **Board changes**

On 1 October 2008, Stephen Hester, John McFarlane and Arthur Ryan were appointed non-executive directors of RBSG. Johnny Cameron stepped down from the RBSG Board on 13 October 2008 and Mark Fisher stepped down as a director on 21 November. Sir Fred Goodwin stepped down from the Board on 21 November 2008 and was replaced as Group Chief Executive by Stephen Hester, who also became an executive director. Lawrence Fish will retire as a non-executive director on 31 December 2008 and Sir Tom McKillop will retire as Chairman and Charles Koch will retire as a non-executive director at the Annual General Meeting of RBSG to be held in April 2009.

### **Madoff Investment Securities**

The Group has announced that it has exposure through trading and collateralised lending to funds of hedge funds invested with Bernard L Madoff Investment Securities LLC. If as a result of the alleged fraud the value of the assets of these hedge funds is nil, RBS's potential loss could amount to approximately £400 million.

### **Recent Events**

On 8 October 2008, the UK government announced measures intended, *inter alia*, to provide sufficient liquidity to the banking sector and to make available new capital to UK banks (including RBS).

## **Credit Guarantee Scheme**

Following its announcement on 8 October 2008 referred to above, on 13 October 2008 the UK government announced a credit guarantee scheme for bank and building society debt issuance (the "**Scheme**"). RBS applied to take part in the Scheme and was named as an initial eligible institution in the *Rules of the 2008 Credit Guarantee Scheme* issued by the treasury on 13 October 2008. Under the Scheme, the treasury, at the request of RBS, will provide an unconditional and irrevocable direct guarantee which ensures timely payment of non-complex, senior and unsecured debt instruments issued by RBS of a term of not more than three years.

## **Capital Raising**

On 4 November 2008, RBSG announced a placing and open offer of £15 billion at a fixed price of 65.5p per ordinary share. As a result, the treasury now owns approximately 57.9 per cent. of the enlarged issued ordinary share capital of RBSG.

In addition, the treasury subscribed for £5 billion of non-cumulative preference shares in RBSG.

## **RBS**

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

- sponsor;
- originator;
- servicer;
- trust cash manager;
- originator beneficiary;
- lender under the expenses loan agreement and loan note issuing entity expenses loan agreement;
- swap counterparty (unless specified otherwise in the relevant final terms); and
- dealer and arranger.

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings and the long-term unsecured and unguaranteed debt obligations of RBS are currently rated AA- by Standard & Poor's, Aa1 by Moody's and AA- by Fitch Ratings.

## **NatWest**

NatWest will perform the following roles in connection with the issuance of the notes:

- originator; and
- originator beneficiary.

## **Use of Securitisation as a Source of Funding**

RBS has been securitising its own credit card receivables since 2000 when Arran One Limited and Arran Two Limited were established. The securities issued by Arran One Limited and Arran Two Limited have been redeemed in full.

The Arran Funding Limited US\$7.5 billion medium term note programme was established on 10 November 2005. Two series of notes (series 2005-A and series 2005-B) were issued pursuant to the medium term programme on 15 December 2005 and one series of notes (series 2007-A) was issued pursuant to the medium term note programme on 1 February 2007. Series 2005-A was redeemed on 15 December 2008. As at the date of this base prospectus, series 2005-B and series 2007-A remain

outstanding. In total, RBS has completed five securitisation transactions in which an aggregate initial principal amount in excess of US\$7 billion (equivalent) have been issued.

NatWest acceded to the receivables trust on 27 October 2005, having not previously sponsored any securitisation of its credit card receivables.

The notes will not be obligations of the group, RBS, NatWest or any of their affiliates.

## **AFFILIATIONS AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

RBS, the sponsor and one of the originators of the receivables, will be the servicer of the receivables acting through Cards Business. Unless specified otherwise in the relevant final terms, it will also be the swap counterparty in respect of classes or sub-classes of notes specified as having the benefit of a swap agreement in the relevant final terms. NatWest, the other originator of the receivables, and RBS are affiliated entities under the common control of The Royal Bank of Scotland Group plc.

## THE CREDIT CARD PORTFOLIO

### Credit Card Usage in the United Kingdom

The UK credit card market is probably the largest and relatively the most developed in Europe. The adult population of the United Kingdom is approximately 48 million and the total population is approximately 61 million as of mid-2007 (Office of National Statistics). It is estimated that approximately 30.8 million adults in the United Kingdom hold at least one credit card as of end 2007 (Association for Payment Clearing Systems).

According to the British Bankers Association, the total number of credit cards in issue in the United Kingdom stood at approximately 67.5 million at the end of October 2008. Data from the British Bankers' Association indicate that UK credit card borrowings were approximately £65.0 billion at the end of October 2008.

### Cards Business

#### General

Both RBS and NatWest issued their first credit cards in 1972. Cards Business manages the bank portfolios and leads the development of new credit card products for the originators. Through its development of sophisticated portfolio analysis systems, advanced direct marketing techniques and an extensive database of consumer behavioural information, RBS has been recognised as an innovator within the UK credit card industry. Following the group's acquisition of NatWest, Cards Business became responsible for servicing the credit card accounts originated by NatWest. The RBS group's total UK credit card portfolio is one of the largest credit card portfolios in the United Kingdom, as of September 2008, measured by the number of cards in issue and balances.

Cards Business currently pursues a multi-brand/multi-channel approach to growing its credit card portfolio. In addition to credit card accounts originated under the RBS and NatWest brands, Cards Business, directly and through affiliates, also markets credit cards under the MINT brand and various co-brands with third parties. MINT-branded accounts include accounts formerly originated under the RBSA brand as well as accounts originated directly under the MINT brand. Receivables to be included in the securitised portfolio, from time to time, will be acquired from the RBS and NatWest portfolios, including Classic VISA®, Classic MasterCard®, Platinum and Gold VISA® and Platinum and Gold MasterCard®. Any RBS and NatWest receivables which may be included in the securitised portfolio, from time to time, will not be generated from accounts issued by RBS and NatWest through affinity and co-brand marketing programmes.

Cards Business uses a customer-driven strategy to offer a range of products through a variety of origination channels with an objective of targeting the most profitable segments of the market and seeks to build a cardholder base among the more financially mature segment of the market. For example, accounts originated by NatWest have been marketed to potential customers who tend to be more focused on customer service, loyalty schemes and their perception of the status conferred by carrying a NatWest card.

Cards Business operates its credit card activities in respect of the bank portfolio from a number of sites including:

Edinburgh, Scotland	Head office, including commercial, marketing, card analysis, finance and risk;
London, England	Commercial and marketing office;
Manchester, England	Service/call centre; and
Southend-on-Sea, England	Operations centre, including service/call centre, fraud monitoring, collections and training.

As at September 2008, Cards Business employed in excess of 6,000 employees in the UK and worldwide.

### Account Origination

The eligible accounts from which the current designated accounts have been selected, and from which additional accounts will be selected from time to time, represent a substantial portion of all consumer

revolving credit loans arising in VISA® and MasterCard® accounts originated and/or owned by the originators. See *"The Receivables – Assignment of Receivables to the Receivables Trustee"*. Additional accounts selected in the future may include eligible accounts originated after the date of this base prospectus that are selected using eligibility criteria different from those used currently in selecting the designated accounts in respect of the programme.

The originators are members of VISA® and MasterCard® International. VISA® and MasterCard® credit cards are issued as part of the worldwide VISA® and MasterCard® International systems, and transactions creating the receivables through the use of those credit cards are processed through the VISA® and MasterCard® International authorisation and settlement systems. The VISA® and MasterCard® accounts, the receivables in which have been and will be conveyed to the receivables trust, from time to time, include both standard and premium VISA® and MasterCard® accounts. Premium accounts may carry higher credit lines and may offer different services to cardholders.

Cards Business applies the same practices for originating eligible accounts under the RBS, NatWest and MINT brands, except that where a prospective cardholder already has an existing banking relationship with RBS or NatWest, the behaviour of that relationship is taken into consideration when the application is assessed. Cards Business generates its eligible accounts principally through mass-media advertising, targeted direct mail, internet recruitment, in-branch solicitation and telemarketing solicitation. Cards Business applies risk and response models to many types of sponsored lists, the electoral roll and mailing lists to identify prospects. Cards Business also pre-screens mailing lists to prevent solicitations being sent to prospective cardholders who have significant adverse credit bureau information.

Additionally, RBS and NatWest-branded accounts are originated by providing application forms to prospective cardholders who have banking facilities with RBS or NatWest at the time that they are solicited. A limited number of new credit card accounts generated through direct mail solicitation campaigns are directed at individuals who have been pre-approved by Cards Business based on an existing banking relationship with RBS and NatWest (bureaux data is also checked). In addition, Cards Business generates certain accounts (which will not be designated accounts) through affinity and co-brand marketing programmes. In the future, Cards Business may use additional criteria to determine the eligibility of individuals for pre-approved solicitation.

Applications are consistent with the format that Cards Business understands is generally used by bank credit card issuers in the UK and require prospective cardholders to provide information on, among other things, the applicant's income, employment status and residence. Data entry for each form-based credit card application is performed by Graphic Data Ltd, a company that is unaffiliated with the group and that is based in Richmond-upon-Thames, England. Application details are screened for creditworthiness by a combination of system-based checking, external credit bureau data and manual verification, where appropriate. In addition, dual bureau processing is undertaken at Experian Limited, located in Nottingham, England, which we will refer to as "**Experian**", and Equifax Plc for credit searching and money laundering verification. System-based application checking includes the use of a database widely used in the UK credit card industry to attempt to detect fraudulent applications. That database is maintained by Experian.

Cards Business uses a credit scoring system developed by Experian. Cards Business believes that, should Experian cease to provide application processing services to Cards Business, it will be able to contract for comparable services from another qualified entity. The scorecards used by Cards Business have been built by Experian, and by its own risk department.

The credit scoring system provides an indication of an applicant's likelihood to repay his or her obligations. The credit scoring system applies information about applicants from various sources, including the electoral roll, credit reference data, previous credit searches, records of county court judgements and a fraud avoidance credit referencing database maintained by Experian, as well as information supplied by the applicant on the application form. The data are then assessed using proprietary scoring variables to select suitable applicants. Cards Business determines the credit score that is required for acceptance of a particular application based on a variety of factors, including the product applied for, the manner in which the application was made and the risk tolerance of Cards Business pertaining at the time of scoring. The risk tolerance may be adjusted based on factors such as economic conditions, campaign objectives, competition and the analysis of historical data. A number of bespoke policy rules are also applied, including affordability requirements. An applicant whose application is

approved is assigned an initial credit limit based on the applicant's credit score, income level and whether they have requested a balance transfer.

Cards Business manages the bank portfolio with the goal of maximising profitability. This is done by splitting classes of applicants into different segments based on profitability and risk. Several scorecards are used for applicants, including banked, non-banked and dual bureau. Different cut-offs are applied for acceptance of applicants in each of the segments.

Credit limits are adjusted based on Cards Business's continuing evaluation of cardholders' credit behaviour and suitability using Triad 7.0, an account management system developed by Fair Isaac Corporation, an independent firm experienced in developing credit scoring models.

Once an account has been in existence for between three and six months, payment and behavioural information in respect of that account is systematically evaluated on a monthly basis by Cards Business. Credit limits may also be adjusted at the request of a cardholder, subject to Cards Business's independent evaluation of such cardholder's card usage and payment history. In addition, Cards Business may also adjust the account's credit limit automatically based on updated behaviour scores, the performance of the account and bureaux and affordability data. Limit increases are ordinarily only considered after at least nine months' worth of track record.

### **Account Use and Maintenance**

Cardholders may use their cards for purchases, cash advances and to finance balance transfers and money transfers. Purchases occur when cardholders use their cards to acquire goods or services. Cash advances occur when cardholders use their cards to obtain cash from a financial institution or ATM. Balance transfers occur when a customer arranges by telephone, via direct mail or as part of his or her original application to transfer the balance of another credit or store-card or to consolidate his or her overdraft to his or her credit card. Money transfers can be used to pay funds into an account in the name of the cardholder. Amounts due with respect to purchases, cash advances, balance transfers and money transfers will be included in the receivables offered to the receivables trustee under the receivables securitisation agreement.

Each cardholder is subject to an agreement governing the terms and conditions of his or her account. Each agreement provides that the relevant originator, if it gives advance notice to the cardholder, may, at any time, change or terminate any terms, conditions, services or features of the account (including increasing or decreasing periodic finance charges, other charges or minimum payments) provided that notice is given in accordance with Banking Code requirements. Credit limits and interest rates may be adjusted periodically based upon an evaluation of the cardholder's performance.

On 12 December 2008, the Department of Business, Enterprise and Regulatory Reform announced that credit card companies had agreed to a new set of 'fair principles' to apply when a credit card company increases the interest rate applicable to a credit card account. These new principles come into effect on 1 January 2009.

### **Processing**

#### **Account Management**

RBS, as part of the group, is party to an agreement, which will be referred to as the "**TSS contract**", with Total Systems Services Inc., which we will refer to as "**TSS**". TSS has credit card account processing capabilities in North America, Europe, Latin America and Asia Pacific. TSS's UK credit card processing centre is based in York with a data centre in Knaresborough.

TSS provides certain processing services including but not limited to:

- maintenance of cardholder data and cardholder transaction management;
- transmission of cardholder data to the group's appointed suppliers;
- transmission of credit card statement data to the group's appointed statement printing and fulfilment supplier; and



- interface to the payment schemes (VISA<sup>®</sup> and MasterCard<sup>®</sup>) enabling the processing of authorisations and settlement.

TSS's settlement process has links to VISA<sup>®</sup> and MasterCard<sup>®</sup> to enable cardholder transactions to be transferred.

If TSS were to fail to perform under the TSS contract or become insolvent, delays in processing and recovery of information with respect to charges incurred by cardholders could occur, and the replacement of the services that TSS currently provides to RBS and NatWest could be time consuming. As a result, delays in payments to holders of notes of any series outstanding at such time could occur.

The group and TSS are parties to a contract that has an effective date of 27 July 2000. The contract expires on 31 July 2014. It can also be terminated on the occurrence of certain insolvency events, material breach or misconduct on the part of TSS.

### **Card Production**

RBS and NatWest are each party to agreements which we will collectively refer to as the "**G&D contract**", with Giesecke and Devrient GB Ltd. and Giesecke & Devrient GmbH, collectively referred to as "**G&D**".

G&D is a global technology group specialising in banknote and securities printing. G&D also specialises in credit card encoding, embossing and personalisation services through its plant in London.

G&D provide Cards Business with certain services including, but not limited to:

- receipt of daily transmissions from TSS containing cardholder data relating to new cards, replacement cards and monthly re-issue cards;
- acting as sole supplier of plastic cards and also sourcing and embedding the chips module;
- magnetic stripe and chip encoding;
- plastic card personalised embossing;
- matching of plastics to card carriers and insertion of relevant inserts; and
- secure preparation of cards mail packages.

### **Statement Printing**

Statement production and printing is carried out by the RBS group statement production facility, which is based in Loughborough. The statement printing facility is part of the RBS group's manufacturing division.

### **Billing and Payment**

TSS creates a monthly statement with respect to each cardholder, the details of which are transmitted daily to RBS group's statement production facility in Loughborough, where printing, insertion and mailing is managed. Each statement contains details of transactions on the account that have occurred since the previous statement date. The statement may also contain special offers or details of other products of Cards Business and the group that may be of interest to the cardholder.

Most credit card agreements issued by the originators contain terms that allow cardholders to make purchases free of interest for up to 56 days. This means that if a balance consists only of purchases, and the balance is paid in full by the due date noted on the customer statement (this is generally 25 days from the date of the statement), finance charges will be waived. Cash advances are not eligible for interest free periods and, as such, no finance charge waivers are allowed. Currently, cardholders must make a monthly payment of at least an amount equal to the greater of 2.25 per cent. of the statement balance or the total amount if the balance is less than £5, unless the customer is on a pre-agreed repayment plan, where spending has been ceased and the account is being managed by the collections unit.

The terms and conditions of the credit card agreements issued by the originators allow the originators to offer certain eligible cardholders a payment holiday pursuant to which they would be given the option to allow one monthly payment cycle to lapse without making the minimum payment normally due during that payment cycle. Interest on the outstanding balance continues to accrue during that period. This option has rarely been exercised by the originators and in any event no customer would receive such an option more than once per year.

A number of charges and fees are assessed on card accounts in accordance with the terms and conditions of the product held. These fees include finance charges, annual fees, cash advance handling fees, late payment fees, returned payment fees, overlimit fees, foreign exchange fees and insurance premiums.

Finance charges on purchases, cash advances and balance transfers are calculated using the average daily balance method on the TSS platform. Finance charges are calculated from the date of the transaction. Finance charges are assessed monthly and are posted to the customer's account, subject to terms and conditions relating to interest-free periods and interest waivers.

### **Payment Protection Insurance**

Cards Business's payment protection insurance covers up to 10% of the outstanding credit card balance for up to 12 months, where the customer is unable to work for more than 14 (consecutive) days due to accident, illness or involuntary unemployment. This is underwritten by UK Insurance Limited.

In the event of death, the policy also covers the outstanding balance at the date of death (including interest), less any sum over the agreed credit limit. This element of cover is provided by Direct Line Life Insurance Company Limited.

Cardholders can choose to take out Cards Business's payment protection insurance when the account is first opened or at a later stage during the life of the account.

Premiums are charged at a monthly rate for every £100 of the highest balance during the month. These monthly charges continue unless there is a nil balance for the full statement month.

### **Delinquency and Loss Experience**

Cards Business considers an account to be contractually delinquent if the minimum payment is not received by the due date indicated on the customer's statement. Efforts to deal with delinquent receivables occur at various stages of delinquency. Those efforts include statement messages, SMS text messages, an automated outbound resolution tool (Adepra, which is widely used within the credit card industry), formal letters and telephone calls generated by Cards Business through its Southend processing centre, which maintains an automated telephone dialling system for the purpose of contacting delinquent cardholders. Once an account is recognised as delinquent, a determination is made of the timing and type of initial contact and frequency of subsequent contacts based upon the score assigned to such account by the Triad 7.0 account management system and the severity of any cardholder misuse, if any.

Limits are automatically reduced to the outstanding balance when accounts fall delinquent – this applies to some accounts that have missed one payment and all accounts that have missed two or more payments. In addition, Cards Business uses an advanced computer system to attempt to detect fraudulent transactions based on an analysis of card usage patterns.

Receivables typically go through various stages of recovery when they become 90 days past due (that is, when four payments have been missed). At the first stage of recovery, accounts are most frequently referred to an affiliate of RBS and NatWest. If a payment or plan is not agreed at this stage, accounts are passed to approved external collection agencies. In addition, in accordance with its usual servicing procedures, Cards Business may sell charged-off accounts to a third party in order to maximise recoveries on such accounts. An account is charged-off in the month in which such account becomes 365 days delinquent. Accounts will also be charged-off on confirmation of bankruptcy or an IVA (Individual Voluntary Arrangement) of the cardholder and upon notification of the death of a cardholder where it is confirmed that there are no assets in the estate. Charged-off accounts can never be revived.

Cards Business manages its credit card portfolio within the "*prime*" sector of the market and manages the portfolio with the goal of maximising net profitability. Whilst the overall portfolio has more transactors than borrowers, Cards Business believes that borrowers on RBS and MINT branded cards carry higher

interest-bearing balances than the industry average for this sector. Higher balances result in higher aggregate losses for a given percentage of defaulted accounts but also generate higher profits as a result of the increased interest and fee income on those accounts. If the percentage of defaulted accounts is controlled, this trade off can result in higher overall profitability. As a result, Cards Business has been willing to tolerate relatively higher levels of delinquencies and, ultimately, charge offs from a given group of accounts to the extent its modelling suggests that it will also achieve relatively higher overall returns from these accounts.

Each set of final terms will contain tables relating to the securitised portfolio, as well as the historic contractual delinquencies of accounts in the bank portfolio, broken down according to the number of days by which payments are overdue and loss experience.

### **Maturity Assumptions**

Each series supplement to the receivables trust deed and trust cash management agreement will provide that the loan note issuing entity will not receive distributions of principal collections from the receivables trustee, for payment of principal on the corresponding loan note, until the scheduled redemption date for such series, or earlier if a pay-out event results in the start of the regulated amortisation period or the rapid amortisation period.

On each distribution date during the controlled accumulation period an amount equal to the controlled deposit amount will be deposited in the principal funding account until the balance of the principal funding account equals the initial investor interest. Although it is anticipated that principal collections will be available on each distribution date during the controlled accumulation period to make a deposit of the controlled deposit amount and that the initial investor interest acquired by the loan note issuing entity in connection with each series will be paid to the loan note issuing entity on the scheduled redemption date for such series, thereby allowing the loan note issuing entity to redeem the corresponding outstanding series loan note in full, no assurance can be given that sufficient principal collections will be available. If the amount required to pay the investor interest in respect of a series loan note in full is not available on the scheduled redemption date of the corresponding series of notes, a pay-out event will occur and the rapid amortisation period will begin with respect to such series of notes.

If a regulated amortisation trigger event (if any) occurs during the controlled accumulation period in respect of a series, the regulated amortisation period will begin. If any other pay-out event with respect to such series of notes occurs during the controlled accumulation period, the rapid amortisation period will begin. In each case, any amount on deposit in the relevant principal funding ledger of the principal funding account with respect to that series will be withdrawn by the loan note issuing entity and paid to the issuing entity on the first payment date falling after the commencement of the regulated amortisation period or the rapid amortisation period. In addition, to the extent that the adjusted investor interest in respect of a series loan note has not been distributed in full, the issuing entity will be entitled to monthly distributions of principal collections in respect of such adjusted investor interest during the rapid amortisation period equal to the available investor principal collections until such adjusted investor interest has been distributed in full or, during the regulated amortisation period, an amount equal to the controlled deposit amount until each adjusted investor interest has been distributed in full. A pay-out event occurs, either automatically or after specified notice, after a trust pay-out event or a series pay-out event occurs. If a series pay-out event occurs, it will automatically trigger an early redemption event under the corresponding loan note.

Each set of final terms will contain a table prepared by Cards Business in unaudited form and presenting the highest and lowest cardholder monthly payment rates for the bank portfolio during any month in the periods shown and the average cardholder monthly payment rates for all months during the periods shown. These are calculated as a percentage of total opening receivables balances during the periods shown. The payment rates are based on amounts which would be deemed payments of principal collections and finance charge collections for the related accounts.

Collections may vary from month to month due to:

- seasonal variations;
- promotional offerings;

- general economic conditions; and
- payment habits of cardholders.

There is no guarantee that the future monthly payment rates for the securitised portfolio will be similar to the historical experience set forth in the table in the relevant final terms or that there will be enough principal collections to deposit the controlled deposit amount into the principal funding account each month during the controlled accumulation period to redeem notes of any series fully by the scheduled redemption date of such series. If a pay-out event occurs, the average life and maturity of your notes could be significantly reduced, since you may start receiving principal distributions before the scheduled redemption date.

The payment rate may slow to below the payment rates used to determine the controlled deposit amount or a pay-out event may occur which would start the rapid amortisation period or the regulated amortisation period, so there is no guarantee that the actual number of months elapsed from the issuance date of a series to the final distribution date for your notes will equal the expected number of months in that period. If the trust cash manager in consultation with the servicer shortens the controlled accumulation period there is no guarantee that there will be enough time to accumulate all amounts necessary to pay the adjusted investor interest fully on the corresponding scheduled redemption date.

### **Receivables Yield Considerations**

The finance charges and fees billed to accounts in the bank portfolio for the most recent available periods will be presented in the relevant final terms.

The historical yield figures in these tables are calculated on the basis of the amounts billed to cardholders during the periods shown (which we shall refer to as being on a "**charged basis**"), and from interchange. Collections of receivables included in the receivables trust will be on a cash basis and may not be the same as historical yields set forth in the table. During periods of increasing delinquencies or an increase in periodic payment deferral programmes, yields calculated on a charged basis may exceed yields based on cash amounts billed to and collected from cardholders. Conversely, as delinquencies decrease or the use of periodic payment deferral programmes decreases, cash yields may exceed yields calculated on a charged basis as amounts collected in a current period may include amounts billed during prior periods. However, the originators believe that during the periods referred to in the table set forth in each set of final terms, the yield on a charged basis will closely approximate the yield on a cash basis. The yield on both a charged and a cash basis will be affected by many factors, including the monthly periodic finance charges on the receivables, the amount of the annual fees and other fees, changes in the delinquency rate on the receivables and the percentage of cardholders who pay their balances in full each month and do not incur monthly periodic finance charges. For example, an originator could change the monthly interest rate applied to its accounts or reduce or eliminate fees on its accounts. See *"Risk Factors – A change in the terms of the designated accounts may adversely affect the amount or timing of collections and may cause a loss on, and/or the early redemption of, your notes or a downgrade of your notes"*.

## THE RECEIVABLES

### Transfer of Receivables to the Receivables Trustee

Under the terms of a receivables securitisation deed dated 27 March 2000 which we will call the "**receivables securitisation agreement**" RBS and RBSA, as the initial originators, offered on that date to the receivables trustee assignments of, and in respect of receivables governed by Scots law, a declaration of trust over, all receivables that had arisen or would arise in all designated accounts as of 31 January 2000 called the "**pool selection date**". RBSA transferred its originator interest in the receivables trust on 1 January 2004 to RBS. On 27 October 2005, NatWest acceded to the receivables trust as a new originator beneficiary. An account of an originator is designated as a designated account if the account has been originated under and continues to conform to the credit card eligibility criteria described in this base prospectus and has been flagged on the relevant originator's system as being the subject of an offer. Only credit card accounts arising from the originators' individual cardholders may be designated. Each set of final terms issued in connection with a series of notes will contain information on the aggregate number of receivables in the securitised portfolio.

If for any reason any receivables from designated accounts cannot be properly assigned to the receivables trustee or if the receivables are governed by Scots law, the relevant originator will hold those receivables, and any collections on those receivables, on trust for the receivables trustee. These collections will be treated as if the receivables had been properly assigned. For a discussion of the effect of the transfer, see "*Material Legal Aspects of the Receivables – Transfer of Benefit of Receivables*". For a discussion of certain risks associated with the transfer, see "*Risk Factors – Commingling of receivables trust's collections with originators' may delay or reduce payments on your notes*" and "*Risk Factors – Failure to notify cardholders of the transfer of receivables could delay or reduce payments on your notes*".

Under the terms of the receivables securitisation agreement, the originators also have the right to select accounts that conform to the eligibility criteria for designated accounts which are set out in "*Representations*" below, but which have not yet been designated, and nominate them as designated accounts by offering the receivables trustee an assignment of, and if appropriate, a Scottish declaration of trust over, all future and existing receivables in these accounts. These accounts are called "**additional accounts**". Each date on which additional accounts are selected is called an "**additional selection date**".

Under the terms of the receivables securitisation agreement, on 27 March 2000 the initial originators offered to the receivables trustee assignments of, and a Scottish declaration of trust over, all future and existing receivables in designated additional accounts. The offers and acceptances of all future and existing receivables in additional accounts were conducted in accordance with the conditions outlined in the paragraph below. The securitised portfolio now consists of designated accounts selected in connection with the 2000 transfers and in connection with subsequent transfers.

An additional account will be treated as a designated account from the date on which its receivables are offered to the receivables trustee. This date is called the "**addition date**". When additional accounts are nominated the relevant originator must, amongst other things:

- provide the receivables trustee with a certificate stating that it is solvent;
- confirm, in the document that offers to assign or hold on trust the receivables in the additional accounts to the receivables trustee, that:
  - (1) the offer of the receivables in the additional accounts meets the maximum addition amount criteria – as set out below; or
  - (2) if the offer does not meet the maximum addition amount criteria, each rating agency then rating the notes has confirmed that the designation of additional accounts will not result in a reduction or withdrawal of the then current rating of any outstanding debt that is secured directly or indirectly by the receivables in the receivables trust, including your notes; and
- obtain a legal opinion addressed to the receivables trustee and satisfactory to the receivables trustee and each rating agency then rating the notes concerning the enforceability of any receivables arising on any designated accounts which have a billing address in a jurisdiction outside the United Kingdom.

The receivables trustee may waive any of these preconditions if the rating agencies confirm in writing that the waiver will not result in the reduction or withdrawal of their then current rating on the notes. At the time it is nominated, each additional account must also meet the eligibility criteria as at the time of its designation. These criteria are explained in "*Representations*" below. Additional accounts may have been originated or purchased using underwriting standards that are different from the underwriting standards used by the originators in selecting the original designated accounts. As a result, additional accounts may not have the same credit quality.

**"Maximum addition amount"** means, for any addition date, the number of additional accounts nominated by the originators as additional accounts after the pool selection date without prior rating agency confirmation and would be:

- for the three consecutive monthly periods starting with an addition date where the rating agencies have confirmed the ratings of the outstanding series of notes, no more than 15 per cent. of the number of designated accounts as of the pool selection date; or
- thereafter for any twelve-month period, no more than 20 per cent. of the designated accounts as of the later of the first day of such twelve-month period, or an addition date where the rating agencies have confirmed the ratings of the outstanding series of notes.

Every offer of receivables to the receivables trustee under the receivables securitisation agreement will comprise an offer of the following:

- all existing receivables in the designated accounts;
- all future principal receivables under the designated accounts, until the first to occur of (1) the time a designated account becomes a redesignated account – as defined below, (2) the receivables trust is terminated or (3) an insolvency event – as defined below – occurs;
- all future finance charge receivables under those designated accounts that have accrued on receivables that have been assigned to, or held on trust for, the receivables trustee as described in the two prior bullet points;
- all amounts recoverable on the receivables described in the preceding three bullet points – including from the reassignment of, or the removal from the Scottish trust over, receivables in defaulted accounts to their originator;
- if capable of being assigned, the benefit of any guarantee or insurance policy obtained by the relevant originator for any obligations owed by a cardholder on a designated account; and
- in the case of the initial offer only, the benefit of all amounts representing acquired interchange arising in respect of designated accounts nominated in the initial offer and designated accounts nominated in all further offers.

Every offer of receivables to the receivables trustee under the receivables securitisation agreement will specify the aggregate amount of principal receivables which are ineligible receivables and also identify any receivables which the relevant originator has designated as ineligible which otherwise may have been eligible receivables.

Throughout the term of the receivables trust, the accounts from which the receivables will arise will be the designated accounts, excluding any redesignated accounts.

Existing receivables and future receivables arising under the designated accounts will be principal receivables or finance charge receivables.

**"principal receivables"** are amounts owing by cardholders for the purchase of merchandise or services and from cash advances, including foreign exchange commissions charged for merchandise and services payable, or cash advances denominated, in a currency other than sterling. The value of the principal receivables on any designated account on any day is reduced by any credit balance on that designated account on that day. The date on which the value of the principal receivables in the designated accounts is determined is called the **"cut-off date"**.

**"finance charge receivables"** are amounts owing from cardholders for transaction fees, periodic finance charges, charges for credit insurance, special fees and annual fees – see *"Special Fees"* and *"Annual Fees"* below – and any interchange and discount option receivables.

Under the receivables securitisation agreement, the receivables trustee may accept each offer of receivables (or future receivables) made by an originator by paying the purchase price for the offered receivables (or for the contract for the sale of future receivables) and/or by executing an assignment and, if appropriate, a Scottish declaration of trust. If it wishes to accept the offer, the receivables trustee must pay the applicable consideration no later than the operating business day following the date on which the offer is made. Alternatively, the parties can agree to a longer period of time for payment. Upon future receivables becoming existing receivables, the receivables trustee must pay the applicable consideration no later than two operating business days after the date of processing of these existing receivables. Alternatively, the parties can agree to a longer period if the rating agencies consent. The payment on 27 March 2000 from the receivables trustee to the originators also included payment for the assignment of or declaration of trust over the benefit of acquired interchange to the receivables trustee for all designated accounts now or in the future.

The receivables trustee accepted the initial offers of receivables made on 27 March 2000 by the initial originators on that same date and accepted all further offers of receivables in additional accounts made on subsequent transfers by the initial originators on the same date the offers were made.

The amount payable by the receivables trustee to an originator if it chooses to accept an offer or to pay for any future receivables will be reduced by the amount of any shortfall in the amount funded by trust property, **provided that** the relevant originator's originator interest is increased accordingly.

The amounts required to be contributed by the originators for the initial acceptance on 27 March 2000 and dates on which the further acceptances were made were each reduced by the shortfall in the amount required to be paid by the receivables trustee to the originators as part of the purchase price, resulting in an increase of the relevant originator's originator interest.

### **Redesignation and Removal of Accounts**

Each designated account will continue to be a designated account until such time as (i) it becomes a cancelled account, zero balance account or defaulted account, or (ii) the relevant originator reclassifies it as being no longer a designated account (each of the foregoing a **"redesignated account"**). Each originator will then ensure that, on the date that the account converted to a redesignated account, the flag on the originator's computer system which formerly identified the account as a designated account is removed.

A designated account becomes a redesignated account on the date specified by the relevant originator to the receivables trustee (the **"removal date"**). No designated account will become a redesignated account unless (1) it has become a cancelled account, a defaulted account or a zero balance account (each as defined below) or (2) the relevant originator delivers an officer's certificate confirming the following conditions are satisfied:

- the redesignation will not in the reasonable belief of the originator cause a pay-out event to occur;
- the originator has represented and warranted that it does not believe that its selection procedures for redesignated accounts will have any material adverse effect on any investor beneficiary;
- the rating agencies have confirmed that the action will not result in a downgrade or withdrawal of rating of any outstanding debt that is secured directly or indirectly by the receivables in the receivables trust; and
- the originators and the servicer can certify that collections equal to the outstanding face amount of each principal receivable and the outstanding balance of each finance charge receivable have been received by the receivables trustee on all receivables assigned or held on trust for that account other than any receivables charged-off as uncollectable.

A **"cancelled account"** is a designated account that has had its charging privileges permanently withdrawn. A **"zero balance account"** is a designated account that has had a nil balance of receivables

for a considerable period of time and has been identified by the servicer as a zero balance account under the credit card guidelines, or the usual servicing procedures, of the servicer. A **"defaulted account"** is a designated account where all of the receivables have been charged-off by the servicer as uncollectable in line with the credit card guidelines, or the usual servicing procedures, of the servicer for similar credit card accounts. The servicer may also designate a non-performing designated account to be a defaulted account where the servicer is in a position to sell that account to a third party to maximise recoveries of receivables, in accordance with its usual servicing procedures.

In the case of a cancelled account, a defaulted account or a zero balance account, such account shall automatically become a redesignated account as at the date on which it becomes a cancelled account, defaulted account or a zero balance account, as the case may be. All principal receivables which come into existence under a designated account prior to the date of redesignation thereof (and which will have automatically been assigned to the receivables trustee) will be paid for by the receivables trustee in accordance with the receivables securitisation agreement. All future receivables which come into existence under a designated account after the date of redesignation thereof which are principal receivables or finance charge receivables in respect of receivables which were not in existence prior to such date of redesignation will not be transferred to the receivables trustee. All future receivables which are finance charge receivables in respect of receivables which were in existence prior to such date of redesignation, and which future receivables came into existence on or following such date of redesignation, will continue to be assigned to the receivables trustee. For the avoidance of doubt, no receivable which has been assigned to or is held on trust for the receivables trustee will be reassigned or retroceded to an originator except in the limited circumstances referred to under the heading *"Representations"*.

### **Discount Option Receivables**

Each of the originators may, by giving at least thirty days' prior notice to the servicer, the receivables trustee and the rating agencies, nominate a fixed or variable percentage – called the **"discount percentage"** – of principal receivables in the designated accounts. If a discount percentage has previously been nominated for a fixed period, an extension to that period can be applied for in the same manner. From the date and for the length of time stated in the notice:

- the amount payable by the receivables trustee to accept an offer of receivables will be reduced by a percentage amount equal to the discount percentage; and
- a percentage of the principal receivables equal to the discount percentage will be treated by the receivables trustee as finance charge receivables. These are called **"discount option receivables"**.

The nomination of a discount percentage or increase in the time it is in place will be effective only if the rating agencies confirm that the proposed nomination or increase will not result in the downgrade or withdrawal of the current rating of any debt that is secured directly or indirectly by the receivables in the receivables trust, including your notes. The relevant originator must also provide the receivables trustee with a certificate confirming:

- that the performance of the portfolio of designated accounts, in the reasonable opinion of the relevant originator, is not generating adequate cash flows for the beneficiaries of the receivables trust and the size of the discount percentage is not intended solely to accelerate amounts payable as deferred consideration; and
- that the relevant originator is solvent and will remain so following the nomination or increase.

Various circumstances could lead an originator to designate a discount percentage. The finance charge collections on the designated accounts may decline for various reasons or may stay constant. The notes will have variable interest rates which might increase. These circumstances could cause a series pay-out event to occur based in part on the amount of finance charge collections and the interest rate on the notes. An originator could avoid the occurrence of such a series pay-out event by designating a discount percentage, which would increase the amount of finance charge collections. Neither originator, however, is under an obligation to designate a discount percentage and we cannot assure you that the originators would designate a discount percentage to avoid a series pay-out event.



## Special Fees

Each of the originators may in the future charge special fees on its credit card accounts. These special fees may be levied once or on an ongoing basis. Any special fees that are charged on designated accounts will be regarded as finance charge receivables and collections of these special fees will be treated as finance charge collections. The originators may, however, by notice to the servicer, the receivables trustee and the rating agencies, designate in a certificate to the receivables trustee that special fees will be treated as principal receivables. An originator can only do this if it certifies that it has received legal advice that to do so will not give rise to certain adverse UK tax effects.

## Interchange

Members participating in the VISA® and MasterCard® associations receive fees called "**interchange**" as partial compensation for, amongst other things, taking credit risk and absorbing fraud losses. Under the VISA® and MasterCard® systems, interchange is passed from the banks that clear the transactions for merchants to card issuing banks. Interchange fees are calculated as a percentage of the value of a credit card transaction for the purchase of goods or services. This percentage varies from time to time.

On each distribution date each originator will deposit into the trustee collection account an amount equal to the interchange it has received during the preceding monthly period on designated accounts nominated. The aggregate amount paid by the originators together is called the "**acquired interchange**" and is calculated as follows:

$$\text{acquired interchange} = A \times B$$

where

A = total interchange paid or payable to the originators for that period, and

B = 
$$\frac{\text{total charges eligible for interchange in designated accounts for that period}}{\text{total charges eligible for interchange in all card accounts owned by the originators (including designated accounts) for that period}}$$

## Annual Fees

Receivables assigned to or held on trust for or to be assigned to or held on trust for the receivables trustee include any annual fees charged on the designated accounts. All annual fees are and will be treated as finance charge receivables. An originator may, however, by notice to the servicer, the receivables trustee and the rating agencies, designate in a certificate to the receivables trustee that annual fees will be treated as principal receivables. No designation of annual fees as principal receivables will be effective unless the relevant originator has certified that it has received legal advice that to do so will not give rise to certain adverse UK tax effects.

## Reductions in Receivables, Early Collections and Credit Adjustments

If a principal receivable assigned to or held on trust for the receivables trustee is reduced – for reasons other than a credit adjustment or section 75 of the CCA, for which see "*Material Legal Aspects of the Receivables – Consumer Credit Act 1974 – Liability for Seller's misrepresentation or breach of contract*" – after the offer date, because of set-off, counterclaim or any other matter between the cardholder and the originator which originated the receivable, and such originator has received a benefit, then such originator will pay an amount equal to that reduction to the receivables trustee. Similarly, if an existing receivable has already been assigned or put into trust and its originator has received full or partial payment of that receivable before the date that the receivable was purportedly assigned or put into trust, then the originator will pay the amount of that collection to the receivables trustee.

If any principal receivable assigned to or held on trust for the receivables trustee is reduced for credit adjustment reasons after the offer date, then the originator which originated it will pay an amount equal to such reduction to the receivables trustee. The amount of a credit adjustment is the outstanding face amount of a principal receivable that:

- was created by virtue of a sale of merchandise that was subsequently refused or returned by a cardholder or against which the cardholder has asserted any defence, dispute, set-off or counterclaim;
- is reduced because the cardholder had received a rebate, refund, charge-back or adjustment; or
- is fraudulent or counterfeit.

Alternatively, instead of paying these amounts to the receivables trustee, the relevant originator can reduce its originator interest by the amount of the credit adjustment, but not below zero.

## **Representations**

Each previous offer and all future offers of receivables to the receivables trustee included or will include representations by the relevant originator about the offer of the existing receivables and the future receivables which in each case are eligible receivables. The representations for the existing receivables will be given as of the pool selection date or an additional selection date, as applicable, and the representations for the future receivables will be given as of the date they are processed, and will include, in each case, that:

- unless identified as an ineligible receivable, the receivable is an eligible receivable and has arisen from an eligible account in the amount specified in the offer or daily activity report, as applicable;
- each assignment passes good and marketable title for that receivable to the receivables trustee and each Scottish declaration of trust is effective to hold good and marketable title for that receivable on trust for the receivables trustee, in each case together with the benefit of all collections and other rights in connection with it, free from encumbrances of any person claiming on it through its originator and (except in certain cases where a court order may be required under the terms of the CCA) nothing further needs to be done to enforce these rights in the courts of England and Wales, Scotland or Northern Ireland, or any permitted additional jurisdiction, without the participation of its originator, except for execution of an assignation in respect of Scots law governed receivables and giving a notice of assignment to the relevant cardholder and subject to any limitations arising on enforcement in the jurisdiction of the relevant cardholder;
- the assignment and the Scottish declaration of trust comply with all applicable laws on, respectively, the date of assignment and the date of the Scottish declaration of trust; and
- the relevant originator did not use any procedures adverse to the beneficiaries of the receivables trust in selecting the designated accounts from its portfolio of card accounts.

If a representation relating to the eligibility criteria given in connection with any principal receivable proves to be incorrect when made, then the originator of the receivable in question is obliged to pay the receivables trustee an amount equal to the face value of that receivable on the following operating business day. A receivable of this type will afterwards be treated as an ineligible receivable. The **"face value"** of a principal receivable means the amount which is the outstanding balance thereof.

An originator's obligation to pay amounts due as a result of any breach of a representation can be fulfilled, in whole or in part, by a reduction in the amount of its originator interest. No originator interest, however, may be reduced below zero. However, if its originator interest would be reduced below zero, the relevant originator must make an equivalent payment in immediately available funds to the receivables trustee under the receivables trust deed and trust cash management agreement and the receivables securitisation agreement. Once the relevant originator meets a payment obligation arising from a breach of representation, the receivables trustee will have no further claim against the originator for the breached representation. However, a breach of a representation may result in a series pay-out event.

The relevant originator will also represent, as of each pool selection date or an additional selection date, as applicable, that no more than 1 per cent. of the aggregate principal receivables are non-conforming receivables. Except for the contractual arrangements in relation to the treatment of ineligible receivables described elsewhere, the receivables trustee will have no further claim against the relevant originator if this representation is breached.

A "**non-conforming receivable**" is a receivable arising on a designated account where the relevant credit agreement would be enforceable on an order of the court only but where the court would not have discretion to grant an enforcement order in respect of such credit agreement as of the applicable pool selection date or additional selection date, as the case may be. A non-conforming receivable will be treated as an ineligible receivable on the date it is identified.

If:

- all principal receivables arising under a designated account become ineligible;
- the designated account in which the ineligible principal receivables arose has become a redesignated account; and
- the relevant originator has complied with the payment obligations for the ineligible principal receivables,

then the relevant originator can require the receivables trustee to reassign or itself retrocede, as the case may be, all those receivables to it.

An "**eligible account**" means, as of the pool selection date or an additional selection date, as the case may be, a credit card account:

- which was in existence and maintained with an originator before it became a designated account;
- which is payable in sterling or, where the account is in a permitted additional jurisdiction, the currency of such permitted additional jurisdiction, as applicable;
- which is governed by one of the originator's standard form credit card agreements or, if it was acquired by an originator, was originated on contractual terms not materially different from that standard form;
- which is governed in whole or in part by the CCA and creates legal, valid and binding obligations between the relevant originator and the cardholder which, except in the case of an account on which non-conforming receivables arise, are enforceable, subject to bankruptcy laws, general principles of equity and limitations on enforcement in any cardholder jurisdiction, and which was otherwise created and complies with all other applicable laws;
- where the cardholder is an individual;
- where the cardholder's most recent billing address is located in England, Wales, Scotland, or Northern Ireland or a permitted additional jurisdiction or a restricted additional jurisdiction;
- which has not been classified by the relevant originator as counterfeit, cancelled, fraudulent, stolen or lost;
- which has been originated or purchased by an originator;
- which has been operated in all material respects in accordance with its originator's policies and procedures and usual practices for the operation of its credit card business; and
- the receivables in respect of which have not been charged-off by the relevant originator on the date the account is specified as a designated account.

If not all these conditions have been satisfied, then an account may still be an eligible account if each rating agency confirms that the inclusion of such account in the receivables trust will not result in a withdrawal or reduction of the then current rating of any outstanding debt secured directly or indirectly on the property of the receivables trust.

An "**eligible receivable**" means a receivable that:

- has arisen under an eligible account;
- was originated under one of the originators' standard form credit card agreements and is governed, in whole or in part, by the CCA, or else, if the related account was acquired by an originator, under contractual terms that are materially the same as the standard form credit card agreements and are governed, in whole or in part, by the CCA;
- was otherwise created in compliance with all other applicable laws;
- was originated in accordance with the originator's policies and procedures and usual practices for its credit card business;
- is not a defaulted receivable as at the offer date or addition date, as applicable;
- is free of any encumbrances exercisable against an originator arising under or through such originator or any of its affiliates;
- to which an originator has good marketable title;
- is the legal obligation of the cardholder, enforceable (except in the case of a non-conforming receivable) in accordance with the terms of the credit card agreement under which it was originated, subject to bankruptcy, general principles of equity and limitations on enforcement in the relevant cardholder's jurisdiction of residence; and
- is not currently subject to any defence, dispute, event, set-off, counterclaim or enforcement order.

As is market practice in the United Kingdom for credit card securitisation transactions, principal receivables that are delinquent will still constitute eligible receivables if they comply with the eligibility requirements. See the table captioned "*Delinquency Experience-Bank Portfolio*" in "*Bank Portfolio Information*" in the relevant final terms for data showing the percentage of delinquent receivables.

A "**defaulted receivable**" means a receivable in a defaulted account.

An "**ineligible receivable**" means a receivable which arises under a designated account but which does not comply with all the criteria set out in the definition of an eligible receivable as at the offer date, an addition date, date of processing or date the receivables trustee acquires the receivable, as applicable, or an eligible receivable which the relevant originator has designated as an ineligible receivable and has identified as an ineligible receivable in the relevant offer.

A "**notice of assignment**" means a notice given to a cardholder of the assignment or assignation of the receivables or insurance policies – and the benefit of any guarantees – to the receivables trustee.

A "**permitted additional jurisdiction**" is a jurisdiction other than England and Wales, Scotland, or Northern Ireland agreed by the originators and the receivables trustee, and in respect of which each rating agency has confirmed in writing that its inclusion as a permitted additional jurisdiction will not result in a withdrawal or reduction of the then current rating on any outstanding debt which is secured directly or indirectly by the receivables in the receivables trust including your notes.

A "**restricted additional jurisdiction**" is a jurisdiction other than England and Wales, Scotland, or Northern Ireland or a permitted additional jurisdiction which together with each other jurisdiction other than England, Wales, Scotland and Northern Ireland and each permitted additional jurisdiction represents less than 5 per cent. of outstanding receivables measured by the outstanding receivables balance at any date.

The receivables trustee has not made and will not make any initial or periodic examination of the receivables to determine if they are eligible receivables or if the originators' representations and warranties are true.

### **Amendments to Credit Card Agreements and Credit Card Guidelines**

Each of the originators may amend the terms and conditions of its standard form credit card agreements or change its policies and procedures and usual practices for its general credit card business – which we call its "**credit card guidelines**". These amendments may include reducing or increasing the amount of monthly minimum required payments or may involve changes to periodic finance charges or other charges that would apply to the designated accounts. See "*Risk Factors – A change in the terms of the designated accounts may adversely affect the amount or timing of collections and may cause a loss on, and/or the early redemption of, your notes or a downgrade of your notes*".

### **Overview of Securitised Portfolio**

Each set of final terms issued in connection with the issuance of a series of notes will contain tables summarising information in relation to designated accounts on which receivables that have been assigned to the receivables trustee arise. The tables will contain information in relation to the various criteria as of a particular date that is relevant to such final terms. Tables will indicate, among other things, composition by account balance, composition by credit limit, composition by period of delinquency, composition by account age and geographic distribution of accounts.

## THE RECEIVABLES TRUST

### General Legal Structure

The receivables trust was constituted on 27 March 2000 and consists of trusts declared under English law by the receivables trustee. The receivables trust was declared for the finance transactions that occurred in connection with the issuance of the 2000 loan notes and for any similar transactions in the future involving the issuance of notes. The terms and conditions of the receivables trust are contained in the receivables trust deed and trust cash management agreement. The receivables trust is governed by English law. This section will describe the material terms of the receivables trust and the receivables trust deed and trust cash management agreement. The terms of the receivables trust deed and trust cash management agreement may be varied or added to, and new interests in the receivables trust may be created, by the execution of a series supplement – but the series supplement will not affect the beneficial interests created by other series supplements. A precondition to the receivables trustee entering into a series supplement is obtaining confirmation from the rating agencies that entering into that series supplement will not result in any rating agency withdrawing or downgrading its then current rating of any debt that is secured directly or indirectly by the receivables in the receivables trust, including your notes. Under the receivables trust deed and trust cash management agreement, the receivables trustee holds all of the receivables trust's property on trust for:

- the initial beneficiaries of the trust; and
- any other person who becomes an additional originator beneficiary or an additional investor beneficiary of the receivables trust in the manner set out in the receivables trust deed and trust cash management agreement. An investor beneficiary may include any investor beneficiary subordinate to another investor beneficiary as a provider of credit enhancement.

The originators are not beneficiaries under the receivables trust as to available spread, but are contractually entitled to receive payments from the receivables trustee by way of additional consideration for the sale of the receivables from monies received from the investor beneficiaries in an amount equal to excess spread distributed to the investor beneficiaries under the receivables trust in the manner set out in the relevant series supplement. Pursuant to the series supplement for series 2007-A (the "**series 2007-A series supplement**"), the originators agreed that such payments in respect of series 2005-A and series 2005-B (when aggregated with series reserve ledger surplus and spread account surplus for such series as forming part of the deferred subscription price amount payable in respect of such series) would be reduced by an amount equal to the excess of the amount required to make certain distributions in respect of series 2007-A over the amount that would otherwise be available as class A available funds for series 2007-A (the "**utilised deferred subscription amount**") and that such amount would be transferred to the finance charge collections ledger for series 2007-A.

The beneficiaries entered into a deed dated 16 November 2005 (the "**beneficiaries deed**") that sets out the contractual arrangement amongst them in respect of certain commercial decisions (relating to authorisations, consents, waivers or other acts of the beneficiaries) to be made from time to time in respect of the receivables trust deed and trust cash management agreement and any supplement thereto. However, the terms of the beneficiaries deed make clear that it is in no way intended to prejudice the absolute entitlement that each beneficiary has to trust property as described in this base prospectus and as set out under the terms of the receivables trust deed and trust cash management agreement and any series supplement thereto.

### Enhancement Provider

No provider of enhancement will be a beneficiary of the receivables trust unless it is an investor beneficiary. However, enhancement providers may have rights in respect of a series as specified in a series supplement.

### Acquisitions

On 27 March 2000, the date the receivables trust was legally constituted, the initial beneficiaries of the receivables trust were RBS and RBSA as originator beneficiaries and the loan note issuing entity as investor beneficiary. Any additional originator that, with the prior written consent of all existing beneficiaries of the receivables trust, accedes to the receivables securitisation agreement and the

documents constituting the receivables trust will, upon its accession, become an additional originator beneficiary of the receivables trust. NatWest acceded to the receivables trust and became an originator beneficiary on 27 October 2005.

Other persons can become additional beneficiaries or increase their existing interest in the receivables trust, if the consent of all existing beneficiaries is obtained, in one of three ways:

- *firstly*, a person can become an additional beneficiary or an existing beneficiary can increase its beneficial interest by making payments to the receivables trustee as a contribution to the receivables trust's property, as set out in the receivables trust deed and trust cash management agreement, in connection with a series.
- *secondly*, an originator beneficiary, upon receiving payment from a new series, may sell some of its entitlement to receivables trust property to new or existing investor beneficiaries. Upon such sale taking place, the originator certificate of the originator beneficiary will be surrendered and the receivables trustee will annotate the originator certificate to evidence that originator beneficiary's reduced beneficial interest in the receivables trust.
- *thirdly*, the existing beneficiaries of the receivables trust may agree between themselves to another method of an additional beneficiary becoming a beneficiary of the receivables trust and jointly direct the receivables trustee to implement such method **provided that** the receivables trustee shall not issue an investor or originator certificate, as the case may be, to such additional beneficiary unless the requirements set out below (including written confirmation from the rating agencies) are met.

In each of these situations each additional beneficiary will be given a certificate evidencing a beneficial interest in the receivables trust to show that it is a beneficiary. This process is called an "**acquisition**," the certificate issued to an originator beneficiary is called an "**originator certificate**" and the certificate issued to an investor beneficiary is called an "**investor certificate**". When an acquisition takes place the receivables trustee will give a notice to the existing beneficiaries that will list the parties to the acquisition and anyone who is providing credit enhancement for the new series of beneficial interests, called an "**enhancement provider**". A new series supplement to the receivables trust deed and trust cash management agreement will govern each new series of financial transactions contemplated by the receivables trust that is created, including any new beneficial interests.

An investor beneficiary may be a beneficiary in respect of more than one series investor interest. If an investor beneficiary is to become a beneficiary in respect of more than one series investor interest, it would do so by, from time to time, enlarging its beneficial interest by making further contributions to the receivables trustee and entering into a new series supplement in respect of each such series investor interest. On surrender of that investor beneficiary's investor certificate, the receivables trustee will annotate the investor certificate to evidence that investor beneficiary's enlarged beneficial interest in the receivables trust.

It is intended that the proceeds from the issue of each series loan note will be utilised by the loan note issuing entity on each closing date to increase its beneficial interest in the receivables trust as described under the first bullet point above.

The receivables trustee will authenticate and deliver an investor certificate, or annotate an existing investor certificate, in respect of a series only when it has first received:

- a series supplement, signed by the receivables trustee and the other parties thereto, specifying the principal terms of the series;
- written confirmation by the receivables trustee and all the beneficiaries that they consent to the new series and any new investor beneficiary introduced in the series;
- written confirmation that the investor beneficiary and the enhancement provider - if any - either resides outside the United Kingdom or has provided a legal opinion from legal counsel in England that payments made pursuant to the investor interest will not be subject to withholding tax in the United Kingdom;

- the credit enhancement, if any, and any agreement by which an enhancement provider agrees to provide credit enhancement;
- a solvency certificate from the originators and any additional originators;
- written confirmation from the rating agencies that the proposed acquisition will not result in the reduction or withdrawal of their ratings on any notes issued by the issuing entity or any other debt issued by any other issuing entity that is secured directly or indirectly by the receivables in the receivables trust – called "**related beneficiary debt**";
- the existing originator certificates and, if an existing investor beneficiary is enlarging its aggregate entitlement, the applicable investor certificate currently held by that investor beneficiary;
- an officer's certificate provided by the originators certifying either:
  - (1) that:
    - each class of related beneficiary debt issued as part of the acquisition and described in the related series supplement will be the subject of a legal opinion prepared by US tax counsel with respect to tax treatment of that debt in the United States;
    - each investor beneficiary – other than any enhancement provider – will have associated with it, either directly or indirectly, one or more classes of related beneficiary debt; and
    - the enhancement for that series will be provided by any combination of subordination, a letter of credit, a cash collateral loan, a surety bond, an insurance policy, financial guarantee or a spread or reserve account funded from excess finance charge collections ultimately being paid to the originators by the receivables trustee as additional consideration to the extent not utilised as enhancement, but through no other means; or
  - (2) that it has determined that, based on legal advice, the acquisition is in the best interests of the originator beneficiaries.

Each series supplement to the receivables trust deed and trust cash management agreement will specify the principal terms for its series, including the accumulation period or amortisation period for the payment of principal. For each series the accumulation period or amortisation period may be of different lengths and begin on different dates. Credit enhancement, if any, is specific to each class or sub-class and will be held and used by the receivables trustee only for the benefit of the relevant class. For the purposes of calculation, certain series may be subordinated to other series, and notional classes and notional sub-classes established for calculation purposes within a series may have different priorities. Whether or not a series or class or sub-class is subordinated in this way will be set out in the related series supplement. There will be no limit on the number of acquisitions that may be performed.

The receivables trustee will not be able to arrange for additional series supplements without obtaining the consent of all the beneficiaries of the receivables trust in respect of each existing series (such consent to be evidenced by the execution of the relevant series supplement by each existing beneficiary). Even if the receivables trustee receives all these consents, no acquisition will be effective unless the rating agencies confirm that execution of the relevant additional series supplement will not result in the reduction or withdrawal of their rating of any debt secured directly or indirectly by the receivables in the receivables trust, including your notes.

### **The Receivables Trust's Property**

Other than ineligible receivables (which are held separately, solely for the benefit of the relevant originator beneficiary as described below), the property of the receivables trust will be held by the receivables trustee on trust on an undivided basis for all beneficiaries.



The property of the receivables trust currently includes and will, in future, continue to include all present and future receivables arising under all MasterCard® and VISA® credit card accounts of individual cardholders with an originator that have been flagged as designated accounts and that are denominated in sterling with a billing address in England, Wales, Scotland or a permitted additional jurisdiction or a restricted additional jurisdiction – see *"The Receivables - Representations"*. The receivables have been and will continue to be assigned to, or in the case of receivables governed by Scots law, held on trust for, the receivables trustee under the receivables securitisation agreement and each Scottish declaration of trust between the relevant originator and the receivables trustee. The receivables securitisation agreement is governed by English law and each Scottish declaration of trust is governed by Scots law. Occasionally some accounts may be removed from the pool of designated accounts.

The originators are required to ensure that any credit card accounts that are to be included in an offer to the receivables trustee under the receivables securitisation agreement or that are to be removed from the pool of designated accounts are identified on the relevant originator's computer system prior to the date of offer or the date of removal.

The property of the receivables trust currently includes and will continue to include:

- all present and future receivables arising under the designated accounts;
- all monies due in payment of the receivables under the designated accounts from time to time;
- all proceeds of the receivables and proceeds of any guarantees and insurance policies for the receivables, to the extent that they are capable of transfer, including proceeds of disposals by the receivables trustee of charged-off receivables to their originator;
- the benefit of any acquired interchange – see *"The Receivables – Interchange"*;
- all monies on deposit in the trust accounts, including any permitted investments in which the monies are invested;
- any credit enhancement for the benefit of any class of beneficiary; and
- all monies provided by beneficiaries of the receivables trust to fund the purchase of receivables, until these monies are applied as intended.

The receivables are divided into eligible receivables and ineligible receivables. Each investor beneficiary and each originator beneficiary is beneficially entitled to an undivided interest in the pool of eligible receivables.

The originator beneficiaries are beneficially entitled to the entire pool of ineligible receivables and are solely entitled to all collections on ineligible receivables.

For the purposes of calculation in respect of amounts held by the receivables trustee for an investor beneficiary on an undivided basis, the total principal amount of the interest of that investor beneficiary in respect of a series is called the **"series investor interest"** of that series and reflects the total amount of the proportional entitlement to principal receivables calculated as available to that series. As an investor beneficiary may be a beneficiary in respect of a number of series, each investor beneficiary's aggregate entitlement under the receivables trust will be called the **"aggregate investor interest"** of that investor beneficiary and will comprise the aggregate of each entitlement conferred under any series supplement.

Similarly, for the purposes of calculation in respect of amounts held by the receivables trustee for each originator beneficiary on an undivided basis, the principal amount of the interest of each originator beneficiary in the receivables trust is called an **"originator interest"** and will, in effect, equal that portion of the total amount of principal receivables not held on an undivided basis for the investor beneficiaries in respect of any outstanding series. RBS's beneficial entitlement as originator beneficiary under the receivables trust in respect of property held on an undivided basis will be called the **"RBS originator interest"**, and NatWest's beneficial entitlement as originator beneficiary in respect of property held on an undivided basis will be called the **"NatWest originator interest"**. NatWest acceded to the receivables trust on 27 October 2005. After the accession by NatWest, the aggregate originator interest became the sum of the RBS originator interest and the NatWest originator interest. The originator interest formerly held by RBS Advanta was acquired by RBS as originator beneficiary on 1 January 2004.

## General Entitlement of Beneficiaries to Receivables Trust Property

Amounts may be held under the receivables trust in bank accounts on a segregated basis for particular beneficiaries and may be held in respect of particular series only. Other than ineligible receivables (which are held separately solely for the benefit of the relevant originator beneficiary as described below), the beneficiaries of the receivables trust are each beneficially entitled to proportionate shares in the receivables trust's property on an undivided basis. Each beneficiary has, or will acquire, interests in the pool of eligible receivables called the "**eligible receivables pool**".

Some of the receivables trust property that will constitute credit enhancement (such as spread or reserve accounts) or be used to alter the payment characteristics of the cash flows for the benefit of a particular series may be held on a segregated basis for such series only. See "*Sources of Funds to Pay the Loan Notes*" for a description of the beneficial entitlement of the loan note issuing entity to receivables and for a description of the manner in which calculations will be made and collections will be distributed to the loan note issuing entity.

The originators have no beneficial entitlement under the receivables trust as to available spread but are contractually entitled to receive payments of amounts of available spread from amounts distributed to investor beneficiaries. This right to receive payment from the receivables trustee in respect of amounts distributed to the investor beneficiaries is called the "**excess interest**". The excess interest consists of a right to payment in an amount calculated as equal to the beneficial entitlement of the investor beneficiaries to the finance charge collections and acquired interchange for each monthly period in respect of any series less the amount of finance charge collections and acquired interchange actually distributed to each investor beneficiary in respect of that series or group of series, if applicable, which have been used to pay the funding costs of the investor beneficiaries, to make payments to any enhancement provider and to satisfy any other amounts payable in accordance with the detailed calculation provisions set out in the series supplement for each series. These payments will be calculated to include amounts deemed to represent finance charge collections as stated in the series supplement for the series. Pursuant to the series 2007-A series supplement, the originators agreed that payments in respect of the excess interest relating to series 2005-A and series 2005-B would be reduced by the utilised deferred subscription amount (if any) and that such amount would be transferred to the finance charge collections ledger for series 2007-A.

To understand the beneficial entitlement of the originator beneficiaries you have to understand the definition of "**originator percentage**" for each outstanding series.

The originator percentage is the percentage equivalent of a fraction:  $\frac{x}{x + y}$

where:

- x = the aggregate originator interest and
- y = the aggregate adjusted investor interest

The "**aggregate adjusted investor interest**" is the aggregate of each investor beneficiary's adjusted investor interest. The "**adjusted investor interest**" for a series is such series investor interest, being the proceeds of the loan note issuance paid to the receivables trustee on the creation of such series, as reduced by the aggregate of:

- principal collections distributed to the loan note issuing entity in respect of such series (to include those held on segregated trust on a segregated basis for the loan note issuing entity in respect of such series only);
- those principal collections used by the loan note issuing entity in respect of such series as utilised principal collections as reduced by refunded utilised principal collections referable to such series;
- the loan note issuing entity's share of default amounts referable to such series as reduced by loss make-up (default) referable to such series; and

- the total amount of investor charge-offs outstanding from any prior period referable to such series as reduced by loss make-up (charge-off) referable to such series.

In addition, all ineligible receivables that are within the receivables trust are held by the receivables trustee on separate segregated trusts for the benefit of the originators and the receivables trustee in respect of certain rights in respect of dealings with receivables trust property. The originators are absolutely entitled to any ineligible collections.

The aggregate beneficial entitlement of the originator beneficiaries at any time consists of the following:

- the originator percentage of eligible principal receivables;
- the originator percentage of finance charge receivables; and
- ineligible receivables.

The originators are not beneficiaries of the receivables trust as to investment earnings on permitted investments made using monies deposited in those trust accounts and ledgers held on separate trust on a segregated basis for a particular investor beneficiary only. However, each originator has a right to payments from the receivables trustee from monies distributed to the investor beneficiaries in an amount equal to investment earnings on permitted investments made using monies deposited in those trust accounts, unless the series supplement for a particular series states otherwise as specified in the relevant final terms.

The "**aggregate originator interest**" is the aggregate of the outstanding face amount of all the eligible principal receivables sold by the originators as eligible principal receivables to the receivables trustee as reduced by the aggregate of:

- the consideration received by the originators in cash for the eligible principal receivables. For this purpose, the consideration received by the originators does not include any additional consideration paid by the receivables trustee as described below;
- principal collections distributed to the originators;
- the originators' proportionate share of principal receivables in a defaulted account;
- that part of the additional consideration paid by investor beneficiaries to the receivables trustee as is identified as refunded utilised principal collections and loss make-up; and
- reductions in respect of the originator's payment obligations arising from a breach of representation or in respect of a credit adjustment.

"**permitted investments**" means – excluding the spread account – the following:

- demand and/or time deposits, certificates of deposit and other short-term unsecured debt obligations at or of any institution outside the United Kingdom that has unsecured and unguaranteed short-term debt obligations rated A-1+, F-1+ and P-1 by Standard & Poor's, Fitch Ratings (if the institution is publicly rated by Fitch Ratings) and Moody's, respectively; and
- short-term unsecured debt obligations – including commercial paper – issued or guaranteed by any body corporate outside the United Kingdom whose unsecured and unguaranteed short-term debt obligations are rated A-1+, F-1+ and P-1 by Standard & Poor's, Fitch Ratings (if the institution is publicly rated by Fitch Ratings) and Moody's, respectively.

For details on permitted investments with respect to the spread account, see "*Sources of Funds to Pay the Loan Notes – Spread Account*".

The beneficial entitlement of the originator beneficiaries to any other receivables trust property at any time is as stated in a series supplement for a series. Each originator beneficiary's entitlement to the originator interest is specified in the receivables trust deed and trust cash management agreement.

## Application of Collections

The following accounts were opened prior to 27 March 2000 by the receivables trustee at RBS International:

- a collection account called the "**trustee collection account**," which is where principal collections, finance charge collections and acquired interchange are to be credited; and
- an acquisition account called the "**trustee acquisition account**," which is where amounts are to be credited that can be used to purchase receivables.

These accounts may be moved in the future to another bank which meets rating agency approval.

The trustee acquisition account, the trustee collection account and any additional bank accounts of the receivables trust that the receivables trustee may open for particular beneficiaries are collectively called "**trust accounts**". The receivables trustee has legal title to the funds on deposit in each trust account. All trust accounts are currently held in Jersey.

Collections from cardholders for designated accounts and cardholders for other card accounts of the originators are initially paid to the bank account of the relevant originator before being cleared on a same-day basis to a bank account of that originator called the "**RBS securitisation operating account**" (in the case of RBS) and the "**NatWest securitisation operating account**" (in the case of NatWest) (and together each of the operating accounts of each of RBS and NatWest will be referred to in this prospectus as the "**card operating accounts**"). RBS declared a trust over its card operating account in favour of the receivables trustee on 27 March 2000 and NatWest declared a trust over its card operating account in favour of the receivables trustee on 9 December 2005.

All money in the card operating accounts representing receivables trust property is held on trust by the relevant originator for the receivables trustee and transferred to the trustee collection account within two operating business days after processing. All money in the trustee collection account is and will continue to be treated as collections from receivables of designated accounts unless it has been incorrectly paid into the account. Incorrect payments will be deducted from the appropriate collections on the operating business day on which the error is notified to the receivables trustee.

Amounts incorrectly categorised as principal collections of eligible receivables but which are in fact collections of ineligible receivables are and will continue to be given back to the relevant originator beneficiary, after making adjustments for errors but before utilising amounts of principal collections that are the property of the receivables trust. The receivables trustee treats and will continue to treat all money deposited in the trustee collection account as property of the receivables trust unless notified otherwise by the trust cash manager.

Adjustments to the receivables trust property are and will continue to be made to correct the errors made.

Where an account becomes a defaulted account, the entitlements of the beneficiaries of the receivables trust to eligible principal receivables in that defaulted account are determined in accordance with their respective beneficial entitlements to the property of the receivables trust at the time the account becomes a defaulted account and are not changed after this. Each beneficiary's interest is reduced by its share of the defaulted principal receivables except that each investor beneficiary's interest can be reinstated to the extent of loss make-up.

Collections that are the property of the receivables trust are categorised as:

- principal collections;
- finance charge collections; or
- ineligible collections.

If a discount percentage is nominated by an originator, the discount percentage of principal collections is treated as finance charge collections. Neither originator currently intends to nominate a discount percentage and would be unlikely to do so other than in exceptional circumstances – see "*The Receivables – Discount Option Receivables*".

If the related series supplement says so, the investor beneficiary in respect of the relevant series will also be entitled to a portion of acquired interchange.

Each series is entitled to varying percentages of principal collections, finance charge collections and losses in respect of receivables in defaulted accounts. The originator beneficiaries are entitled to their applicable originator percentage of principal collections and finance charge collections and losses in respect of receivables in defaulted accounts.

The originators have a right to receive as additional consideration from the receivables trustee, finance charge collections and acquired interchange distributed in respect of a series that are not required to be used by:

- that series or required to be paid to any other beneficiary, whether or not a member of that series; or
- any enhancement provider, as set out in the series supplement relating to that series.

Each series supplement will set out, for its series, the entitlement of each investor beneficiary to principal collections, finance charge collections and acquired interchange, if any.

Each originator may fulfil any of its obligations to make payments to the receivables trustee for principal receivables for which it has breached a warranty by:

- reducing its originator interest - but not below zero; and
- increasing its originator ineligible interest.

**"ineligible receivables pool"** means the outstanding face amount of all ineligible receivables assigned or purported to be assigned to or held on trust for the receivables trustee (or other property which is deemed to represent such receivables) which constitute part of the receivables trust property.

**"originator ineligible interest"** means, on any date, the aggregate amount of the ineligible receivables pool.

However, if its originator interest would be reduced below zero, the relevant originator must make an equivalent payment in immediately available funds to the receivables trustee under the receivables trust deed and trust cash management agreement and the receivables securitisation agreement.

The loan note issuing entity will pay to the receivables trustee an amount equal to the trust cash management fee and the receivables trustee shall use this amount to pay the trust cash management fee to the trust cash manager. The loan note issuing entity shall make this payment from amounts of finance charge collections.

The receivables trustee will transfer money daily – or identify and credit to separate ledgers in the trustee collection account – from the trustee collection account in the following priority:

- (1) the amount of any incorrect payments notified to the receivables trustee not previously distributed as collections to the card operating accounts, after which the originator beneficiaries will own the money absolutely;
- (2) the amount of ineligible collections notified to the receivables trustee and not previously distributed as principal collections to a bank account opened in the name of the originators to deposit the cash payment in respect of the purchase price of the receivables, called the **"card proceeds account"**, after which the originator beneficiaries will own the money absolutely;
- (3) the total amount of principal collections to be distributed to the investor beneficiaries in respect of any outstanding series from the ledger of the trustee collection account for principal collections, called the **"principal collections ledger"**, to the segregated ledger or account specified in the series supplement for that series (which may or may not be a trust account). To the extent that this amount is held in a trust account, it will be held on a segregated basis on a separate trust for the relevant series for each investor beneficiary only;

- (4) the cash available for acquisition needed on that day from the principal collections ledger of the trustee collection account to the trustee acquisition account;
- (5) the excess, if any, of cash available for acquisition on that day over the amount transferred in accordance with (4) to the card proceeds account, or as the originators may direct, after which the originator beneficiaries will own the money absolutely, thereby reducing the originator interest provided this transfer does not result in the originator interest reducing to zero;
- (6) for each originator beneficiary, the originator percentage of finance charge collections and of the amount of acquired interchange deposited in the trustee collection account from the ledger of the trustee collection account for finance charge collections, called the "**finance charge collections ledger**," to the card proceeds account, or as the originator beneficiaries may direct, after which the money will be owned by the originator beneficiaries; and
- (7) the total amount of finance charge collections and all acquired interchange to be distributed to the investor beneficiaries in respect of any outstanding series from the finance charge collections ledger to any account or ledger that may be specified in the series supplement for that series (which may or may not be a trust account). To the extent that this amount is held in a trust account, it will be held on a segregated basis on a separate trust for the relevant series for each investor beneficiary only.

#### **Acquiring Additional Entitlements to Receivables Trust Property and Payments for Receivables**

To understand what a revolving period is, see "*Sources of Funds to Pay the Loan Notes – Distribution of Principal Collections to the Loan Note Issuing Entity*".

During the revolving period for a series, the receivables trustee will use the principal collections which are available to fund the acquisition of eligible receivables to pay in turn for the purchase of further eligible receivables. These available principal collections are called "**cash available for acquisition**". No cash available for acquisition will be used to make payments in respect of ineligible receivables.

If on any day during the revolving period the cash available for acquisition exceeds the amount needed to purchase eligible receivables on that day, then the excess will be distributed to each originator beneficiary according to its beneficial entitlement or, if allowed under its series supplement, investor beneficiaries in respect of other series (which may include the investor beneficiary of the series in question). Any such distribution will reduce the beneficial entitlement of the relevant beneficiaries. Any money left over will be used to fund acquisitions on subsequent operating business days.

If on any day the cash available for acquisition is less than the amount needed to make payments in respect of eligible receivables on that day, the originator beneficiaries will fund the amount payable by the receivables trustee for all the existing and future receivables that cannot be funded by cash available for acquisition, *plus* the amount of any ineligible receivables that need to be funded. Consequently, the amount payable by the receivables trustee to the originators for all existing and future receivables it is purchasing on any operating business day will be funded first by cash available for acquisition and then by the originator beneficiaries to the extent of shortfall in cash available for acquisition.

Other adjustments to the originator interest are explained in "*The Receivables Trust – Application of Collections*".

#### **Non-Petition Undertaking**

Each beneficiary of the receivables trust – including RBS and NatWest as originator beneficiaries and the loan note issuing entity as investor beneficiary – and the originators, the servicer and any successor servicer and the trust cash manager and any successor trust cash manager, by entering into a series supplement, will agree with the receivables trustee for itself and as trustee that it will not attempt to take any action or legal proceedings for the winding-up, dissolution or re-organisation of, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of or for, any investor beneficiary, the receivables trustee or the receivables trust. These parties will also agree not to seek to enforce any judgments against any of those persons.

## Trust Pay-out Events

The following is a list of what we refer to in this base prospectus as the "**trust pay-out events**":

- (1) any originator beneficiary consents or takes any corporate action to appoint a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or over all or substantially all of its revenues and assets;
- (2) proceedings are started against any originator beneficiary under any applicable liquidation, insolvency, composition or re-organisation or similar laws for its winding-up, dissolution, administration or reorganisation and such steps or proceedings are not discharged within 60 days, or a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or relating to all or substantially all of its revenues and assets is legally and validly appointed and is not discharged within 14 days;
- (3) a duly authorised officer of any originator beneficiary admits in writing that such originator beneficiary is unable to pay its debts when they fall due within the meaning of section 123(1) of the UK Insolvency Act 1986 or any originator beneficiary makes a general assignment for the benefit of or a composition with its creditors or voluntarily suspends payment of its obligations in order to readjust or reschedule its debt;
- (4) any originator cannot transfer receivables in the designated accounts to the receivables trust in the manner described in the receivables securitisation agreement;
- (5) any originator stops being either resident in the United Kingdom for tax purposes or subject to UK corporation tax; or
- (6) either:
  - a change in law or its interpretation or administration results in the receivables trustee becoming liable to make any payment on account of tax; or
  - any tax authority asserts a tax liability or takes other actions against RBS or any of its affiliates in relation to the securitisation programme which would have an adverse effect on them which is more than trivial, and RBS obtains an opinion of counsel stating that the tax liability would be due. This event will be treated as occurring when either of RBS or NatWest, as an originator beneficiary, gives written notice of it to the receivables trustee.

The trust pay-out events in paragraphs (1), (2) and (3) are called "**insolvency events**". If an insolvency event occurs, a pay-out event will occur for each series, each beneficiary in respect of a series and for the originator beneficiaries. If any other trust pay-out event occurs, a pay-out event will occur for each series and each beneficiary in respect of each series. Trust pay-out events will occur without any notice (other than in the case of paragraph (6) above) or other action on the part of the receivables trustee or any beneficiary, as soon as the event happens.

A "**pay-out event**" for a series investor interest means a trust pay-out event or one of the events listed as a "**series pay-out event**" in the series supplement for that series.

After an insolvency event, future receivables, other than finance charge receivables accruing in respect of principal receivables that have already been assigned to or held on trust for the receivables trustee, will no longer be assigned to or held on trust for the receivables trustee. The receivables trustee will not be entitled to accept any more offers of receivables after an insolvency event. Finance charge receivables accruing on principal receivables that have been assigned to or held on trust for the receivables trustee before the insolvency event will still be part of the receivables trust's property and finance charge collections from them will continue to be allocated and applied as set out in the receivables trust deed and trust cash management agreement and each series supplement.

The receivables trustee will notify each beneficiary if an insolvency event occurs and will dispose of the receivables on commercially reasonable terms, unless within 60 days of that notice, investor beneficiaries representing more than 50 per cent. of the aggregate investor interest in respect of every series, the originator beneficiaries – in each case, if not subject to an insolvency event – and every other person

identified for this purpose in any series supplement disapproves of the liquidation of the receivables and wishes the receivables trustee to continue accepting offers and purchasing receivables under the receivables securitisation agreement. Money from this sale will be treated as collections on the receivables and will be distributed in accordance with the provisions of the receivables trust deed and trust cash management agreement and each series supplement.

### **Termination of the Receivables Trust**

If the receivables trust has not already been dissolved – for example, because an insolvency event has occurred – then all of the originator beneficiaries acting together can, with the consent of all the other beneficiaries of the receivables trust, instruct the receivables trustee to dissolve the receivables trust when:

- the total amount of the aggregate investor interest is reduced to zero;
- there are no finance charge collections or other receivables trust property to which any beneficiary other than the originator beneficiaries is entitled; and
- no beneficiary is committed to fund payments to the originators for purchases of receivables by the receivables trust.

After the receivables trust is dissolved, all of the receivables trust's property will be paid to the beneficiaries according to their entitlements and the receivables securitisation agreement will be terminated.

For the purposes of section 1 of the UK Perpetuities and Accumulations Act 1964, the duration of the perpetuity period for the receivables trust's property will be a period ending 80 years from the date of execution of the receivables trust deed and trust cash management agreement. Any property of the receivables trust after this period will vest in the then current beneficiaries in accordance with their entitlements to the receivables trust's property at that date.

### **Amendments to the Receivables Trust Deed and Trust Cash Management Agreement**

The receivables trust deed and trust cash management agreement may be amended with the prior consent of each beneficiary affected. No amendment will be effective unless each rating agency has confirmed that the amendment will not result in a reduction or withdrawal of its then current rating of any outstanding related beneficiary debt.

No investor beneficiary will consent to any proposed amendment unless instructed to do so by loan noteholders holding in total not less than two-thirds of the principal amount of the loan note then outstanding of each outstanding series adversely affected. No investor beneficiary may consent to any proposed amendment that would:

- reduce or delay required distributions to any investor beneficiary in respect of the affected series;
- change the definition or the manner of calculating the aggregate investor interest, the investor percentage or the investor default amount of the affected series or any calculation in respect of any notional class or notional sub-class of the affected series; or
- reduce the percentage required to consent to any amendment, unless instructed to do so by all the noteholders of the loan notes then outstanding of the affected series.

### **Disposals**

Beneficiaries may not transfer or dispose of their beneficial entitlements in the receivables trust or create any encumbrance over their beneficial entitlement except that:

- an originator beneficiary may transfer all or a portion only of its originator interest by transferring all or substantially all of its properties and assets to any person, if that person enters into an agreement with the other beneficiaries of the receivables trust, the effect of which is that such person expressly assumes the duties and obligations of that originator and originator



beneficiary under the relevant documents; after the transfer, the new person will be the person used to determine if an insolvency event has occurred;

- an originator beneficiary may transfer a portion of its originator interest to the other originator beneficiaries **provided that** such transfer will not cause a pay-out event;
- an originator beneficiary may transfer or create any encumbrance over the whole or any part of its originator interest with the consent of investor beneficiaries representing in total more than one-half of the total investor interest of each series; however, the rating agencies must first confirm that the transfer or encumbrance will not result in a downgrade or withdrawal of its then current rating of any outstanding debt that is secured, directly or indirectly, by the receivables in the receivables trust; and
- any beneficiary – except the originator beneficiaries – may transfer all or any part of its beneficial entitlement or grant an encumbrance over its beneficial entitlement with the prior written consent of the originator beneficiaries, which consent will not be unreasonably withheld.

The receivables trustee is authorised to reassign to, or remove from the Scottish trust declared by, RBS or NatWest the beneficial interest in receivables for a purchase price equal to the amount received or recovered, if any, by RBS or NatWest from those receivables in defaulted accounts less the fees, costs and expenses incurred by RBS or NatWest in the recovery of that amount.

#### **Trustee Payment Amount**

The receivables trustee will be paid by the investor beneficiaries its properly incurred fees, costs and expenses – including any value added tax on such amounts, and any expense properly incurred from being indemnified under the receivables trust deed and trust cash management agreement – out of the property of the receivables trust distributed to the investor beneficiaries. The receivables trustee will be paid monthly in arrear on each distribution date the amounts certified by the trust cash manager to the receivables trustee by the end of any monthly period as being due to it for that monthly period. This payment is called the "**trustee payment amount**". The allocation of the trustee payment amount to each series and to the loan note issuing entity is described in "*Sources of Funds to Pay the Loan Notes — Trustee Payment Amount*".

## SERVICING OF RECEIVABLES AND TRUST CASH MANAGEMENT

### General – Servicing

RBS, acting through Cards Business, has been the servicer since 27 March 2000 when it was appointed by the initial beneficiaries of the receivables trust as initial servicer under the terms of a servicing agreement as supplemented from time to time (the "**beneficiaries servicing agreement**"). Pursuant to the beneficiaries servicing agreement and the NatWest deed of accession, NatWest as an additional beneficiary also appointed RBS as the servicer. The servicer carries out all servicing in relation to the receivables and (insofar as the interests of the beneficiaries are affected) the designated accounts in accordance with its credit card guidelines and its customary and usual procedures and in accordance with normal market practice (so far as consistent with its credit card guidelines). The servicer may also be directed by all the beneficiaries together (including the originator beneficiaries) to take actions in accordance with their instructions.

Among other things, the servicer's functions include crediting and debiting cardholders' accounts as appropriate.

The servicer is at all times required to take all practicable steps to:

- ensure that payments made to the originators by or on behalf of cardholders are received into the card operating accounts;
- identify any funds in the card operating accounts which are required to be transferred to the trustee collection account for the benefit of the beneficiaries; and
- ensure that such funds are so transferred when required.

The servicer also deposits collections on the receivables into the trustee collection account maintained for the receivables trust, calculates amounts from those collections to be allocated to each series investor interest and prepares monthly reports.

The servicer will not resign from its obligations and duties as servicer under the beneficiaries servicing agreement unless its performance of its obligations and duties is no longer permitted under applicable law and there is no reasonable action that it can take to remedy the situation. The servicer's resignation will not be effective until a successor servicer has been properly appointed. The servicer is entitled to delegate or sub-contract its duties and obligations, in accordance with its usual practices, to a third party as long as it remains the principal obligor under the beneficiaries servicing agreement and, if the third party is not part of the RBS group, the servicer has notified the rating agencies. Cards Business, as initial servicer, performs its functions in-house, but has sub-contracted some services relating to the credit cards. For example, data scanning services are currently provided by Graphic Data Limited and Experian Limited and certain processing functions are subcontracted to TSS – see "*The Credit Card Portfolio*".

The servicer will indemnify each beneficiary against all reasonable loss, liability, expense, damage or injury caused by the servicer's fraud, wilful misconduct or gross negligence in performing its servicing functions. However, the servicer will not indemnify any beneficiary:

- for any loss arising from the negligence, fraud or wilful misconduct of that beneficiary or its agents;
- for any liabilities, costs or other expenses of the receivables trust for any action taken by the receivables trustee at the request of any beneficiary of any series to which that beneficiary belongs;
- for any loss or other claims that are incurred by such beneficiary acting in its capacity as beneficiary, including those resulting from defaulted accounts; or
- for any liabilities or other costs arising under any tax law, or any penalties or interest caused by a failure to comply with any tax law, payable by it in connection with the beneficiaries servicing agreement to any tax authority.

The directors, officers and other employees and agents of the servicer and the servicer itself will not be under any liability to the receivables trustee, the receivables trust, the originator beneficiaries, the investor beneficiaries, any enhancement provider or any other person under the beneficiaries servicing agreement or any related provider except in the case of fraud, wilful misconduct or gross negligence in performing its duties under the beneficiaries servicing agreement.

Any person into which the servicer may be merged or consolidated, or any person succeeding to or acquiring the business of the servicer in whole or in part, after executing a supplemental agreement to the beneficiaries servicing agreement and the delivery of a legal opinion, will become the successor to the servicer or co-servicer with the servicer under the beneficiaries servicing agreement.

The servicer will certify on an annual basis that, to the best of its knowledge, it has fully performed all its obligations under the beneficiaries servicing agreement with respect to the preceding year and no default in the performance of such obligations has occurred or is continuing except as otherwise disclosed.

### **Servicer Compensation**

The servicer is entitled to receive a fee from the beneficiaries of the receivables trust for each month. This fee is called the servicing fee and is payable monthly on each distribution date, to the extent that those monies are available. Any amounts payable by the investor beneficiaries in respect of the servicing fee will be inclusive of value added tax, if any. The "**servicing fee**" will be equal to one-twelfth of the product of:

- the weighted average of the percentages specified in each series supplement as being the series servicing fee percentage for each outstanding series – weighted by the investor interest for each series; and
- the average daily total outstanding face amount of principal receivables during that monthly period.

The portion of the servicing fee payable by the investor beneficiary to the servicer in respect of each series on any distribution date is called the "**investor servicing fee**" and will be equal to one-twelfth of the product of:

- (1) 0.75 per cent.; or
- (2) another percentage agreed with the investor beneficiaries (and disclosed in the relevant final terms) as long as RBS, acting through Cards Business, is the servicer **provided that** each of the rating agencies confirms in writing that the new percentage will not cause them to reduce or withdraw their then current ratings on any debt that is secured directly or indirectly on the receivables in the receivables trust, including your notes; and
- the adjusted investor interest as at the last day of the monthly period before that distribution date.

The balance of the servicing fee not payable by the investor beneficiaries will be payable by the originators and is called the "**originator servicing fee**". If the servicer is also an originator beneficiary in any monthly period, the originator servicing fee for that monthly period will not be paid.

### **Servicer's Representations, Warranties and Covenants**

The servicer made customary representations, warranties and covenants on the establishment of the receivables trust. The representations and warranties included:

- the servicer is a corporation duly incorporated under the laws of Scotland with full corporate power, authority and legal right to own its assets and conduct its business, and with power to enter into the relevant documents to which it is a party as servicer and all corporate and other action required to authorise its execution of each such relevant document and its performance of its obligations thereunder in such capacity has been duly taken;
- all acts, conditions and things required to be done, fulfilled and performed in order (i) to enable it lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in its capacity as servicer, (ii) to ensure that such obligations are

legal, valid and binding on it, and (iii) to make each relevant document admissible in evidence in England have been done save for the payment of stamp duty in the United Kingdom;

- the obligations assumed by it in each relevant document to which it is a party are legal and valid obligations binding on it and enforceable against it in accordance with its terms, subject to applicable bankruptcy laws, general equitable principles and other limitations on enforcement in the jurisdiction of an obligor;
- the execution and delivery of each relevant document to which it is a party and the exercise of its rights and the performance of its obligations thereunder in such capacity will not conflict with or violate any requirement of law;
- there are no proceedings or investigations pending or, to the best of its knowledge, threatened against the servicer before any court, regulatory body, arbitral tribunal or public or administrative body or agency asserting the invalidity of any relevant document to which it is a party, seeking to prevent the entering into of any of the transactions contemplated by any relevant document, seeking any determination or ruling that, in the reasonable opinion of the servicer, would materially and adversely affect the performance by it of its obligations under any relevant document to which it is a party or seeking any determination or ruling what would materially and adversely affect the validity or enforceability of any relevant document to which it is a party; and
- the execution and delivery of each relevant document to which it is a party and the exercise by the servicer of its rights and the performance of its obligations thereunder will not conflict with, result in any breach of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any agreement, indenture, contract, mortgage, trust deed or other instrument to which it is a party or by which it or any of its assets is otherwise bound.

The covenants require the servicer:

- to satisfy all obligations on its part to be fulfilled under or in connection with each receivable and each designated account, and maintain in effect all qualifications required under requirements of law in order to service properly each receivable and each designated account and to comply in all material respects with all other requirements of law in connection with servicing each receivable and each designated account the failure to comply with which would have a material adverse effect on the interests of any investor beneficiary or enhancement provider;
- on or before 31 December of each calendar year, to cause a firm of internationally recognised independent auditors (which may also render other services to the servicer) to furnish a report to the investor beneficiaries, any enhancement provider and each rating agency to the effect that:
  - (a) such firm has made a study and evaluation, in accordance with generally accepted auditing standards in the United Kingdom, of the servicer's internal accounting controls relating to the servicing of designated accounts under the beneficiaries servicing agreement;
  - (b) on the basis of such study and evaluation, such firm is of the opinion (assuming the accuracy of any reports generated by the servicer) that the system of internal accounting controls in effect on the date specified in such report, relating to servicing procedures performed by the servicer, taken as a whole, was sufficient for the prevention and detection of errors and irregularities in amounts that would be material to the financial statements relating to the receivables prepared by the servicer; and
  - (c) such servicing was conducted in compliance with the provisions of the beneficiaries servicing agreement during the period covered by such report, except for such exceptions, errors or irregularities as such firm shall believe to be immaterial to the financial statements of the servicer and such other exceptions, errors or irregularities as shall be set forth in such report;

- on or before 31 December of each calendar year, to cause a firm of internationally recognised independent auditors to furnish a report, prepared using generally accepted auditing standards in the United Kingdom to the investor beneficiaries and each rating agency to the effect that:
  - (a) they have compared the mathematical calculations of each amount set forth in the monthly trust cash manager's reports during the period covered by such report with the servicer's computer reports which were the source of such amounts; and
  - (b) on the basis of such comparison, such firm is of the opinion that such amounts are in agreement, except for such exceptions as it believes to be immaterial to the financial statements of the servicer and such other exceptions as shall be set forth in such report;
- to inform the beneficiaries of the existence of any non-conforming receivables and corresponding non-conforming accounts on the relevant redesignation date;
- to maintain insurance coverage against losses through wrongdoing of its officers and employees who are involved in the servicing of credit card receivables covering such actions and in such amounts as it believes to be reasonable from time to time;
- to at all times take all practicable steps to:
  - (a) ensure that payments made to an originator or, if applicable, an additional originator, by obligors are received into the operating account of such originator or additional originator;
  - (b) identify any funds in each operating account which are required to be transferred to the trustee collection account for the benefit of the beneficiaries; and
  - (c) ensure that such funds are so transferred when required;
- not to consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any person unless:
  - (a) the corporation formed by such consolidation or into which the servicer is merged shall expressly assume the performance of the obligations of the servicer; or
  - (b) the servicer shall have delivered notice to the beneficiaries from each rating agency then rating any notes that such consolidation, merger, conveyance or transfer will not result in the reduction or withdrawal of the then-current rating of such notes.

#### **Termination of Appointment of Servicer**

The appointment of RBS, acting through Cards Business, as servicer under the beneficiaries servicing agreement and the appointment of any person to replace anyone then acting as the servicer — called a "**successor servicer**" — will terminate after a servicer default occurs.

"**servicer default**" means any one of the following events:

- (1) failure on the part of the servicer duly to observe or perform any covenant or agreement of the servicer contained in the beneficiaries servicing agreement, or any other relevant document, that has a material adverse effect on the interests of the investor beneficiaries of any outstanding series; this failure will constitute a servicer default only if it remains unremedied and continues to have an adverse effect on the interests of the investor beneficiaries for 60 days after the receipt of a notice of the failure is given; the notice of the failure will be given by either: (1) the receivables trustee to the servicer, or (2) the investor beneficiaries to the receivables trustee and the servicer; if the notice is given by the investor beneficiaries it will be on the instruction of a group of holders of the loan notes representing more than fifty per cent. of the total face value of the loan note outstanding of any outstanding series adversely affected;
- (2) delegation by the servicer of its duties under the beneficiaries servicing agreement to any other entity, except as permitted by the beneficiaries servicing agreement;

- (3) any relevant representation, warranty or certification made by the servicer in the beneficiaries servicing agreement or in any certificate delivered under the beneficiaries servicing agreement was incorrect when made, which has a material adverse effect on the interests of the investor beneficiaries of any outstanding series; this failure will only be a servicer default if it remains unremedied and continues to have an adverse effect on the interests of the investor beneficiaries for 60 days after the receipt of a notice of the failure is given; the notice of the failure will be given by either: (1) the receivables trustee to the servicer, or (2) the investor beneficiaries to the receivables trustee and the servicer; if the notice is given by the investor beneficiaries it will be on the instruction of a group of holders of the loan notes representing more than fifty per cent. of the total face value of the loan notes outstanding of any outstanding series adversely affected;
- (4) the servicer agrees to or takes any corporate action to appoint a receiver, administrator, administrative receiver, trustee or similar officer of it or of all of its revenues and assets;
- (5) an order of the court is made for its winding-up, dissolution, administration or re-organisation that has remained in force undischarged or unstayed for 60 days;
- (6) a receiver, administrator, administrative receiver, trustee or similar officer of it or all of its revenues and assets is appointed;
- (7) a duly authorised officer of the servicer admits in writing that the servicer is unable to pay its debts as they fall due within the meaning of section 123(1) of the Insolvency Act 1986; or
- (8) the servicer makes a general assignment for the benefit of or a composition with its creditors or it voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness.

Each grace period referred to in (1), (3) and (5) represents the extra number of days before a servicer default can be called, allowing the servicer time to remedy an event which would otherwise be a servicer default. In addition, if an event has been caused by so-called acts of God or uncontrollable circumstances, then it will not be a servicer default. These circumstances are called *force majeure* events and are listed in the beneficiaries servicing agreement.

Within two operating business days after the servicer becomes aware of any servicer default, the servicer must notify the beneficiaries, each rating agency, the security trustee and any enhancement provider as soon as possible in writing. The beneficiaries must give each rating agency and the security trustee notice of any removal of the servicer and appointment of a successor servicer.

After the servicer receives a termination notice from the beneficiaries and a successor servicer is appointed, the duties of acting as servicer of the receivables under the beneficiaries servicing agreement will pass from the then servicer to the successor servicer. The beneficiaries servicing agreement contains the requirements for the transfer of the servicing role, including the transfer of authority over collections, the transfer of electronic records and the disclosure of information.

After it receives a termination notice, the servicer will continue to act as servicer until the date agreed by it and the beneficiaries. The beneficiaries must try to appoint a successor servicer that is an "**eligible servicer**".

If the beneficiaries cannot appoint a successor servicer and the servicer delivers a certificate that says it cannot in good faith cure the servicer default, then the receivables trustee will start the process of selling the receivables. The beneficiaries will notify any enhancement providers of the proposed sale of the receivables by the receivables trustee to a third party and will provide each enhancement provider an opportunity to bid on purchasing the receivables.

The proceeds of the sale will be deposited in the trust accounts for distribution to the beneficiaries as set out in the beneficiaries servicing agreement and the series supplements.

An eligible servicer means an entity that, when it is servicer:

- is servicing a portfolio of consumer revolving credit card accounts or other consumer credit accounts;

- is legally qualified and has the capacity to service the designated accounts;
- is qualified or licensed to use the software that the servicer is then currently using to service the designated accounts or obtains the right to use, or has its own, software that is adequate to perform its duties under the beneficiaries servicing agreement; and
- has, in the opinion of each rating agency, demonstrated the ability to service, professionally and competently, a portfolio of accounts similar to the designated accounts in accordance with customary standards of skill and care.

Neither the note trustee nor the security trustee shall be in any way responsible for the appointment or termination of the servicer.

### **General – Trust Cash Management**

RBS, acting through Cards Business, was appointed on 27 March 2000 by the receivables trustee as initial trust cash manager under the terms of the receivables trust deed and trust cash management agreement. It is intended that RBS, acting through both Cards Business and GBM, will continue to act as trust cash manager of the receivables trustee in connection with the programme.

The trust cash manager gives such advice as may be necessary to enable the receivables trustee to effect all transfers in relation to the distributions referred to in the receivables trust deed and trust cash management agreement and the series supplement for each series. The trust cash manager also undertakes any other trust cash management or related functions necessary to enable the receivables trustee to exercise its rights and perform its duties and obligations under the receivables trust deed and trust cash management agreement. In carrying out its duties and obligations under the receivables trust deed and trust cash management agreement, the trust cash manager will follow any instructions, relating to the exercise of its power and authority, as the receivables trustee may give. However, the trust cash manager is not an agent of the receivables trustee.

The trust cash manager's functions include advising the receivables trustee to transfer monies between the trust accounts, to make credits and debits to the various ledgers (held on an undivided or on a segregated basis) and make withdrawals and payments from the trust accounts as required by the receivables trust deed and trust cash management agreement.

At the trust cash manager's written request, the receivables trustee will execute any documents prepared by the originators and acceptable to the receivables trustee which are reasonably necessary to enable the trust cash manager to carry out its trust cash management duties.

The trust cash manager will not resign from its obligations and duties as trust cash manager under the receivables trust deed and trust cash management agreement unless it cannot legally perform its duties and there is no reasonable action that it can take to remedy the situation. The trust cash manager's resignation will not be effective until a successor trust cash manager has been properly appointed.

The trust cash manager will indemnify the receivables trustee and the receivables trust against all reasonable loss, liability, expense, damage or injury caused by its fraud, wilful misconduct or gross negligence in performing its cash management functions. However, the trust cash manager will not indemnify the receivables trustee:

- if any acts or omissions are caused by the negligence, fraud or wilful misconduct of the receivables trustee or its agents;
- for any liabilities, costs or other expenses of the receivables trust for any action taken by the receivables trustee at the request of any investor beneficiary of any series to which that investor beneficiary belongs; or
- for any liabilities or other costs of it or the receivables trust arising under any tax law, or any penalties or interest caused by a failure to comply with any tax law, payable by it or the receivables trust in connection with the receivables trust deed and trust cash management agreement to any tax authority.

The directors, officers and other employees and agents of the trust cash manager and the trust cash manager itself will not be under any liability to the receivables trustee or the receivables trust or any other person under the receivables trust deed and trust cash management agreement except in the case of fraud, wilful misconduct or gross negligence in performing their or its respective duties under the receivables trust deed and trust cash management agreement.

Any person into which the trust cash manager may be merged or consolidated, or any person succeeding to or acquiring the business of the trust cash manager in whole or in part, after executing a supplemental agreement to the receivables trust deed and trust cash management agreement and the delivery of a legal opinion, will become the successor to the trust cash manager or co-trust cash manager under the receivables trust deed and trust cash management agreement.

### **Trust Cash Manager Compensation**

The trust cash manager is entitled to receive a fee from the receivables trustee for each monthly period. This fee is called the "**trust cash management fee**" and is payable monthly on each distribution date, to the extent that the receivables trustee has sufficient funds. Any amounts payable for the trust cash management fee will be inclusive of value added tax, if any. The trust cash management fee will be equal to one-twelfth of the product of the sum of the annual fees specified in each series supplement as being the investor trust cash management fee for such series.

The investor beneficiary of each series agrees to indemnify the receivables trustee for a portion of the trust cash management fee, as set out in each series supplement. The portion of the trust cash management fee for which the investor beneficiary on behalf of a series agrees to indemnify the receivables trustee on any distribution date is called the "**investor trust cash management fee**". The trust cash management fee can be any amount that the receivables trustee may agree to as long as RBS, acting through both Cards Business and GBM, is the trust cash manager **provided that** the rating agencies confirm in writing that the new amount will not cause them to reduce or withdraw their then current rating on any related beneficiary debt.

The balance of the trust cash management fee not referable to any series of notes will be the portion for which the originators agree to indemnify the receivables trustee and is called the "**originator trust cash management fee**". If the trust cash manager is also an originator beneficiary in any monthly period, the originator trust cash management fee for that monthly period will not be paid.

### **Termination of Appointment of Trust Cash Manager**

The appointment of RBS as trust cash manager under the receivables trust deed and trust cash management agreement and the appointment of any person as joint trust cash manager or to replace anyone then acting as the trust cash manager – called a "**successor trust cash manager**" – will terminate when a trust cash manager default occurs.

"**trust cash manager default**" means any one of the following events:

- (1) any failure by the trust cash manager to give advice or notice to the receivables trustee pursuant to an agreed schedule of collections and distributions or to advise the receivables trustee to make any required drawing, withdrawal or payment pursuant to the receivables trust deed and trust cash management agreement or any other relevant document; these events will be considered failures if they do not happen within five operating business days after the date that they were supposed to happen under the terms of the receivables trust deed and trust cash management agreement or any other relevant document;
- (2) failure on the part of the trust cash manager duly to observe or perform in any respect any other covenant or agreement of the trust cash manager contained in the receivables trust deed and trust cash management agreement or any other relevant documents, that has a material adverse effect on the interests of the investor beneficiaries of any outstanding series; this failure will constitute a trust cash manager default only if it remains unremedied and continues to have a material adverse effect on the interests of the investor beneficiaries for 60 days after the receipt of a notice of the failure is given; the notice of the failure will be given by either (1) the receivables trustee to the trust cash manager, or (2) the investor beneficiaries to the receivables trustee and the trust cash manager; if the notice is given by the investor beneficiaries it will be on the instruction of a



group of holders of the loan notes representing more than fifty per cent. of the face value of the loan notes outstanding of any outstanding series adversely affected;

- (3) delegation by the trust cash manager of its duties under the receivables trust deed and trust cash management agreement to any other entity, except as permitted by the receivables trust deed and trust cash management agreement;
- (4) any relevant representation, warranty or certification made by the trust cash manager in the receivables trust deed and trust cash management agreement or in any certificate delivered under the receivables trust deed and trust cash management agreement was incorrect when made, which has a material adverse effect on the interests of the investor beneficiaries of any outstanding series; this failure will only be a trust cash manager default if it remains unremedied and continues to have a material adverse effect on the interests of the investor beneficiaries for 60 days after the receipt of a notice of the failure is given; the notice of the failure will be given by either (1) the receivables trustee to the trust cash manager, or (2) the investor beneficiaries to the receivables trustee and the trust cash manager; if the notice is given by the investor beneficiaries it will be on the instruction of a group of holders of the loan notes representing more than fifty per cent. of the total face value of the loan notes outstanding of any outstanding series adversely affected;
- (5) any of the following:
  - the trust cash manager agrees to or takes any corporate action to appoint a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or of all of its revenues and assets;
  - an order of the court is made for its winding-up, dissolution, administration or re-organisation that has remained in force undischarged or unstayed for 60 days; or
  - a receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or all of its revenues and assets is appointed; and
- (6) any of the following:
  - a duly authorised officer of the trust cash manager admits in writing that the trust cash manager is unable to pay its debts as they fall due within the meaning of section 123(1) of the UK Insolvency Act 1986; or
  - the trust cash manager makes a general assignment for the benefit of, or a composition with, its creditors or it voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness.

Each grace period referred to in (1), (2), (4) and (5) above represents the extra number of days before a trust cash manager default can be called, allowing the trust cash manager time to remedy an event which would otherwise be a trust cash manager default. In addition, if an event is a *force majeure* event, then it will not be a trust cash manager default.

Within two operating business days after the trust cash manager becomes aware of any trust cash manager default, the trust cash manager must notify the receivables trustee, each rating agency, each beneficiary and any enhancement provider as soon as possible in writing. The receivables trustee must give each beneficiary and rating agency notice of any removal of the trust cash manager or appointment of a successor trust cash manager. The receivables trustee must give each rating agency notice of any removal of the trust cash manager.

Investor beneficiaries acting on the instructions of a group representing in total more than two-thirds of the total face value of the loan notes then outstanding of each series adversely affected by any default by the trust cash manager, or the originators in the performance of their obligations under the receivables trust deed and trust cash management agreement and any other relevant documents, may waive the default unless it is a failure to make any required deposits, or payments of interest or principal, for the adversely affected series.

After the trust cash manager receives a termination notice and a successor trust cash manager is appointed, the duties of acting as trust cash manager of the receivables under the receivables trust deed and trust cash management agreement will pass from the then trust cash manager to the successor trust cash manager. The receivables trust deed and trust cash management agreement contains the requirements for the transfer of the trust cash management role, including the transfer of authority over collections, the transfer of electronic records and the disclosure of information.

After it receives a termination notice, the trust cash manager will continue to act as cash manager until a date agreed by the receivables trustee and the trust cash manager. The receivables trustee must try to appoint a successor trust cash manager that is an eligible trust cash manager.

If the receivables trustee cannot appoint a successor trust cash manager and the trust cash manager delivers a certificate that says it cannot in good faith cure the trust cash manager default, then the receivables trustee will start the process of selling the receivables. The receivables trustee will notify each enhancement provider of the proposed sale of the receivables by the receivables trustee to a third party and will provide each enhancement provider an opportunity to bid on purchasing the receivables.

The proceeds of the sale will be deposited in the trust accounts for distribution to the beneficiaries as set out in the receivables trust deed and trust cash management agreement and series supplements.

An "**eligible trust cash manager**" means an entity that, when it is trust cash manager:

- is legally qualified and has the capacity to carry out the trust cash management functions as set forth in the receivables trust deed and trust cash management agreement;
- is qualified or licensed to use the software that the trust cash manager is then currently using to carry out cash management of the receivables or obtains the right to use, or has its own, software that is adequate to perform its duties under the receivables trust deed and trust cash management agreement; and
- has, in the opinion of each rating agency, demonstrated the ability professionally and competently to act as trust cash manager in accordance with customary standards of skill and care.

Neither the note trustee nor the security trustee shall be in any way responsible for the appointment or termination of the trust cash manager.

## SOURCES OF FUNDS TO PAY THE LOAN NOTES

### General

The loan note issuing entity is an investor beneficiary of the receivables trust. Its initial beneficial entitlement under the receivables trust was conferred in connection with the 2000 transfers. The loan note issuing entity may increase its beneficial entitlement from time to time under the receivables trust by issuing further loan notes which will be constituted pursuant to a loan note supplement and named in the relevant final terms. A supplement to the receivables trust deed and trust cash management agreement (a "**series supplement**") will specify the distributions that will be made to the loan note issuing entity in respect of that particular series. The parties to each series supplement will be the receivables trustee, RBS and NatWest as the originator beneficiaries and the originators, RBS, acting through Cards Business, as the servicer and acting through Cards Business and GBM as the trust cash manager and the loan note issuing entity as the investor beneficiary.

The loan note issuing entity's aggregate investor interest will comprise all of the beneficial entitlements conferred on it under all loan note supplements.

The loan note issuing entity became the first investor beneficiary of the receivables trust by contributing £1,020,017,851 (being £382,506,694 in respect of series 00-A and £637,511,157 in respect of series 00-B) to the receivables trustee on 27 March 2000 and subsequently increased its beneficial interest through the issuance of the series 00-C loan note. The 2000 loan notes have now all been redeemed.

The loan note issuing entity contributed £2,890,931,627 (being £1,445,086,705 in respect of series 2005-A and £1,445,844,922 in respect of series 2005-B) to the receivables trustee on 15 December 2005. The series 2005-A loan note was redeemed on 15 December 2008. As at the date of this base prospectus, the series 2005-B loan note remains outstanding.

The loan note issuing entity contributed £57,905,040 in respect of series 2007-A to the receivables trustee on 1 February 2007. The 2007 loan note is still outstanding.

On the execution of each loan note supplement on the date of issue of each series loan note, the loan note issuing entity will increase its beneficial entitlement as investor beneficiary by contributing a sterling amount (converted under one or more swap agreements, if required) to the receivables trustee on the date of issue of the relevant loan note. See "*Receivables–Assignment of the Receivables to the Receivables Trustee*" and "*The Receivables Trust – Acquisitions*".

It is anticipated that each series investor interest of the loan note issuing entity will be included in group one. See "*Sources of Funds to Pay the Loan Notes – Shared Principal Collections*" for the ramifications of a series being included in group one.

### Beneficial Entitlement of the Loan Note Issuing Entity to Receivables Trust Property

Distributions of finance charge collections and acquired interchange will be determined by applying the floating investor percentage (described below) for the relevant series. Distributions of principal collections will be determined by applying the floating investor percentage for the relevant series if the series is in the revolving period, or the fixed investor percentage (described below) for the relevant series during the controlled accumulation, regulated amortisation and rapid amortisation periods.

The floating investor percentage will be applied to determine the loan note issuing entity's entitlement to distributions of finance charge collections and acquired interchange for the relevant series.

During the revolving period, principal collections will only be transferred to the loan note issuing entity to the extent there is a shortfall in finance charge collection distributions in respect of the relevant series. The maximum amount of principal collections that can be distributed in respect of that series in any month during the revolving period is determined by reference to the floating investor percentage. In periods other than the revolving period, distributions of principal collections to be made to the loan note issuing entity will be calculated by reference to the fixed investor percentage.

If a series' beneficial entitlement to principal receivables at any time is zero, then the floating investor percentage for that series and the fixed investor percentage for that series will each become zero.

The "**investor percentage**" for a series means, for any monthly period, (a) with respect to finance charge collections and acquired interchange at any time and principal collections during the revolving period, the floating investor percentage and (b) with respect to principal collections during the controlled accumulation period, the regulated amortisation period and the rapid amortisation period, the fixed investor percentage **provided, however, that** if a series' beneficial entitlement to principal receivables at any time is zero, the investor percentage shall be zero.

### **Beneficial Entitlement of Loan Note Issuing Entity to Finance Charge Collections**

The amount credited on a daily basis during any calendar monthly period to each series finance charge collections ledger on the trustee collection account for the loan note issuing entity will be transferred on a distribution date to the relevant loan note issuing entity distribution account for the relevant series. From that account, amounts will be applied to meet payments to be made by the loan note issuing entity (including amounts representing further interest) to the issuing entity in respect of each relevant series loan note held by the issuing entity. For each series, the issuing entity will pay to the loan note issuing entity certain deferred subscription amounts in respect of each series loan note. The loan note issuing entity will pay any deferred subscription price amounts it has received in respect of a series to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust. See "*Series Collection Account*", "*Available Spread*", "*The Loan Notes – Cashflows of the Loan Note Issuing Entity*" and "*The Trust Deed and Trust Deed Supplements – Cashflows of the issuing entity*".

The "**loan note issuing entity distribution account**" is, with respect to each series, each bank account in the name of the loan note issuing entity at RBS International at its branch located at Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ, that will be used to distribute amounts relating to each series received by the loan note issuing entity which are paid to the loan note issuing entity in accordance with its beneficial entitlement under the relevant series supplement. The loan note issuing entity will continue to maintain each such account with respect to each series with RBS International or with another bank which meets rating agency approval.

The "**loan note issuing entity expenses account**" is, with respect to each series, each bank account in the name of the loan note issuing entity at RBS International at its branch located at Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ, that will be used to retain the loan note issuing entity return and to distribute the loan note issuing entity costs amount in accordance with the relevant series supplement. The loan note issuing entity will continue to maintain each such account with respect to each series with RBS International or with another bank which meets rating agency approval.

At the beginning of each month the receivables trustee will deliver to the loan note issuing entity calculations and information regarding the receivables trust including calculations and information about the trust distributions and movements of monies between the undivided trust, the segregated trust and to the loan note issuing entity for the prior month and the relevant distribution date. In relation to calculations made at the receivables trust level, a "**day**" means a business day in London.

In order to understand these calculations and information delivered by the receivables trustee you will need to understand the following definitions.

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The "**adjusted investor interest**" referable to each series means at any time an amount equal to the initial investor interest for that series as reduced by the aggregate of:

- (1) principal collections distributed to the loan note issuing entity in respect of that series (to include those held on separate trust on a segregated basis for the loan note issuing entity in respect of that series only);
- (2) those retained principal collections, then distributed and used by the loan note issuing entity in respect of that series as utilised principal collections, as subsequently reduced by refunded utilised principal collections referable to that series;

- (3) the loan note issuing entity's share of default amounts referable to that series as reduced by loss make-up (default) referable to that series; and
- (4) the aggregate amount of investor charge-offs referable to that series as reduced by loss make-up (charge-off) referable to that series (excluding, for the avoidance of doubt, any default amounts made good by loss make-up (default) referable to that series),

all calculated as at that time.

The aggregate of the class A adjusted investor interest, the class B adjusted investor interest and the class C adjusted investor interest on any distribution date will be equal to the adjusted investor interest at the close of business on the last day of the preceding monthly period for the relevant series.

Item (1) will include amounts transferred to the relevant series principal funding ledger.

The "**class A adjusted investor interest**" means an amount equal to the class A investor interest *minus* the balance credited to the relevant series principal funding ledger but not more than the class A investor interest.

The "**class A floating percentage**," the "**class B floating percentage**" and the "**class C floating percentage**" will each be calculated the same way and will be equal to, for each class of each series (comprised, if applicable, of all sub-classes thereof), in any monthly period, the following fraction expressed as a percentage:

$$\frac{\text{adjusted investor interest for the relevant class}}{\text{adjusted investor interest for the relevant series}}$$

where these amounts are calculated on the close of business on the last day of such monthly period prior to the distribution date.

The "**class A investor charge-off**" means a reduction in the class A investor interest on any distribution date by the amount, if any, by which the class A investor default amount exceeds the total amount of class A available funds, available spread, reallocated class B principal collections, reallocated class C principal collections, the class C investor interest and the class B investor interest calculated on that distribution date as funding the class A investor default amount.

The "**class A investor interest**" means, at any time and with respect to the relevant series, an amount equal to:

- (1) the class A initial investor interest, *minus*
- (2) the total principal payments made to the loan note issuing entity referable to the class A investor interest from the property of the receivables trust, *minus*
- (3) the total amount of class A investor charge-offs for all prior distribution dates, *plus*
- (4) the total amount of any reimbursements of those class A investor charge-offs on those prior distribution dates.

All calculations will be carried out on the basis that the class A investor interest may not be reduced below zero.

The "**class B adjusted investor interest**" means, at any time, an amount equal to the class B investor interest *minus* the balance on deposit in the relevant series principal funding ledger in excess of the class A investor interest, but not more than the class B investor interest.

The "**class B investor charge-off**" means a reduction in the class B investor interest on any distribution date by the amount, if any, by which the class B investor default amount exceeds the total amount of available spread, reallocated class C principal collections and the class C investor interest calculated on that distribution date as funding the class B investor default amount.

The "**class B investor interest**" means, at any time and with respect to the relevant series, an amount equal to:

- (1) the class B initial investor interest, *minus*
- (2) the total principal payments made to the loan note issuing entity referable to the class B investor interest from the property of the receivables trust, *minus*
- (3) the total amount of class B investor charge-offs for all prior distribution dates, *minus*
- (4) the total amount of reallocated class B principal collections distributed on all prior distribution dates that have been used to fund the class A required amount, excluding any reallocated class B principal collections that have resulted in a reduction in the class C investor interest, *minus*
- (5) any reductions in the class B investor interest to cover the class A investor default amounts, *plus*
- (6) the total amount of available spread allocated and available on all prior distribution dates to reimburse amounts deducted under (3), (4) and (5) above.

All calculations will be carried out on the basis that the class B investor interest may not be reduced below zero.

The "**class C adjusted investor interest**" means, at any time, an amount equal to the class C investor interest *minus* the balance on deposit in the relevant series principal funding ledger in excess of the sum of the class A investor interest and the class B investor interest, but not more than the class C investor interest.

The "**class C investor charge-off**" means a reduction in the class C investor interest on any distribution date by the amount, if any, by which the class C investor default amount exceeds the amount of available spread calculated on that distribution date as funding the class C investor default amount.

The "**class C investor interest**" means at any time and with respect to the relevant series an amount equal to:

- (1) the class C initial investor interest, *minus*
- (2) the total principal payments made to the loan note issuing entity referable to the class C investor interest from the property of the receivables trust, *minus*
- (3) the total amount of class C investor charge-offs for all prior distribution dates, *minus*
- (4) the total amount of reallocated class B principal collections and reallocated class C principal collections referable to the class C investor interest that have been used to fund the class A required amount or the class B required amount on all prior distribution dates, *minus*
- (5) any reductions in the class C investor interest to fund class A investor default amounts and class B investor default amounts, *plus*
- (6) the total amount of available spread allocated and available on all prior distribution dates to reimburse amounts deducted under (3), (4) and (5) above.

All calculations will be carried out on the basis that the class C investor interest may not be reduced below zero.

The "**initial investor interest**" referable to each series will be further described in the relevant final terms. The "**class A initial investor interest**", the "**class B initial investor interest**" and the "**class C initial investor interest**" referable to each class of each series (or, if applicable, to all sub-classes of such class in an aggregate amount) will be further described in the relevant final terms.

If the relevant final terms indicate that no class B notes will be issued as part of a series, then references to the class B floating percentage, the class B investor interest, class B investor charge-offs, reallocated class B principal collections and related terms will not apply.

The "**investor interest**" referable to a series means at any time an amount equal to the initial investor interest referable to that series as reduced by the aggregate of:

- those principal collections distributed to the loan note issuing entity from the receivables trust property in respect of the relevant series investor interest (excluding principal collections held on separate trust on a segregated basis for the loan note issuing entity in respect of that series only);
- those retained principal collections, then distributed and used by the loan note issuing entity in respect of that series as utilised principal collections, as subsequently reduced by refunded utilised principal collections referable to that series;
- the loan note issuing entity's share of default amounts referable to that series as reduced by loss make-up (default) referable to that series; and
- the aggregate amount of investor charge-offs referable to that series as reduced by loss make-up (charge-off) referable to that series (excluding, for the avoidance of doubt, any default amounts made good by loss make-up (default) referable to that series),

all calculated as at that time.

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The beneficial entitlement of the loan note issuing entity as the investor beneficiary for the relevant series to eligible principal receivables – and also to principal collections that are held in the receivables trust on an undivided basis (which excludes the amount credited to the relevant series principal funding ledger) – is calculated as equal to the proportion that the adjusted investor interest bears to the amount of eligible principal receivables assigned or purported to be assigned to or held on trust for the receivables trust at any time. However, the calculation by the receivables trustee for distributions in respect of each class of notes will not exceed the class A adjusted investor interest, the class B adjusted investor interest or the class C adjusted investor interest at any time.

The amount of finance charge collections to be distributed to the relevant series finance charge collections ledger on any day during any monthly period is equal to the floating investor percentage for that series applied to finance charge collections for that day.

The loan note issuing entity will be entitled in respect of any series investor interest to the benefit of any enhancement for the relevant series only.

For each series the loan note issuing entity will be solely beneficially entitled to all monies held in any trust account that are expressly segregated – by separate account or by ledger entry or otherwise – as being held on separate trust by the receivables trustee for the loan note issuing entity in respect of that specific series.

#### **Calculation and Distribution of Finance Charge Collections and Acquired Interchange to the Loan Note Issuing Entity**

On each day on which finance charge collections and/or acquired interchange are transferred to the trustee collection account during the revolving period, the controlled accumulation period and, if applicable, the regulated amortisation period or the rapid amortisation period, the receivables trustee will credit an amount to the relevant series finance charge collections ledger – determined by applying the floating investor percentage as set out below to such finance charge collections and/or acquired interchange. The amount of acquired interchange distributed to a series investor interest for any monthly period will be the product of the amount of acquired interchange and the floating investor percentage. This amount of acquired interchange will be credited to that series' finance charge collections ledger for the benefit of that series investor beneficiary.

The amount credited to the relevant series finance charge collections ledger with respect to each series will be transferred on a monthly basis to the relevant loan note issuing entity distribution account of such series from which it will be applied to meet the loan note issuing entity's obligations for the relevant period.

Each day the receivables trustee will credit to the relevant series finance charge collections ledger an amount calculated as follows:

$$A \times B$$

where:

A = the floating investor percentage for that series; and

B = the total amount of finance charge collections and/or acquired interchange processed on that date.

The "**floating investor percentage**" for each series investor interest means, for any monthly period, the following fraction expressed as a percentage:

$$\frac{A}{B + C}$$

where:

A = the adjusted investor interest for that series;

B = the aggregate originator interests; and

C = the aggregate adjusted investor interests.

Item A will be calculated for any monthly period – other than the first monthly period – as of the last day of the prior monthly period (and, for the purposes of this calculation, A will take into account all amounts on the relevant series principal collections ledger).

Items B and C will be calculated for any monthly period – other than the first monthly period – as of the last day of the prior monthly period (and, for the purposes of this calculation, the sum of B + C will be reduced by the amount of retained principal collections). For the first monthly period, each of A, B and C will be calculated as of the closing date.

However, if the sum of the numerators used to calculate the investor percentages for distributions of finance charge collections and acquired interchange for all outstanding series for any month is greater than B + C, the floating investor percentage will be the percentage equivalent of:

$$\frac{A}{A + D}$$

where:

A = the definition used above; and

D = the sum of the numerators used to calculate the investor percentages for distributions of finance charge collections and acquired interchange for all outstanding series (excluding the relevant series investor interest in question) for that month.

Accordingly, the floating investor percentage will never exceed 100 per cent.

Notwithstanding the above, for a monthly period in which an addition date occurs:

B in the fraction used to calculate the floating investor percentage above will be:

- for the period from the first day of the monthly period to the addition date, the aggregate originator interests on the last day of the prior monthly period; and



- for the period from the addition date to the last day of the monthly period, the aggregate originator interests on the addition date, taking into account the eligible principal receivables added to the receivables trust; and

C in the fraction used to calculate the floating investor percentage above will be:

- for the period from the first day of the monthly period to the addition date, the sum of the adjusted investor interests used to calculate the floating investor percentages for all outstanding series (including the relevant series investor interest in question) on the last day of the prior monthly period; and
- for the period from the addition date to the last day of the monthly period, the sum of the adjusted investor interest used to calculate the floating investor percentages for all outstanding series (including the relevant series investor interest in question) on the addition date, taking into account the eligible principal receivables added to the receivables trust.

If, on any day, the investor interest falls to zero unless it has fallen as a result of defaults, no further distributions will be made on the distribution date for that monthly period.

### **Class A Investor Interest**

To understand the calculations and information delivered by the receivables trustee with respect to the amount of finance charge collections and acquired interchange distributed to the loan note issuing entity that will ultimately be used for payments on the class A notes (and all sub-classes thereof, if any) on any distribution date or payment date, you need to understand the following definitions and cash flows.

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The "**applicable LIBOR rate**" for each finance period will be determined by the trust cash manager in the manner specified in each series supplement to the receivables trust deed and cash management agreement.

The "**calculation period**" means, for any distribution date, the period from and including the previous distribution date or, in the case of the first distribution date, from and including the closing date to, but excluding, that distribution date.

The "**class A additional finance amount**" means the amount calculated as follows:

$$\frac{\text{days in calculation period}}{365} \times \text{class A LN rate plus 2.0 per cent} \times \text{any unpaid class A deficiency amounts on the prior payment date}$$

The "**class A available funds**" for a series investor interest for any monthly period equals the sum of the following amounts credited to that series' finance charge collections ledger for that monthly period:

- the class A floating percentage of finance charge collections distributed to that series investor interest;
- the class A floating percentage of acquired interchange distributed to that series investor interest;
- for any monthly period during the controlled accumulation period before payment in full of the class A investor interest, the principal funding investment proceeds up to a maximum amount equal to the class A covered amount; see "*Principal Funding Account*"; and
- any amounts withdrawn from that series' reserve ledger and credited to that series' finance charge collections ledger on the related distribution date; see "*Reserve Account*".

The "**class A cash management fee**" is that portion of the trust cash management fee attributable to class A (on a *pro rata* basis).

The "**class A debt amount**" means the class A initial investor interest *minus* the total principal payments made to the loan note issuing entity as of the distribution date preceding the relevant distribution date, calculated as principal payments referable to the class A investor interest from the property of the receivables trust. On the relevant series investor interest termination date, the class A debt amount will be zero.

The "**class A deficiency amount**" is the excess, if any, of the class A monthly required expense amount for the prior distribution date – disregarding for this purpose the class A trustee payment amount and the loan note issuing entity costs amount – over the amounts actually deposited as the class A monthly distribution amount and credited to the relevant loan note issuing entity distribution account for payment on that distribution date.

The "**class A LN rate**" for each finance period will be the applicable LIBOR rate *plus* or *minus* a margin as specified in the relevant final terms and, in the case of any sub-classes with respect to class A, such rate shall be calculated as a blended rate;

The "**class A monthly distribution amount**" means an amount equal to the sum of the class A monthly finance amount, the class A deficiency amount and the class A additional finance amount;

The "**class A monthly finance amount**" means the amount calculated as follows:

$$\left( \frac{\text{days in calculation period}}{365} \times \text{class A LN rate} \times \text{class A debt amount} \right) + \text{issuing entity costs amount}$$

The "**class A monthly required expense amount**" for any distribution date will be the sum of the following items:

- the class A trustee payment amount *plus* any unpaid class A trustee payment amounts from previous distribution dates; see "*Trustee Payment Amount*";
- the loan note issuing entity costs amount;
- the class A monthly finance amount;
- the class A deficiency amount; and
- the class A additional finance amount.

The "**class A servicing fee**" is that portion of the servicing fee attributable to class A (on a *pro rata* basis).

The first "**distribution date**" in respect of each series will be further described in the final terms for that series and each subsequent distribution date will be the 15th day of each calendar month thereafter, or if that day is not a business day, the next business day after the 15th, or any other date as may be specified in the relevant final terms.

The "**finance period**" means, with respect to any payment date, the period from and including the previous payment date or, in the case of the first payment date, from and including the closing date to, but excluding, the next payment date. However, in the case of a finance period that commences in the revolving period and ends in the controlled accumulation period, the regulated amortisation period or the rapid amortisation period, that finance period will end on the originally scheduled payment date.

The "**issuing entity costs amount**" means the amounts required to pay all and any legal fees, fees, costs, charges, expenses, indemnities, losses, damages, claims and liabilities incurred by the issuing entity accrued due and payable on or before a payment date to a third party (including the agents) incurred in the course of the issuing entity's business excluding any income taxes or other similar taxes payable to any taxation authority out of sums credited to the issuing entity profit ledger. This amount includes the legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities of the note trustee and any receiver appointed by it, such amount to be paid in priority to any other amount contemplated by this definition, and any legal fees, fees, costs, charges, expenses, indemnities, losses, damages, claims and liabilities remaining unpaid for previous distribution dates together with any value added tax payable on any of the above items, where relevant. Where relevant, the costs of the issuing entity may be

apportioned among each outstanding series by reference to the outstanding principal balance of each series.

The "**loan note issuing entity costs amount**" means the amounts required to pay all and any legal fees, fees, costs, charges, expenses, indemnities, losses, damages, claims and liabilities incurred by the loan note issuing entity accrued due and payable on or before a distribution date to a third party incurred in the course of the loan note issuing entity's business excluding any income taxes or other similar taxes payable to any taxation authority. This amount includes legal fees, fees, costs, charges, expenses, indemnities, losses, damages, claims and liabilities of the security trustee and any receiver appointed by it, such amount to be paid in priority to any other amount contemplated by this definition, and any legal fees, fees, costs, charges, expenses, losses, damages, claims and liabilities remaining unpaid for previous distribution dates together with any value added tax payable on any of the above items, where relevant. Where relevant, the costs of the loan note issuing entity may be apportioned among each outstanding series loan note by reference to the outstanding principal balance of each series loan note.

The first "**payment date**" in the case of each series loan note and the related series of notes will be more particularly described in the final terms for that series. Each subsequent payment date during the revolving period and the controlled accumulation period will also be more particularly described in the final terms for that series. During the regulated amortisation period and the rapid amortisation period each subsequent payment date will be the same date as a distribution date.

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On each distribution date, the amount of class A available funds held for the loan note issuing entity in a specified series finance charge collections ledger will be used to make the following payments (in respect of that series only) in the following order:

- (1) an amount equal to the class A trustee payment amount *plus* any unpaid class A trustee payment amounts from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account of the series and then to the receivables trustee by the loan note issuing entity as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as trustee payment amount referable to the relevant series;
- (2) an amount equal to the loan note issuing entity costs amount to be transferred to the relevant loan note issuing entity distribution account, such payment being identified as the loan note issuing entity costs amount;
- (3) an amount equal to the class A monthly distribution amount will be deposited in the relevant loan note issuing entity distribution account;
- (4) an amount equal to the class A servicing fee and any due and unpaid class A servicing fees from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account and then to the servicer, such payment being identified as servicing fee payment amount, and an amount equal to the class A cash management fee and any due and unpaid class A cash management fees from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account and then to the receivables trustee by the loan note issuing entity as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as cash management fee payment amount referable to the relevant series;
- (5) an amount equal to the class A investor default amount will be paid first to the relevant loan note issuing entity distribution account and then to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as loss make-up (default); and
- (6) the balance – called "**class A available spread**" – will be part of available spread and will be dealt with as described in "*Available Spread*".

On each distribution date, the loan note issuing entity, acting through the receivables trustee, will withdraw an amount on deposit in the specified series finance charge collections ledger equal to the class A monthly distribution amount, and will deposit such amount into the relevant loan note issuing entity distribution account (in respect of that series only). This deposit will be used by the loan note issuing entity (when added to the class B monthly distribution amount and the class C monthly distribution amount (excluding the monthly loan note issuing entity expenses loan amount (if any))) to pay interest due on the series loan note that is linked to that series investor interest. Interest payments received on the relevant series loan note will be used by the issuing entity, acting through the Jersey bank account operator, to pay the swap counterparty under the relevant swap agreement (if applicable). Corresponding amounts in the relevant currency of the related note class or sub-class that are paid by the swap counterparty (if applicable) to the issuing entity will be used by the issuing entity to pay interest on the notes on the payment date.

To the extent necessary, the receivables trustee will be authorised to make these payments on the loan note issuing entity's behalf.

### **Class B Investor Interest**

To understand the calculations and information delivered by the receivables trustee with respect to the amount of finance charge collections and acquired interchange distributed to the loan note issuing entity that will ultimately be used for payments on the class B notes (and all sub-classes thereof, if any) on any distribution date or payment date, you need to understand the following definitions and cash flows.

If the relevant final terms indicate that no class B notes will be issued as part of a series, then references to class B available funds, the class B monthly distribution amount and related terms described below will not apply.

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The "**class B additional finance amount**" means the amount calculated as follows:

$$\frac{\text{days in calculation period}}{365} \times \text{class B LN rate plus 2.0 per cent} \times \text{any unpaid class B deficiency amounts on the prior payment date}$$

The "**class B available funds**" for a series investor interest for any monthly period equals the sum of the following amounts credited to that series' finance charge collection ledger for that monthly period:

- the class B floating percentage of finance charge collections distributed to that series investor interest; and
- the class B floating percentage of acquired interchange distributed to that series investor interest.

The "**class B cash management fee**" is that portion of the trust cash management fee attributable to class B (on a *pro rata* basis).

The "**class B debt amount**" means the class B initial investor interest *minus* the total principal payments made to the loan note issuing entity as of the payment date preceding the relevant distribution date, calculated as principal payments referable to the class B investor interest from the property of the receivables trust. On the series termination date, the class B debt amount will be zero.

The "**class B deficiency amount**" is the excess, if any, of the class B monthly required expense amount for the prior distribution date – disregarding for this purpose the class B trustee payment amount – over the amounts actually deposited as the class B monthly distribution amount into the relevant loan note issuing entity distribution account for payment on that distribution date.

The "**class B LN rate**" for each finance period will be the applicable LIBOR rate *plus* or *minus* a margin as specified in the relevant final terms and, in the case of any sub-classes with respect to class B, such rate shall be calculated as a blended rate;

The "**class B monthly distribution amount**" means an amount equal to the sum of the class B monthly finance amount, the class B deficiency amount and the class B additional finance amount;

The "**class B monthly finance amount**" means the amount calculated as follows:

$$\frac{\text{days in calculation period}}{365} \times \text{class B LN rate} \times \text{class B debt amount}$$

The "**class B monthly required expense amount**" for any distribution date will be the sum of the following items:

- the class B trustee payment amount *plus* any unpaid class B trustee payment amounts from previous distribution dates; see "*Trustee Payment Amount*";
- the class B monthly finance amount;
- the class B deficiency amount; and
- the class B additional finance amount.

The "**class B servicing fee**" is that portion of the servicing fee attributable to class B (on a *pro rata* basis).

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On each distribution date, the amount of class B available funds held for the loan note issuing entity in a specified series finance charge collections ledger will be used to make the following payments (in respect of that series only) in the following order:

- (1) an amount equal to the class B trustee payment amount *plus* any unpaid class B trustee payment amounts from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account of the series and then to the receivables trustee by the loan note issuing entity as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as trustee payment amount referable to the relevant series;
- (2) an amount equal to the class B monthly distribution amount will be deposited in the relevant loan note issuing entity distribution account;
- (3) an amount equal to the class B servicing fee and any due and unpaid class B servicing fees from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account and then to the servicer, such payment being identified as servicing fee payment amount, and an amount equal to the class B cash management fee and any due and unpaid class B cash management fees from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account and then to the receivables trustee by the loan note issuing entity as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as cash management fee payment amount referable to the relevant series; and
- (4) the balance – called "**class B available spread**" – will be part of available spread and will be dealt with as described in "*Available Spread*".

On each distribution date, the loan note issuing entity, acting through the receivables trustee, will withdraw an amount on deposit in the specified series finance charge collections ledger equal to the class B monthly distribution amount and will deposit such amount into the relevant loan note issuing entity distribution account (in respect of that series only). This deposit will be used by the loan note issuing entity (when added to the class A monthly distribution amount and the class C monthly distribution amount (excluding the monthly loan note issuing entity expenses loan amount (if any))) to pay interest due on the series loan note that is linked to that series investor interest. Interest payments received on the relevant series loan note will be used by the issuing entity to pay the swap counterparty under the relevant swap agreement (if applicable). Corresponding amounts in the relevant currency of the related note class

(or sub-class) that are paid by the swap counterparty (if applicable) to the issuing entity will be used by the issuing entity to pay interest on the notes on the payment date.

To the extent necessary, the receivables trustee will be authorised to make these payments on the loan note issuing entity's behalf.

### **Class C Investor Interest**

To understand the calculations and information delivered by the receivables trustee with respect to the amount of finance charge collections distributable to the loan note issuing entity that will ultimately be used for payments on the class C notes (and all sub-classes thereof, if any) on any distribution date or payment date, you need to understand the following definitions and cash flows.

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The "**class C additional finance amount**" means the amount calculated as follows:

$$\frac{\text{days in calculation period}}{365} \times \text{class C LN rate plus 2.0 per cent} \times \text{any unpaid class C deficiency amounts on the prior payment date}$$

The "**class C available funds**" for a series investor interest for any monthly period equals the sum of the following amounts credited to that series' finance charge collections ledger for that monthly period:

- the class C floating percentage of finance charge collections distributed to that series investor interest; and
- the class C floating percentage of acquired interchange allocated to that series investor interest.

The "**class C cash management fee**" is that portion of the trust cash management fee attributable to class C (on a *pro rata* basis).

The "**class C debt amount**" means the class C initial investor interest *minus* the total principal payments made to the loan note issuing entity as of the payment date preceding the relevant distribution date, calculated as principal payments referable to the class C investor interest from the property of the receivables trust. On the series termination date, the class C debt amount will be zero.

The "**class C deficiency amount**" is the excess, if any, of the class C monthly required expense amount for the prior distribution date – disregarding for this purpose the class C trustee payment amount, the monthly loan note issuing entity expenses loan amount (if any) and the monthly expenses loan amount (if any) and the issuing entity profit amount – over the amounts actually deposited as the class C monthly distribution amount into the relevant loan note issuing entity distribution account for payment on that distribution date.

The "**class C LN rate**" for each finance period will be the applicable LIBOR rate *plus* or *minus* a margin as specified in the relevant final terms and, in the case of any sub-classes with respect to class C, such rate shall be calculated as a blended rate;

The "**class C monthly finance amount**" means the amount calculated as follows:

$$\frac{\text{days in calculation period}}{365} \times \text{class C LN rate} \times \text{class C debt amount}$$

The "**class C monthly required expense amount**" for any distribution date will be the sum of the following items:

- the class C trustee payment amount *plus* any unpaid class C trustee payment amounts from previous distribution dates; see "*Trustee Payment Amount*";
- the class C monthly finance amount;

- the class C deficiency amount; and
- the class C additional finance amount.

The "**class C servicing fee**" is that portion of the servicing fee attributable to class C (on a *pro rata* basis).

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On each distribution date, the amount of class C available funds held for the loan note issuing entity in a specified series finance charge collections ledger will be used to make the following payments (in respect of that series only) in the following order:

- (1) an amount equal to the class C trustee payment amount *plus* any unpaid class C trustee payment amounts from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account of the series and then to the receivables trustee by the loan note issuing entity as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as trustee payment amount referable to the relevant series;
- (2) an amount equal to the class C servicing fee and any due and unpaid class C servicing fees from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account and then to the servicer, such payment being identified as servicing fee payment amount, and an amount equal to the class C cash management fee and any due and unpaid class C cash management fees from prior distribution dates will be paid first to the relevant loan note issuing entity distribution account and then to the receivables trustee by the loan note issuing entity as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as cash management fee payment amount referable to the relevant series; and
- (3) the balance – called "**class C available spread**" – will be part of available spread and will be dealt with as described in "*Available Spread*".

On each distribution date, the loan note issuing entity, acting through the receivables trustee, will withdraw an amount on deposit in the specified series finance charge collections ledger equal to the class C monthly distribution amount (as defined below in "*Available Spread*"), and will deposit such amount into the relevant loan note issuing entity distribution account (in respect of that series only). This deposit will be used by the loan note issuing entity (when added to the class A monthly distribution amount and the class B monthly distribution amount but excluding the monthly loan note issuing entity expenses loan amount (if any)) to pay interest due on the loan note related to such series. Interest payments received on the relevant series loan note will be used by the issuing entity to pay the swap counterparty (if applicable) under the relevant swap agreement. Corresponding amounts in the relevant currency or interest rate of the related note class (or sub-class) that is paid by the swap counterparty (if applicable) to the issuing entity will be used by the issuing entity to pay interest on the notes on the payment date.

To the extent necessary, the receivables trustee will be authorised to make these payments on the loan noteholder's behalf.

### **Distributions of Principal Collections to the Loan Note Issuing Entity**

The amount of principal transferred on a daily basis (see "*The Receivables Trust – Application of Collections*") during any monthly period to the principal collections ledger of the trustee collection account will only be transferred and credited to the relevant specified "**series principal collections ledger**" in the series collection account (held as a separate trust on a segregated basis for the loan note issuing entity by the receivables trustee for the specific series) after making the calculations set out below. These calculations and the amounts actually transferred differ depending upon whether a series investor interest is in the revolving period, the controlled accumulation period, the regulated amortisation period or the rapid amortisation period.

## Revolving Period

The "**revolving period**" for a series investor interest is the period from the closing date to the start of the controlled accumulation period or, if earlier, the start of the regulated amortisation period or the rapid amortisation period.

During the revolving period, principal collections credited daily to the principal collections ledger in the trustee collection account will not be distributed to the loan note issuing entity in respect of its relevant series investor interest except from the retained specified percentage of principal collections as provided for below. Available principal collections will be used by the receivables trustee as shared principal collections and, to the extent not used as shared principal collections, transferred to the trustee acquisition account to make payments to the originators:

- to accept new offers of receivables made by the originators to the receivables trustee;
- for future receivables assigned or entrusted by the originators to the receivables trustee by offers that have already been made and accepted; and
- as distributions of principal collections, but not if such distributions would cause the originator interest to be reduced to zero.

For calculation purposes, the available principal collections described in the previous paragraph are those principal collections calculated as allocable – using the class A floating percentage – to the class A investor interest.

A specified percentage of principal collections will be retained within the receivables trust and may be deposited in the relevant loan note issuing entity distribution account of a particular series, as applicable, on a distribution date to meet certain payments or distributions of the loan note issuing entity in respect of the relevant series which it is not able to satisfy out of finance charge collections and acquired interchange distributed to it. Principal collections which are retained within the receivables trust and which may be distributed to the loan note issuing entity to help meet certain of its payments or distributions shall be called "**retained principal collections**" and principal collections which are actually distributed to the loan note issuing entity to help meet certain of its payments or distributions shall be called "**utilised principal collections**".

Retained principal collections – to the extent they are not required to be used to cover income deficiencies – will be calculated as allocable to the class B investor interest (using the class B floating percentage) and the class C investor interest (using the class C floating percentage) and will be used by the receivables trustee – as described in the paragraph above describing the use of available principal collections – on the next following distribution date.

For calculation purposes, utilised principal collections are divided into reallocated class B principal collections and reallocated class C principal collections and result in a reduction of the class B investor interest or class C investor interest, respectively. Any such reduction in the class B investor interest or, as the case may be, the class C investor interest may be reinstated on future distribution dates to the extent available spread is available for such purpose. Available spread that is used to reinstate the class B investor interest or, as the case may be, class C investor interest following reductions due to utilised principal collections is paid by the loan note issuing entity to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust and is called "**refunded utilised principal collections**".

## Controlled Accumulation Period

The "**controlled accumulation period**" commencement date for each series investor interest will be specified in the relevant final terms and will end when the relevant series investor interest is paid in full, unless a pay-out event occurs and the regulated amortisation period or the rapid amortisation period begins. If the regulated amortisation period or rapid amortisation period begins before the start of the controlled accumulation period, there will not be a controlled accumulation period for the relevant series. The start of the controlled accumulation period may be delayed until no later than the close of business on the day specified in the relevant final terms. See "*Postponement of Controlled Accumulation Period*".



During the controlled accumulation period, the amount of principal collections to which the loan note issuing entity is entitled under the relevant series supplement will be credited on a daily basis to the specified series principal collections ledger (held by the receivables trustee on a segregated basis on a separate trust for the loan note issuing entity in respect of the relevant series only) – until the amount credited in any monthly period equals the controlled deposit amount for that monthly period – and then transferred on a monthly basis to the principal funding account – and credited to the relevant series principal funding ledger – for payment or transfer to the relevant loan note issuing entity distribution account of such series on the relevant payment date – called the "**series scheduled redemption date**" and specified in the final terms for that series. Principal collections in excess of the controlled deposit amount will be used by the receivables trustee first as shared principal collections and then to make payments to the originators as described above under "*Revolving Period*".

As in the revolving period, a specified percentage of principal collections may be retained within the receivables trust (as retained principal collections) and on a monthly basis may be utilised by the loan note issuing entity to help meet certain of its expenses in respect of a relevant series. For calculation purposes this use of amounts by the loan note issuing entity will be described as reallocated class B principal collections and as reallocated class C principal collections.

The "**controlled deposit amount**" for each series for any distribution date during the controlled accumulation period or the regulated amortisation period will be specified in the relevant final terms for that series. The controlled deposit amount will equal the initial investor interest for that series divided by a factor specified in the relevant final terms, or for the controlled accumulation period or a regulated amortisation period, if greater, may be an amount not exceeding the product of (1) the reciprocal of this factor (set out in the final terms) and (2) the sum of: (i) all initial investor interests of all series in group one – except companion series (as defined below) – that are scheduled to be in their revolving periods, and (ii) the relevant series initial investor interest in question. If the start of the controlled accumulation period is delayed as described in "*Postponement of Controlled Accumulation Period*," the controlled deposit amount will be greater than the amount that has been specified in the relevant final terms. In any case, during the controlled accumulation period, the controlled deposit amount will be the amount that, if deposited in the principal funding account on each distribution date for the controlled accumulation period, will cause the balance of that series principal funding ledger to equal the relevant series investor interest on the scheduled redemption date. The controlled deposit amount for any distribution date will include the amount of any shortfall in payment of the controlled deposit amount for the previous distribution date.

### **Regulated Amortisation Period**

A "**regulated amortisation period**" will start on the day, if there is one, that a regulated amortisation trigger event, as defined in "*Series Pay-out Events*" below, occurs.

The regulated amortisation period will continue until the earlier of:

- the start of the rapid amortisation period; and
- the relevant series termination date, as defined below under the heading "*Rapid Amortisation Period*".

During the regulated amortisation period, the amount of principal collections to which the loan note issuing entity is entitled under each series supplement will be credited on a daily basis to the specified relevant series principal collections ledger only for the series that is subject to amortisation until the amount credited in any monthly period equals the controlled deposit amount for that monthly period – and then transferred on a monthly basis and credited to the relevant loan note issuing entity distribution account of the series until the specified relevant series termination date, as defined below under the heading "*Rapid Amortisation Period*". Principal collections in excess of the controlled deposit amount will be used by the receivables trustee first as shared principal collections and then to make payments to the originators as described above under "*Revolving Period*".

As in the revolving and controlled accumulation periods, a specified percentage of principal collections may be retained within the receivables trust (as retained principal collections) and on a monthly basis may be utilised by the loan note issuing entity to help meet certain of its expenses in respect of the relevant series. To the extent not to be utilised by the loan note issuing entity, these principal collections may be

used as available principal collections. For calculation purposes, this utilisation of principal amounts by the loan note issuing entity will be described as reallocated class B principal collections and as reallocated class C principal collections.

### **Rapid Amortisation Period**

A "**rapid amortisation period**" will start on the first day of the monthly period next following the day on which any pay-out event other than a regulated amortisation trigger event occurs.

The rapid amortisation period will continue until the earlier of:

- the specified relevant series termination date, as defined below; or
- the dissolution of the receivables trust following the occurrence of an insolvency event; see "*The Receivables Trust: Trust Pay-out Events*".

During the rapid amortisation period, the amount of principal collections to which the loan note issuing entity is entitled under the specified relevant series supplement will be credited on a daily basis to the relevant series principal collections ledger (held by the receivables trustee on segregated trust for the sole benefit of the loan note issuing entity in respect of that series) and then transferred on a monthly basis and credited to the relevant loan note issuing entity distribution account of the series until the relevant series termination date.

The "**series termination date**" is the earlier of the distribution date on which the series adjusted investor interest has been reduced to zero – unless on such date it was reduced as a result of defaults – and the distribution date identified as such in the final terms for such series.

As in other periods, a specified percentage of principal collections may be retained within the receivables trust (i.e. retained principal collections) and on a distribution date may be distributed to the loan note issuing entity to help meet certain of its expenses in respect of the relevant series. The balance of principal collections will, on that distribution date be, transferred to the relevant series principal collections ledger.

### **Calculation of Principal Collections to be Distributed to the Loan Note Issuing Entity in Respect of Each Series**

During the revolving period, the calculation of amounts available for distribution to the loan note issuing entity in respect of principal collections will be determined on the basis of the floating investor percentage. In respect of each relevant series the amount of principal collections available to the loan note issuing entity will be calculated:

- during the revolving period, by reference to the floating investor percentage for the relevant series; and
- during the controlled accumulation period, the regulated amortisation period and the rapid amortisation period, by reference to the fixed investor percentage for the relevant series.

The "**fixed investor percentage**" for a series means, for any monthly period, the following calculation expressed as a percentage:

$$\frac{A}{B + C}$$

where:

A = the adjusted investor interest for that series;

B = the aggregate originator interests; and

C = the sum of the adjusted investor interests for all outstanding series (including the relevant series in question).

Item A will be calculated as of the close of business on the last day of the revolving period (and, for the purposes of this calculation, A will take into account all amounts on the relevant series principal collections ledger).

Items B and C above will be calculated for any monthly period – other than the first monthly period – as of the last day of the prior monthly period (and, for the purposes of this calculation, the sum of B + C will be reduced by the amount of retained principal collections). For the first monthly period, each of B and C will be calculated as of the relevant closing date.

However, if the sum of the numerators used to calculate the investor percentages for distributions of principal collections or shared principal collections for all outstanding series for any month is greater than B + C, the fixed investor percentage will be the percentage equivalent of:

$$\frac{A}{A + D}$$

where:

A = the definition used above; and

D = the sum of the numerators used to calculate the investor percentages for distributions of principal collections or shared principal collections for all outstanding series (excluding the relevant series in question) for that month.

Accordingly, the fixed investor percentage will never exceed 100 per cent.

Notwithstanding the above, for a monthly period in which an addition date occurs:

B in the fraction used to calculate the fixed investor percentage above will be:

- for the period from the first day of the monthly period to the addition date, the aggregate originator interests on the last day of the prior monthly period; and
- for the period from the addition date to the last day of the monthly period, the aggregate originator interests on the addition date, taking into account the eligible principal receivables added to the receivables trust; and

C in the fraction used to calculate the fixed investor percentage above will be:

- for the period from the first day of the monthly period to the addition date, the sum of the adjusted investor interests used to calculate the floating investor percentages for all outstanding series (including the relevant series in question) on the last day of the prior monthly period; and
- for the period from the addition date to the last day of the monthly period, the sum of the adjusted investor interests used to calculate the floating investor percentages for all outstanding series (including the relevant series in question) on the addition date, taking into account the eligible principal receivables added to the receivables trust.

If, on any day, the investor interest falls to zero – unless it has fallen as a result of defaults – no further distributions will be made on the distribution date for that monthly period.

The "**available investor principal collections**" means, for any monthly period:

- the investor principal collections; *minus*
- the cash available for acquisition that has been calculated as being available to be used during that monthly period; *minus*
- the reallocated class C principal collections that are required to fund the class A required amount or the class B required amount (if applicable); *minus*

- the reallocated class B principal collections for that monthly period (if applicable) that are required to fund the class A required amount; *plus*
- the shared principal collections from other series in group one that are distributed in respect of the relevant series; *plus*
- for a monthly period in which the rapid amortisation period starts, any previously identified investor cash available for acquisition that was not used to acquire receivables.

The "**investor principal collections**" means, for any monthly period, the sum of:

- principal collections credited to the principal collections ledger identified for the specified relevant series, during the controlled accumulation period, the regulated amortisation period and the rapid amortisation period; *plus*
- amounts treated as investor principal collections equal to the class A investor default amount and distributed out of class A available funds, available spread, reallocated class C principal collections and reallocated class B principal collections (if applicable); *plus*
- amounts treated as investor principal collections equal to the class B investor default amount (if applicable) and distributed out of available spread and reallocated class C principal collections; *plus*
- amounts treated as investor principal collections up to the class C investor default amount and distributed out of available spread; *plus*
- available spread treated as investor principal collections used to reimburse class A investor charge-offs, any reductions in the class B investor interest (if applicable) and any reductions in the class C investor interest; *plus*
- unavailable principal collections credited to the principal collections ledger identified for the relevant series and to be treated as investor principal collections; see "*Unavailable Principal Collections*".

The "**class A fixed percentage**", the "**class B fixed percentage**" and the "**class C fixed percentage**" will each be calculated the same way and will be equal to, for each class with respect to each series and for any monthly period after the end of the revolving period, the following fraction expressed as a percentage:

$$\frac{\text{the investor interest for the relevant class}}{\text{the series investor interest}}$$

This percentage, never to exceed 100 per cent., will be calculated using these amounts on the close of business on the last day of the revolving period.

On each operating business day during the revolving period which is not a distribution date, the investor principal collections available for that day will be distributed in the following priority:

- applied as shared principal collections and distributed to other outstanding series in group one; see "*Shared Principal Collections*"; and
- the balance remaining will be applied as cash available for acquisition in the manner described in "*The Receivables Trust – Acquiring Additional Entitlements to Receivables Trust Property and Payments for Receivables*".

The "**class A monthly principal amount**" is the least of:

- the available investor principal collections standing to the credit of the relevant series principal collections ledger on that distribution date and any retained principal collections in respect of that series on that distribution date – excluding available investor principal collections identified as loss make-up (default), loss make-up (charge-off) or refunded utilised principal collections standing to the credit of the relevant series finance charge collections ledger;

- for each distribution date in the controlled accumulation period or the regulated amortisation period, the controlled deposit amount for that distribution date; and
- the class A adjusted investor interest – adjusted to account for any unreimbursed class A investor charge-offs on that distribution date.

On each distribution date during the controlled accumulation period, the regulated amortisation period and the rapid amortisation period, the receivables trustee will transfer the class A monthly principal amount from the relevant series principal collections ledger and:

- for a distribution date during the controlled accumulation period, deposit it in the principal funding account for credit to the relevant series principal funding ledger; or
- for a distribution date during the regulated amortisation period or the rapid amortisation period, deposit it in the relevant loan note issuing entity distribution account of the series.

On the earlier of (1) the first distribution date during the regulated amortisation period or the rapid amortisation period and (2) the relevant series scheduled redemption date specified in the relevant final terms, and on each distribution date after that, the receivables trustee will be authorised to transfer from the relevant series principal funding ledger, an amount equal to the lesser of:

- the amount on deposit in the relevant series principal funding ledger; and
- the class A investor interest,

which will be deposited in the relevant loan note issuing entity distribution account of the series.

The loan note issuing entity will use such amounts deposited in the loan note issuing entity distribution account of the series to redeem that part of the relevant loan note referable to the class A investor interest in whole, if the amount distributed is equal to the class A investor interest, or to repay principal outstanding on that part of the related relevant loan note referable to the class A investor interest, if the amount is less.

The first distribution date (1) for the controlled accumulation period, on which an amount equal to the class A investor interest has been deposited in the principal funding account for credit to the relevant series principal funding ledger, or (2) during the regulated amortisation period or the rapid amortisation period, on which the class A investor interest is paid in full, is called the "**class B principal commencement date**".

The "**class B monthly principal amount**" is the least of:

- the available investor principal collections standing to the credit of the relevant series principal collections ledger on that distribution date and any retained principal collections in respect of that series on that distribution date – excluding available investor principal collections identified as loss make-up (default), loss make-up (charge-off) or refunded utilised principal collections standing to the credit of the relevant series finance charge collections ledger *minus*, if applicable, the class A monthly principal amount;
- for each distribution date in the controlled accumulation period or the regulated amortisation period, the controlled deposit amount for that distribution date – after taking into account the class A monthly principal amounts; and
- the class B adjusted investor interest – adjusted to account for any unreimbursed reductions in the class B investor interest for reasons other than principal payments on that distribution date.

Starting with the class B principal commencement date, to the extent there are funds remaining on the relevant series principal collections ledger after distributing the class A monthly principal amount, the receivables trustee will transfer the class B monthly principal amount from the relevant series principal collections ledger and:

- for a distribution date during the controlled accumulation period, deposit it in the principal funding account for credit to the relevant series principal funding ledger; or

- for a distribution date during the regulated amortisation period or the rapid amortisation period, deposit it in the relevant loan note issuing entity distribution account of the series.

On the earlier of (1) if the amount on deposit in the relevant series principal funding ledger exceeds the class A investor interest, the relevant series scheduled redemption date specified in the relevant final terms and (2) during the regulated amortisation period or the rapid amortisation period, the class B principal commencement date, and on each distribution date after that, the receivables trustee will be authorised to transfer from the relevant series principal funding ledger, an amount equal to the lesser of:

- the amount on deposit in the relevant series principal funding ledger in excess of the class A investor interest; and
- the class B investor interest,

which will be deposited in the relevant loan note issuing entity distribution account of the series.

The loan note issuing entity will use such amounts deposited in the loan note issuing entity distribution account of the series to redeem that part of the relevant loan note referable to the class B investor interest in whole, if the amount distributed is equal to the class B investor interest, or to repay principal outstanding on that part of the related relevant loan note referable to the class B investor interest, if the amount is less.

The first distribution date (1) for the controlled accumulation period, on which an amount equal to the sum of the class A investor interest and the class B investor interest has been deposited in the principal funding account for credit to the relevant series principal funding ledger, or (2) during the regulated amortisation period or the rapid amortisation period, on which the class B investor interest is paid in full (or, if class B notes are not issued as part of the relevant series, on which the class A investor interest is paid in full), is called the "**class C principal commencement date**".

The "**class C monthly principal amount**" is the least of:

- the available investor principal collections standing to the credit of the relevant series principal collections ledger on that distribution date and any retained principal collections in respect of that series on that distribution date – excluding available investor principal collections identified as loss make-up (default), loss make-up (charge-off) or refunded utilised principal collections standing to the credit of the relevant series finance charge collections ledger *minus*, if applicable, the class A monthly principal amount and, if applicable, the class B monthly principal amount;
- for each distribution date in the controlled accumulation period or the regulated amortisation period, the controlled deposit amount for that distribution date – after taking into account the class A monthly principal amount and, if applicable, the class B monthly principal amount; and
- the class C adjusted investor interest – adjusted to account for any unreimbursed reductions in the class C investor interest for reasons other than principal payments on that distribution date.

Starting with the class C principal commencement date, to the extent there are funds remaining after distributing the class A monthly principal amount and the class B monthly principal amount, if applicable, the receivables trustee will transfer the class C monthly principal amount from the relevant series principal collections ledger and:

- for a distribution date during the controlled accumulation period, deposit it in the principal funding account for credit to the relevant series principal funding ledger; or
- for a distribution date during the regulated amortisation period or the rapid amortisation period, deposit it in the relevant loan note issuing entity distribution account of the series.

On the earlier of (1) if the amount on deposit in the relevant series principal funding ledger exceeds the sum of the class A investor interest and the class B investor interest, the relevant series scheduled redemption date specified in the relevant final terms and (2) during the regulated amortisation period or the rapid amortisation period, the class C principal commencement date, and on each distribution date after that, the receivables trustee will be authorised to transfer from the relevant series principal funding ledger, an amount equal to the lesser of:

- the amount on deposit in the relevant series principal funding ledger in excess of the sum of the class A investor interest and, if applicable, the class B investor interest; and
- the class C investor interest,

which will be deposited in the relevant loan note issuing entity distribution account of the series.

The loan note issuing entity will use such amounts deposited in the loan note issuing entity distribution account of the series to redeem that part of the relevant loan note referable to the class C investor interest in whole, if the amount distributed is equal to the class C investor interest, or to repay principal outstanding on that part of the related relevant loan note referable to the class C investor interest, if the amount is less.

### **Postponement of Controlled Accumulation Period**

The date on which the controlled accumulation period is scheduled to begin for a specific series will be disclosed in the related final terms for that series. If the controlled accumulation period length, which is explained in the next paragraph, is less than the number of months set out in the final terms, the revolving period may be extended and the start of the controlled accumulation period will be postponed. The controlled accumulation period for a series will, in any event, begin no later than the date disclosed in the relevant final terms.

On the determination date immediately before the distribution date that is prior to the distribution date on which a controlled accumulation period is scheduled to commence, and on each determination date after that, until the controlled accumulation period begins, the servicer will determine the "**controlled accumulation period length**". This is the number of months that the servicer expects will be needed to fully fund the relevant series in question's principal funding ledger no later than that series' scheduled redemption date. This calculation is based on:

- the expected monthly principal collections that the servicer calculates will be available to the adjusted investor interests of all series in group one – other than companion series – assuming a principal payment rate no greater than the lowest monthly principal payment rate on the receivables for the twelve months before; and
- the amount of principal expected to be distributable to the investor interests of all series in group one – other than companion series – that are not expected to be in their revolving periods during the controlled accumulation period.

If the controlled accumulation period length is less than the number of months set out in the final terms, the servicer may, at its option, postpone the start of the controlled accumulation period such that the number of calendar months in the controlled accumulation period will be at least equal to the controlled accumulation period length.

The effect of this is to permit the reduction of the length of the controlled accumulation period based on the investor interests of future series that are scheduled to be in their revolving periods during the controlled accumulation period and taking into account changes in the principal payment rate occurring after the closing date. The length of the controlled accumulation period will not be less than one month.

### **Unavailable Principal Collections**

If on any day:

- (1) the sum of the aggregate adjusted investor interest and the aggregate originator interests is zero; and
- (2) a principal collection arises/becomes available,

it will be called an "**unavailable principal collection**" and will be held for the originators.

## Shared Principal Collections

Each series investor interest under the programme is expected to be in group one. This means that each outstanding series shares principal collections with other series in group one. The "**shared principal collections**" for group one are calculated as the aggregate of the floating investor percentage of principal collections for those series in their revolving periods *plus* the aggregate of the amount, if any, by which the fixed investor percentage of principal collections for each series in a period other than a revolving period exceeds the following amounts in respect of each series:

- until the relevant series scheduled redemption date, for any monthly period during the controlled accumulation period, deposits of the controlled deposit amount to the relevant series principal funding ledger;
- during the regulated amortisation period, deposits of the controlled deposit amount to the loan note issuing entity distribution account for the relevant series; and
- during the controlled accumulation period, on the relevant series scheduled redemption date, and during the regulated amortisation period and the rapid amortisation period, payments for the relevant series.

The receivables trustee will utilise the shared principal collections to cover any scheduled or permitted principal distributions to beneficiaries, and deposits to principal funding ledgers, if any, for any series in group one that have not been covered out of the principal collections distributed to that series. These uncovered principal distributions and deposits are called "**principal shortfalls**". Shared principal collections will not be used to cover investor charge-offs for any class of any series.

If principal shortfalls exceed shared principal collections for any monthly period, shared principal collections will be allocated in proportion among the outstanding series in group one based on the amounts of principal shortfalls for each series. To the extent that shared principal collections exceed principal shortfalls, the balance will continue to be held on an undivided basis and will in the normal course be paid to the originator beneficiaries.

## Defaulted Receivables; Investor Charge-offs

On each distribution date, the receivables trustee will calculate the investor default amount for the previous monthly period. The "**investor default amount**" for a series investor interest will be the total of the product of the floating investor percentage for that series and the default amount of each defaulted account in each case for the previous monthly period.

The "**default amount**" for any defaulted account will be the amount of eligible principal receivables in the defaulted account on the day the account became a defaulted account.

The investor default amount will be notionally allocated in calculations to each notional class (comprised, if applicable, of all notional sub-classes thereof) of a series investor interest based on its floating percentage calculation during the monthly period. These calculations for a series investor interest will be called the "**class A investor default amount**," the "**class B investor default amount**", if applicable, and the "**class C investor default amount**".

On each distribution date, if the class A investor default amount for a specific series investor interest for the prior monthly period exceeds the sum of:

- class A available funds;
- available spread;
- reallocated class C principal collections; and
- if applicable, reallocated class B principal collections,

in each case, to the extent available to cover the class A investor default amount, then the class C investor interest will be reduced by the amount of the excess, but not by more than the remaining class A investor default amount. This reduction to the class C investor interest will be made only after giving effect to



reductions to the class C investor interest for any class C investor charge-offs, any reallocated class B principal collections and any reallocated class C principal collections.

If this reduction would cause the class C investor interest to be a negative number, it will be reduced to zero. In this case (if class B notes are issued as part of the relevant series), the class B investor interest will be reduced by the amount by which the class C investor interest would have been reduced below zero, but not by more than the remaining class A investor default amount not covered by a reduction in the class C investor interest. This reduction in the class B investor interest will be made only after giving effect to reductions for any class B investor charge-offs and any reallocated class B principal collections not covered by a reduction in the class C investor interest.

If this reduction would cause the class B investor interest to be a negative number, the class B investor interest will be reduced to zero. In this case (or if no class B notes are issued as part of the relevant series), the class A investor interest will be reduced by the amount by which the class B investor interest (or, if no class B notes are issued as part of the relevant series, the class C investor interest) would have been reduced below zero, but not by more than the remaining class A investor default amount not covered by a reduction in the class C investor interest or the class B investor interest. For a series investor interest this is called a "**class A investor charge-off**" and may have the effect of slowing or reducing the return of principal to the loan note issuing entity referable for calculation purposes to the class A investor interest for that specific series.

If the class A investor interest for that specific series has been reduced by any class A investor charge-offs, it will be reimbursed on any distribution date by the amount of available spread utilised for that purpose, but not by more than the total amount by which the class A investor interest has been reduced. See "*Available Spread*".

On each distribution date, if the class B investor default amount for a specific series investor interest for the prior monthly period exceeds the sum of:

- available spread; and
- reallocated class C principal collections,

in each case to the extent available to cover the class B investor default amount, then the class C investor interest will be reduced by the amount of the excess, but not by more than the remaining class B investor default amount. This reduction to the class C investor interest will be made only after giving effect to any reductions to the class C investor interest for any class C investor charge-offs, any reallocated class B principal collections, any reallocated class C principal collections and any reductions in the class C investor interest to cover the class A investor default amount.

If this reduction would cause the class C investor interest to be a negative number, it will be reduced to zero. In this case, the class B investor interest will be reduced by the amount by which the class C investor interest would have been reduced below zero, but not by more than the remaining class B investor default amount not covered by a reduction to the class C investor interest. For each series this is called a "**class B investor charge-off**" and may have the effect of slowing or reducing the return of principal to the loan note issuing entity referable for calculation purposes to the class B investor interest.

If the class B investor interest has been reduced for any reasons other than the payment of principal, it will be reimbursed on any distribution date by the amount of available spread utilised for that purpose, but not by more than the total amount by which the class B investor interest has been reduced. See "*Available Spread*".

On each distribution date, if the class C investor default amount for the prior monthly period exceeds the amount of available spread available to cover the class C investor default amount, the class C investor interest will be reduced by the amount of the excess, but not by more than the remaining class C investor default amount. For a series investor interest this is called a "**class C investor charge-off**", which may have the effect of slowing or reducing the return of principal to the loan note issuing entity referable for calculation purposes to the class C investor interest.

If the class C investor interest has been reduced for any reason other than the payment of principal, it will be reimbursed on any distribution date by the amount of available spread allocated and available for that

purpose, but not by more than the total amount by which the class C investor interest has been so reduced. See "*Available Spread*".

The "**reallocated class B principal collections**" for a series investor interest, if applicable, means, for any distribution date, an amount calculated as referable to the class B investor interest for the related monthly period in an amount not to exceed the class A required amount, after applying available spread and reallocated class C principal collections to cover the class A required amount. Reallocated class B principal collections cannot exceed the class B investor interest after giving effect to any unreimbursed class B investor charge-offs. Reallocated class B principal collections not covered by a reduction in the class C investor interest will reduce the class B investor interest.

The "**reallocated class C principal collections**" for a series investor interest means, for any distribution date, an amount calculated as referable to the class C investor interest for the related monthly period in an amount not to exceed the class A required amount and the class B required amount after applying available spread to cover the class A required amount and the class B required amount. Reallocated class C principal collections cannot exceed the class C investor interest after giving effect to any unreimbursed class C investor charge-offs. Reallocated class C principal collections will reduce the class C investor interest.

However, the sum of reallocated class B principal collections and reallocated class C principal collections will not exceed the retained principal collections for the related monthly period.

The "**class A required amount**" for a series investor interest on any distribution date will be the amount, if any, by which the sum of:

- an amount equal to the class A monthly required expense amount;
- an amount equal to the total amount of class A servicing fee for the relevant monthly period and any due and unpaid class A servicing fee from prior distribution dates and an amount equal to the class A cash management fee for the relevant monthly period and any due and unpaid cash management fees from prior distribution dates; and
- an amount equal to the class A investor default amount,

exceeds class A available funds.

The "**class B required amount**" for a series investor interest on any distribution date will, if applicable, be the sum of:

- the amount, if any, by which the sum of:
  - (1) an amount equal to the class B monthly required expense amount; and
  - (2) an amount equal to the total amount of class B servicing fee for the relevant monthly period and any due and unpaid class B servicing fee from prior distribution dates and an amount equal to the class B cash management fee for the relevant monthly period and any due and unpaid cash management fees from prior distribution dates,exceeds the class B available funds, and
- the class B investor default amount

#### **Available Spread**

The "**available spread**" for a series investor interest on any distribution date will be the sum of class A available spread, class B available spread, if applicable, and class C available spread.

On each distribution date, the receivables trustee, acting on the advice of the trust cash manager, will be obliged to apply available spread to make the following payments in the following priority:

- (1) an amount equal to the class A required amount, if any, will be used to make such payments as will reduce the class A required amount to zero; if the class A required amount is more than the

amount of available spread, available spread will be applied in the order of priority in which class A available funds are to be distributed on any distribution date;

- (2) an amount equal to the total amount of class A investor charge-offs that have not been previously reimbursed will be paid to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust to reinstate the class A investor interest, such payment being identified as loss make-up (charge-offs);
- (3) if applicable, *firstly*, an amount equal to the class B required amount – excluding the class B investor default amount – will be used to make such payments as will reduce the class B required amount to zero **provided that** if the class B required amount – excluding the class B investor default amount – is more than the amount of available spread, available spread will be applied first in the order of priority with which class B available funds are to be distributed on any distribution date and then, *secondly*, to pay to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust an amount not exceeding the class B investor default amount, such payment being identified as loss make-up (default);
- (4) if applicable, an amount equal to the total amount by which the class B investor interest has been reduced below the class B initial investor interest for reasons other than the payment of principal – but not in excess of the aggregate amount of such reductions which have not been previously reimbursed – will be paid to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as loss make-up (charge-off) or as being in respect of refunded utilised principal collections, as appropriate;
- (5) an amount equal to the sum of the class C monthly finance amount, the class C deficiency amount and the class C additional finance amount for the relevant series – called, together with items (10) and (12)(B) below, the "**class C monthly distribution amount**" – will be credited to the relevant loan note issuing entity distribution account of the series;
- (6) an amount equal to the class C investor default amount will be paid to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as loss make-up (default);
- (7) an amount equal to the total amount by which the class C investor interest has been reduced below the class C initial investor interest for reasons other than the payment of principal – but not in excess of the total amount of the reductions that have not been previously reimbursed – will be paid to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust to reinstate the class C investor interest, such payment being identified as loss make-up (charge-off) or as being in respect of refunded utilised principal collections, as appropriate;
- (8) on each distribution date from and after the reserve account funding date, but before the date on which the reserve account for the relevant series terminates, an amount up to the excess, if any, of the required reserve account amount for the relevant series over the amount on deposit in the reserve account for the relevant series will be deposited into the reserve account for the relevant series;
- (9) on each distribution date prior to the class C release date, an amount up to the excess, if any, of the required spread account amount for the relevant series over the available spread account amount for the relevant series will be deposited into the spread account for the relevant series;
- (10) on each distribution date – in no order of priority between them but in proportion to the respective amounts due – an amount equal to: (A) the monthly loan note issuing entity expenses loan amount (if any) will be deposited in the relevant loan note issuing entity distribution account of the series and (B) the monthly expenses loan amount (if any) will be deposited in the relevant loan note issuing entity distribution account of the series and both will be considered part of the class C monthly distribution amount;

- (11) an amount equal to any investor indemnity amount for the relevant series (as defined below) will be paid to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as the investor indemnity amount for the relevant series;
- (12) on each distribution date – in no order of priority between them but in proportion to the respective amounts due – an amount equal to: (A) the loan note issuing entity return for the relevant series will be deposited in the relevant loan note issuing entity distribution account, and (B) an amount equal to the issuing entity profit amount will be deposited in the relevant loan note issuing entity distribution account and will be considered part of the class C monthly distribution amount; and
- (13) the balance, if any, after giving effect to the payments made under paragraphs (1) through (12) above will be paid to the loan note issuing entity, such payment being identified as "**excess spread**".

The "**issuing entity profit amount**" in respect of a particular series means the amount each month equal to:

$$\frac{\text{days in calculation period} \times \text{annual series issuing entity profit amount (as specified in the final terms)}}{365}$$

to be earned by the issuing entity annually until that series' scheduled maturity date.

The annual series issuing entity profit amount (to be specified in the relevant final terms) will be at least £1,000 and, in respect of the first series of notes to be issued by the issuing entity, for each transfer date falling in or before December 2009, will be £22,910.

The "**loan note issuing entity return**" on any distribution date for the relevant series means an amount equal to:

$$\frac{\text{days in calculation period}}{365} \times 0.01 \text{ per cent.} \times \text{investor interest for the relevant series}$$

The "**monthly expenses loan amount**" means the amount equal to any monthly interest accrual and any scheduled principal payment due and repayable (including any amount outstanding in respect of any previous distribution dates), if any, on any series expense loan drawing in respect of any obligation to pay expenses related to the issue of a series of notes on the relevant closing date.

The "**monthly loan note issuing entity expenses loan amount**" means the amount equal to any monthly interest accrual and any scheduled principal repayment due and payable (including any amount outstanding in respect of any previous payment dates), if any, on any relevant series loan note issuing entity expense loan drawing.

#### **Aggregate Investor Indemnity Amount**

By each distribution date, the receivables trustee will calculate the aggregate investor indemnity amount for each outstanding series. The "**aggregate investor indemnity amount**" is the sum of all investor indemnity amounts for all series for the related monthly period.

An "**investor indemnity amount**" means, for any series, the amount of any originator section 75 liability claimed from the receivables trustee by the originators under the trust section 75 indemnity allocated to that series, calculated as follows:

$$\text{originator section 75 liability} \times \text{floating investor percentage for that series}$$

The "**originator section 75 liability**" for any series is the liability that the originators have for any designated account because of section 75 of the CCA. The originator section 75 liability cannot exceed the original outstanding face amount of the principal receivable relating to the transaction giving rise to the liability. See "*Risk Factors – Application of the Consumer Credit Act 1974 may impede collection efforts and could cause a loss on, and/or the early redemption of, your notes*".

The portion of the aggregate investor indemnity amount allocable to a series investor interest will be payable only if amounts are available from available spread to pay it. See "Available Spread". If available spread available on any distribution date is not enough to pay the portion of the aggregate investor indemnity amount allocable to a series investor interest otherwise payable on that date, the excess will be carried forward and paid on subsequent distribution dates to the extent amounts of available spread are available to pay them.

### Principal Funding Account

The receivables trustee established prior to 27 March 2000 a principal funding account at RBS International at its branch located at Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ and will continue to maintain such account with RBS International or with another bank which meets rating agency approval – on a segregated basis on separate trust for the loan note issuing entity. The receivables trustee also established and maintains within the principal funding account, principal funding ledgers for each series, and shall maintain such a ledger for each newly created series investor interest, which we shall call the "**series principal funding ledger**". During the controlled accumulation period for a series, the receivables trustee will transfer the amounts described under "*Calculation of Principal Collections to be Distributed to the Loan Note Issuing Entity in Respect of Each Series*" to the relevant series principal funding ledger.

Funds on deposit in a specific series' principal funding ledger will be invested until the following distribution date by the receivables trustee in permitted investments. Investment earnings, net of investment losses and expenses, on funds on deposit in a series principal funding ledger are called "**principal funding investment proceeds**".

Principal funding investment proceeds for a series will be used to pay the class A covered amount.

The "**class A covered amount**" for a series is calculated as follows:

$$\frac{\text{days in calculation period}}{365} \times \text{class A LN rate} \times \text{the amounts on deposit in the relevant series principal funding ledger}$$

where the amount on deposit in the relevant series principal funding ledger is calculated as of the last day of the monthly period before the monthly period in which the relevant distribution date occurs.

Principal funding investment proceeds up to the class A covered amount will be transferred to the relevant series collection account by each distribution date and credited to the relevant series finance charge collections ledger and regarded as class A available funds.

If, on any distribution date during the controlled accumulation period, the principal funding investment proceeds exceeds the class A covered amount, the loan note issuing entity will be obligated to pay that excess to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as "**surplus investment income**". If the principal funding investment proceeds are less than the class A covered amount, a withdrawal will be made from the reserve account, in respect of that specific series investor interest – to the extent funds are available – and will be transferred and credited to the relevant series finance charge collections ledger – and the amount withdrawn will be added to class A available funds. The amount of this withdrawal will be reduced to the extent available spread would be available for deposit in the reserve account for that specific series investor interest. See "*Reserve Account*" and "*Available Spread*".

During the regulated amortisation period and the rapid amortisation period the amount of principal collections credited to the relevant series principal collections ledger will be transferred each month to the loan note issuing entity distribution account for that specific series investor interest first for the class A investor interest, second for the class B investor interest (if any) and third for the class C investor interest until that specific series investor interest termination date.

### Reserve Account

The receivables trustee established prior to 27 March 2000 a reserve account at RBS International at its branch located at Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ and will continue to maintain such account with RBS International or with another bank which meets rating agency approval –

on a segregated basis on separate trust for the loan note issuing entity. The receivables trustee also established and maintains within the reserve account, reserve ledgers for each series, and shall maintain such a ledger for each new series being created, which we shall call the "**series reserve ledger**". The series reserve ledger will be established to assist with the loan note issuing entity's payment of the class A monthly finance amounts during the controlled accumulation period.

On each distribution date from and after the reserve account funding date, but before the termination of the relevant series reserve ledger, the loan note issuing entity will be contractually obliged to apply available spread in the order of priority described in "*Available Spread*" to increase the amount on deposit in the relevant series reserve ledger up to the required reserve amount for that series investor interest.

The "**reserve account funding date**" will be the distribution date that starts no later than three months before the start of the controlled accumulation period.

The "**required reserve amount**" for any series for any distribution date on or after the reserve account funding date will be:

- such amount as is specified in the relevant final terms; or
- subject to the conditions described in the next paragraph, any other amount designated by the originator beneficiaries.

The originator beneficiaries may, on or before the reserve account funding date for your series, designate a lesser amount **provided that** the servicer has certified in writing that in its opinion, formed on the basis of due consideration, such amendment will not result in a reduction or withdrawal of each rating agency's then current rating of any outstanding related beneficiary debt. Also, the originator beneficiaries must deliver to the receivables trustee an officer's certificate to the effect that, based on the facts known to that officer at that time, in the reasonable belief of the originator beneficiaries, the designation will not cause a pay-out event to occur or an event that, after the giving of notice or the lapse of time, would cause a pay-out event to occur.

On each distribution date, after giving effect to any deposit to be made to, and any withdrawal to be made from, the relevant series reserve ledger on that distribution date, the loan note issuing entity will withdraw from the relevant series reserve ledger an amount equal to the excess, if any, of the amount on deposit in the relevant series reserve ledger over the required reserve amount. Subject to the following sentence, the loan note issuing entity will pay this amount to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as the "**series reserve ledger surplus**" for the relevant series. Pursuant to the series 2007-A series supplement, the receivables trustee, the originators and the loan note issuing entity agreed that the series reserve ledger surplus in respect of series 2005-A and series 2005-B would not be paid to the receivables trustee as additional consideration by the loan note issuing entity but rather it would be paid to the issuing entity as further interest.

To the extent required, the receivables trustee will be authorised to make these payments on the loan note issuing entity's behalf.

All amounts on deposit in the series reserve ledger on any distribution date will be invested by the receivables trustee in permitted investments until the following distribution date. This will be done after giving effect to any deposits to, or withdrawals from, the series reserve ledger to be made on that distribution date. The interest and other income – net of investment expenses and losses – earned on the investments will be retained in the series reserve ledger if the amount on deposit in the series reserve ledger is less than the required reserve amount for the relevant series. If the amount on deposit is equal to or more than the required reserve amount, it will be credited to the relevant series finance charge collection ledger (to which the series reserve ledger relates) to be included in class A available funds.

On each distribution date in the controlled accumulation period before the relevant series scheduled redemption date and on the first distribution date during the regulated amortisation period or the rapid amortisation period, the receivables trustee will withdraw an amount from the relevant series reserve ledger and deposit it in that series' collection account for credit to that relevant series finance charge collections ledger to be included in class A available funds. This amount will be equal to the lesser of:

- the available amount on deposit in that series' reserve ledger; and

- the amount, if any, by which the class A covered amount is greater than the principal funding investment proceeds.

The amount of this withdrawal will be reduced to the extent available spread would be available for deposit in the relevant series reserve ledger.

A series reserve ledger will be terminated following the earlier to occur of:

- the termination of the receivables trust; and
- the earlier of the first distribution date after the start of the regulated amortisation period or the rapid amortisation period and the distribution date right before that series' scheduled redemption date.

When a series reserve ledger terminates, all amounts still on deposit in that series' reserve ledger will be distributed to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as "**series reserve ledger surplus**".

To the extent required, the receivables trustee will be authorised to make these payments on the loan note issuing entity's behalf.

### **Spread Account**

The receivables trustee established prior to 27 March 2000 on a segregated basis on separate trust for the loan note issuing entity a spread account at RBS International at its branch located at Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ (the "**spread account**") and will continue to maintain such account with RBS International or with another bank which meets rating agency approval. The receivables trustee also established and maintains within the spread account, spread ledgers for each series, and shall (unless specified otherwise in the relevant final terms) maintain such a ledger for each new series created, which we shall call the "**series spread ledger**". Under the receivables trust and trust cash management agreement, amounts that are deposited by the loan note issuing entity in the series spread ledger (if any) will be used to fund shortfalls in any of the class C monthly required expense amounts in respect of that specific series. Amounts deposited in the series spread ledger (if any) will also be used to fund the excess, if any, of the class C debt amount over the class C investor interest, on the earlier of the date on which the class A investor interest and the class B investor interest, if applicable, are reduced to zero or the relevant series termination date (the "**class C release date**").

If specified in the relevant final terms, a series spread ledger may be funded on a closing date by a drawing made by the loan note issuing entity under a loan note issuing entity expenses loan agreement. Each series spread ledger (if any) will thereafter be funded by available spread transferred to the loan note issuing entity in respect of a series by transferring available spread to that series spread ledger on any distribution date to the extent that the funds on deposit in that series spread ledger (the "**available spread account amount**") are less than the required spread account amount on that distribution date.

The "**quarterly excess spread percentage**" means, with respect to any determination date, an amount equal to the percentage sum of the average portfolio yield for the immediately preceding three monthly periods *minus* the average expense rate for the immediately preceding three monthly periods unless otherwise specified in the relevant final terms.

Unless the relevant final terms specify that there will be no series spread ledger in relation to a particular series, the "**required spread account amount**" for the relevant series will be determined each month, and will be the result of the product of (i) the spread account percentage (defined below) in effect on that date, and (ii) during (A) the revolving period or the controlled accumulation period, the adjusted investor interest, and (B) the regulated amortisation period or the rapid amortisation period, the adjusted investor interest as of the last day of the revolving period or, as the case may be, controlled accumulation period. However, under no circumstances will the required spread account amount ever be allowed to exceed the class C debt amount – after taking into account any payments to be made on the related distribution date.

The "**spread account percentage**" shall be determined by the quarterly excess spread percentage as specified in each set of final terms for a particular series.

The available spread account amount may be invested at the direction of the receivables trustee in permitted investments. For the purposes of the spread account, reference in the definition of permitted investments to a rating in the "**highest rating category**" shall be modified to require a rating from any one of the following rating agencies of at least A-2 by Standard & Poor's, P-2 by Moody's or (if such investment is publicly rated by Fitch Ratings) F-2 by Fitch Ratings. Earnings (net of losses and investment expenses) will, except as otherwise indicated herein, not be deposited into the relevant series spread ledger and will be paid by the loan note issuing entity to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as "**investment proceeds**" referable to relevant series.

If, on any distribution date, the class C monthly required expense amount exceeds the amount of available spread available for payment in respect of a specific series investor interest, the loan note issuing entity shall withdraw from the relevant series spread ledger (if any) the lesser of (i) the available spread account amount (including investment earnings, to the extent necessary to fund such excess) on such distribution date, and (ii) the amount of such excess. The loan note issuing entity shall deposit this amount that it has withdrawn in the relevant series finance charge collections ledger, and use this amount to meet the class C monthly required expense amount.

On and after the class C release date, if the class C investor default amount on a distribution date exceeds the amount of available spread, to the extent available for the funding thereof, the receivables trustee shall withdraw from the relevant series spread ledger (if any) (after giving effect to any withdrawals to be made pursuant to the two preceding paragraphs) on such distribution date the lesser of (i) the available spread account amount (including investment earnings, to the extent necessary to fund such excess) and (ii) the amount of such excess, and shall apply such amounts as provided in paragraph (7) under "*Available Spread*".

Subject to the following sentence, the available spread account amount on any distribution date in excess of the required spread account amount on such date will be paid to the loan note issuing entity who will then pay such amounts to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as "**spread account surplus**" referable to a specific series. Pursuant to the series 2007-A series supplement, the receivables trustee, the originators and the loan note issuing entity agreed that the spread account surplus in respect of series 2005-A and series 2005-B would not be paid to the receivables trustee as additional consideration by the loan note issuing entity but rather it would be paid to the issuing entity as further interest.

On the date on which all amounts required to be distributed to the relevant loan note issuing entity distribution account by the receivables trustee from the spread account have been paid in full, all amounts, if any, then remaining in the relevant series spread ledger (if any) shall be distributed to the loan note issuing entity who will then pay such amounts to the receivables trustee by way of additional consideration for the grant of the loan note issuing entity's interest in the receivables trust, such payment being identified as "**spread account surplus**" referable to a specific series.

To the extent necessary, the receivables trustee will be authorised to make these payments on the loan note issuing entity's behalf.

### **Series Collection Account**

The receivables trustee established on 27 March 2000 a series collection account at RBS International at its branch located at Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ and will continue to maintain such account with RBS International or with another bank which meets rating agency approval – on separate trust on a segregated basis for the loan note issuing entity (the "**series collection account**"). The series collection account will contain two separate ledgers in respect of each newly created series, consisting of the series finance charge collections ledger and the series principal collections ledger.

### **Trustee Payment Amount**

The share of the trustee payment amount payable on any distribution date in respect of a series investor interest – called the "**investor trustee payment**" – will be calculated as follows:



$$\frac{\text{investor interest for relevant series}}{\text{total of investor interests of series for which the trustee payment amount was incurred}} \times \text{trustee payment amount}$$

The share of the investor trustee payment as notionally calculated for each class (including all notional sub-classes thereof (if any)) under a specific series investor interest is equal to the product of:

- the floating percentage for the relevant class; and
- the investor trustee payment.

For each series this will be called the "**class A trustee payment amount**," the "**class B trustee payment amount**", if applicable, and the "**class C trustee payment amount**," respectively.

The investor trustee payment for any class will be paid out of amounts segregated by the receivables trustee for the relevant loan note issuing entity in respect of that series and calculated as constituting available funds for that purpose for that class. See "*Calculation and Distribution of Finance Charge Collections and Acquired Interchange to the Loan Note Issuing Entity*" and "*Available Spread*".

The portion of the trustee payment amount not allocated to each series will be paid from cashflows under the receivables trust allocated to other outstanding series, and in no event will a specific series be liable for these payments.

### Qualified Institutions

If the bank or banks at which any of the accounts listed below are held ceases to be a qualified institution, then the receivables trustee will, within 10 operating business days, establish a new account to replace the affected account or accounts, and will transfer any cash and interest to that new account or accounts. The accounts referred to above are the:

- trustee collection account;
- trustee acquisition account;
- series collection account;
- reserve account; and
- principal funding account.

The receivables trustee may in its discretion elect to move any or all of these accounts and the amounts credited to them from the qualified institution at which they are kept as at the date of this base prospectus to another qualified institution.

A "**qualified institution**" means (1) an institution outside the United Kingdom which at all times has a short-term unsecured debt rating of at least A-1+ by Standard & Poor's and P-1 by Moody's or (2) an institution acceptable to each rating agency **provided that**, in the case of RBS International, the rating criteria shall apply to RBS. Notwithstanding the foregoing, RBS International has agreed to resign as the bank holding the accounts listed above in the event that its short-term unsecured debt rating by Fitch Ratings falls below F-1.

### Series Pay-out Events

The events described below are called "**series pay-out events**" and will apply to each series investor interest unless otherwise disclosed in the relevant final terms:

- (1) failure on the part of either of the originators:
  - to make any payment or deposit required by the terms of the receivables securitisation agreement within five operating business days after the date that the payment or deposit is required to be made; or

- duly to observe or perform any covenants or agreements in the receivables securitisation agreement or the relevant series supplement that has a material adverse effect on the interests of the loan note issuing entity in respect of that specific series and which continues unremedied for a period of 60 days after the date on which written notice of the failure, requiring it to be remedied, is given to the originators by the receivables trustee, or is given to the originators and the receivables trustee by the loan note issuing entity acting on the instructions of the holder of the specific series loan note, and which unremedied, continues during that 60 day period to have a material adverse effect on the interests of the loan note issuing entity in respect of that specific series for that period;
- (2) any representation or warranty made by the originators in the receivables securitisation agreement or the relevant series supplement, or any information contained in a computer file or microfiche list required to be delivered by the originators under the receivables securitisation agreement:
- proves to have been incorrect in any material respect when made or when delivered and continues to be incorrect in any material respect for a period of 60 days after the date on which written notice of the error, requiring it to be remedied, is given to the originators by the receivables trustee, or is given to the originators and the receivables trustee by the loan note issuing entity acting on the instructions of the holder of the specific series loan note; and
  - as a result of which there is a material adverse effect on the interests of the loan note issuing entity in respect of that series and which continues unremedied during that 60 day period to have a material adverse effect for that period;
- (3) the average portfolio yield for any three consecutive monthly periods is less than the average expense rate for those periods or, on any determination date before the end of the third monthly period from the closing date, the portfolio yield is less than the average expense rate for that period;
- (4) either:
- over any period of thirty consecutive days, either of the originator interests averaged over that period is less than the minimum originator interest for that period and the relevant originator interest does not increase on or before the tenth operating business day following that thirty day period to an amount so that the average of the relevant originator interest as a percentage of the average principal receivables transferred by the relevant originator for such thirty day period, computed by assuming that the amount of the increase of the relevant originator interest by the last day of the ten operating business day period, as compared to the relevant originator interest on the last day of the thirty day period, would have existed in the receivables trust during each day of the thirty day period, is at least equal to the relevant minimum originator interest; or
  - on the last day of any monthly period the total balance of eligible receivables is less than the minimum aggregate principal receivables, adjusted for any series having a companion series as described in the series supplement for that series, and the total balance of eligible receivables fails to increase to an amount equal to or greater than the minimum aggregate principal receivables on or before the tenth operating business day following that last day;
- (5) any servicer default or cash manager default occurs that would have a material adverse effect on the loan note issuing entity in respect of the relevant series;
- (6) the series investor interest is not reduced to zero on the relevant series scheduled redemption date;
- (7) where the notes to be issued by the issuing entity for a particular series have the benefit of a swap agreement, the early termination, without replacement, of the swap agreement as described in this base prospectus under "*Description of the Swap Agreement*";

- (8) the loan note issuing entity is required to withhold or deduct any amounts for or on account of tax on the payment of any principal or interest in respect of the relevant series loan note.

Unless specified otherwise in the relevant final terms, the events described in paragraphs (3) and (4) are "**regulated amortisation trigger events**". All of the other events (including the events described in paragraphs (3) and (4), if the relevant final terms indicate that such events are not regulated amortisation trigger events) are "**rapid amortisation trigger events**". If the relevant final terms indicate that there are no regulated amortisation trigger events, then there will be no regulated amortisation period for such series.

If any event described in paragraphs (1), (2) or (5) occurs then, after the applicable grace period, either (i) the receivables trustee or (ii) the loan note issuing entity may declare that a series pay-out event has occurred in relation to the specific series in question if the correct notice has been given. If the loan note issuing entity declares that a series pay-out event has occurred, it must have acted on the instructions of the holder of the relevant series loan note. The loan note issuing entity must give a written notice to the originators, the servicer and the receivables trustee that a series pay-out event has occurred. If the receivables trustee declares that a series pay-out event has occurred it must give a written notice to this effect to the originators, the servicer, the loan note issuing entity and the trust cash manager. A series pay-out event will be effective as of the date of the relevant notice. If any event in paragraphs (3), (4), (6), (7) or (8) occurs, a series pay-out event will occur without any notice or other action on the part of the receivables trustee or the loan note issuing entity.

Unless described otherwise in the relevant final terms, the "**portfolio yield**" for each series means, for any monthly period:

$$\frac{(A + B - C) \times 12}{D} \times 100\%$$

where:

- A = the finance charge collections distributed to that relevant series;  
B = acquired interchange distributed to that relevant series;  
C = the investor default amount calculated as relevant to that relevant series; and  
D = the relevant series adjusted investor interest.

Unless described otherwise in the relevant final terms, the "**expense rate**" for each series means, for any distribution date:

$$\frac{(A - B - C + D + E) \times 12}{F} \times 100\%$$

where:

- A = the sum of the class A monthly required expense amount, the class B monthly required expense amount, if applicable, and the class C monthly required expense amount for that relevant series;  
B = principal funding investment proceeds up to the class A covered amount;  
C = the amount, if any, to be withdrawn from the reserve account that is included in class A available funds;  
D = the investor servicing fee;  
E = the investor trust cash management fee; and  
F = the relevant series adjusted investor interest.

Unless described otherwise in the relevant final terms, the "**minimum originator interest**" in relation to each originator means 6 per cent. of the average principal receivables transferred during a period of thirty consecutive days by the relevant originator. The originators may reduce the minimum originator interest in the following circumstances:

- upon 30 days prior notice to the receivables trustee, each rating agency and any enhancement provider entitled to receive notice under its series supplement;
- upon written confirmation from each rating agency that the reduction will not result in the reduction or withdrawal of the ratings of the rating agency for any outstanding related beneficiary debt, including, for the purposes of a particular series, the notes; and
- delivery to the receivables trustee and each enhancement provider of an officer's certificate stating that each originator reasonably believes that the reduction will not, based on the facts known to the officer at the time of the certification, cause, at that time or in the future, a pay-out event to occur for any investor beneficiary.

The minimum originator interest in relation to each originator will never be less than 2 per cent. of the average principal receivables transferred during a period of thirty consecutive days by the relevant originator.

Unless described otherwise in the relevant final terms, the "**minimum aggregate principal receivables**" means an amount equal to the sum of the numerators used in the calculation of the investor percentages for principal collections for all outstanding series on that date. For any series in its controlled accumulation period, as defined in its series supplement, with an investor interest as of the date of determination equal to the balance on deposit in the principal funding account for that series, the numerator used in the calculation of the investor percentage for principal collections for that eligible series will, only for the purpose of the definition of minimum aggregate principal receivables, be zero.

The "**average principal receivables**" means, for any period of thirty consecutive days, an amount equal to:

- the sum of the total balance of eligible principal receivables at the end of each day during that period divided by;
- the number of days in that period.

The "**companion series**" means:

- each series that has been paired with another series so that the reduction of the investor interest of the paired series results in the increase of the investor interest of the other series, as described in the related series supplements; and
- the other series.

## **THE SECURITY TRUST DEED**

The principal agreement governing the loan notes will be the security trust deed. The security trust deed is a framework document, which is modified for each series by a supplement — which we will call a "**loan note supplement**". The security trust deed, together with the loan note supplement for a series, has six primary functions:

- it constitutes the loan note for the relevant series;
- it sets out the covenants of the loan note issuing entity in relation to that loan note;
- it creates the security for that loan note;
- it sets out the pre-enforcement and post-enforcement procedures relating to that loan note;
- it contains provisions necessary to comply with the US Trust Indenture Act (as defined below); and
- it sets out the appointment of the security trustee, its powers and responsibilities and the limitations on those responsibilities.

Each function is summarised below.

### **Constitution of Loan Notes**

The security trust deed, when supplemented by a loan note supplement, sets out the form of the loan note, the terms and conditions of the loan note and the conditions for the cancellation of any loan note. It also stipulates the name of the registered holder of each loan note.

### **Covenants of the Loan Note Issuing Entity**

The security trust deed also contains covenants made by the loan note issuing entity in favour of the security trustee on trust for each loan noteholder. The main covenant is that the loan note issuing entity will pay interest and repay principal on each loan note when due. Covenants are included to ensure that the loan note issuing entity remains insolvency remote, and to give the security trustee access to all information and reports that it may need in order to discharge its responsibilities in relation to the loan noteholders.

### ***Loan Note Security***

The security trust deed and the loan note supplement together create the security for a loan note. The security trust deed creates security for all series of the loan note issuance programme, comprising:

- an assignment by way of first fixed security of the loan note issuing entity's right, title and interest in the administration agreement; and
- a floating charge granted by the loan note issuing entity over all of its business and assets not otherwise secured under any loan note supplement in favour of the security trustee.

Each loan note supplement will create separate security interests in respect of each loan note. The security created in each series loan note supplement includes an assignment by way of first fixed security of all of the loan note issuing entity's right, title and interest:

- as the investor beneficiary of the receivables trust in respect of such series;
- to any agreement relating to that series;
- to any sums of money standing to the credit of the loan note issuing entity distribution account in respect of such series or any other bank account of the loan note issuing entity which has not been expressly charged in favour of another series;
- to any permitted investments in respect of such series; and

- to any amounts credited in respect of such series to any of the bank accounts of the receivables trust.

The loan note supplement for each series also creates Jersey security interests in relation to assets of the loan note issuing entity which are situated in Jersey.

### **Enforcement and Priority of Payments**

The security trust deed sets out the general procedures by which the security trustee may take steps to enforce the security created by the loan note issuing entity so that the security trustee can protect the interests of each of the loan noteholders in accordance with the terms and conditions of the relevant loan note. The security trust deed gives the security trustee a general discretion to enforce the security situated outside Jersey, but also provides for the security trustee to be instructed by the note trustee to take action in relation to the enforcement of the loan note and security in Jersey. The security trustee anticipates that it will always consult the note trustee prior to taking any enforcement action in respect of secured assets situated outside Jersey. The note trustee expects that it will always consult the noteholders before taking any action. The security trustee is not, however, obliged to act on the note trustee's directions unless it is indemnified and/or secured to its satisfaction.

The security trust deed and the loan note supplement together set out the priority in which the security trustee will pay out any monies that it receives under the relevant loan note before and after the security is enforced.

### **Trust Indenture Act Compliance**

The security trust deed includes certain provisions required by the US Trust Indenture Act of 1939 (the "**US Trust Indenture Act**"). Generally, these provisions outline the duties, rights and responsibilities of the security trustee and the loan note issuing entity and the rights of the loan noteholders. Specifically these include, but are not limited to:

- the maintenance of a list of loan noteholders by the security trustee;
- the provision of financial statements and other information by the loan note issuing entity to the security trustee;
- the duty of the security trustee to use the same degree of care in exercising its responsibilities as would be exercised by a prudent person conducting its own affairs;
- the duty of the security trustee to notify all loan noteholders of any events of default of which it has actual knowledge;
- the right of the security trustee to resign at any time by notifying the loan note issuing entity in writing, and the ability of the loan note issuing entity to remove the security trustee under certain circumstances; and
- the requirement that the loan note issuing entity provide an annual certificate to the note trustee as to the loan note issuing entity's compliance with the conditions and covenants contained in the security trust deed.

The security trust deed contains a provision that, if any other provision of the security trust deed limits, qualifies or conflicts with another provision which is required to be included in the security trust deed, and is not subject to contractual waiver under the Trust Indenture Act, the Trust Indenture Act will prevail.

### **Appointment, Powers, Responsibilities and Liability of the Security Trustee**

The security trust deed also sets out the terms on which the security trustee is appointed, the indemnification of the security trustee, the payment it receives and the extent of the security trustee's authority to act beyond its powers under English law. It also contains provisions limiting or excluding liability in certain circumstances. The security trustee is also given the ability to appoint a delegate or agent in the execution of any of its duties under the security trust deed. The security trust deed also sets out the circumstances in which the security trustee may resign or retire.

The security trust deed states that the security trustee is entitled to be indemnified and/or secured and relieved from responsibility in certain circumstances including, without restriction, in relation to taking action to enforce security or debt which it holds. The security trustee is also entitled to be paid its properly incurred costs and expenses in priority to the claims of the loan noteholders.

The security trustee is not responsible for any liability which may be suffered because any assets comprised in the security, or any deeds or documents of title to such assets, are inadequately insured or are held by custodians on behalf of the security trustee. The security trustee is not bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the loan note issuing entity to all or any of the property in respect of which the loan note issuing entity has created security. The security trustee is not liable for any failure, omission or defect in perfecting, protecting or further assuring the security.

The security trustee and its related companies are entitled to enter into business transactions with the issuing entity, the loan note issuing entity, RBS, NatWest or related companies of any of these, without accounting for any profit resulting from those transactions.

The security trustee is relieved of liability for making searches or other enquiries in relation to the assets comprising the security. The security trustee has no responsibility in relation to the legality and the enforceability of the trust arrangements and the connected security. The security trustee will not be obliged to take any action which might result in its incurring personal liabilities. The security trustee is not obliged to monitor or investigate the performance of any other person under the documents relating to the issuing entity, the loan note issuing entity or the documents relating to the receivables trust and shall be entitled to assume, until it has actual notice to the contrary, that all such persons are properly performing their duties and that no pay-out event has occurred, unless it receives express notice to the contrary.

The security trustee may agree, without the consent of the issuing entity, to (a) (except in relation to a basic terms modification (as defined in the security trust deed)) any modification of, or to the waiver or authorisation of any breach or proposed breach of any loan note or loan note supplement or the security trust deed, which is not, in the opinion of the security trustee, materially prejudicial to the interests of the issuing entity or (b) any modification of any loan note or loan note supplement or the security trust deed, which in the security trustee's opinion is to correct a manifest error or is of a formal minor or technical nature. Any such modification, waiver, authorisation or determination shall be binding on the issuing entity and, unless the security trustee agrees otherwise, any such modification shall be notified to the issuing entity in accordance with the terms and conditions of the notes.

The security trustee is neither responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of security, nor for checking the calculations contained in or otherwise verifying any information coming into its possession in relation to the receivables trust nor for monitoring whether or not a loan event of default or event of default has occurred.

The security trustee may resign at any time. The relevant secured creditors may, by direction in writing addressed to the security trustee and the loan note issuing entity, remove the security trustee. The loan note issuing entity may also remove the security trustee if the security trustee is no longer eligible to act as security trustee under the security trust deed or if the security trustee is adjudged insolvent. In all circumstances, the loan note issuing entity must appoint a successor security trustee for the loan notes. Any resignation or removal of the security trustee and appointment of a successor security trustee will not become effective until the successor security trustee accepts the appointment.

The security trust deed is governed by English law and, to the extent that it relates to security interests over assets in Jersey, by Jersey law.

## THE LOAN NOTES

On the relevant issue date of a series of notes, the loan note issuing entity will issue an interest bearing loan note to the issuing entity designated with the same series reference as your notes. That series loan note will mature for redemption on the relevant series scheduled redemption date specified in the final terms applicable to your notes. The Bank of New York Mellon at One Canada Square, London E14 5EY will act as security trustee and its nominee will be the registered holder in relation to each series loan note.

A loan note issued in respect of one series may differ from loan notes issued in respect of other series as to principal, interest and recourse to security, as set out in the loan note supplement which constitutes that loan note. See *"The Security Trust Deed"*. The loan note issuing entity will only issue loan notes denominated in sterling. The loan notes will be issued in registered form and governed by English law. The loan notes will be listed on the Channel Islands Stock Exchange or such other stock exchange as the loan note issuing entity may choose.

The loan note issuing entity will pay the proceeds of each series loan note to the receivables trustee and thereby increase its beneficial entitlement in the receivables trust in respect of the relevant series. See *"The Receivables Trust"* and *"Use of Proceeds"*. The principal amount of the undivided beneficial interest which vests with the loan note issuing entity as a result of its contribution to the receivables trust on the closing date is the series investor interest. See *"Sources of Funds to Pay the Loan Notes — General"*.

As an investor beneficiary of the receivables trust, the loan note issuing entity will be entitled to receive payment, at specified times, of a portion of collections of the receivables assigned or entrusted by the originators to the receivables trustee. These payments will be used by the loan note issuing entity in and towards redemption of the relevant series loan note.

The ability of the loan note issuing entity to meet its obligations to repay the principal of and interest on each series loan note will be entirely dependent on the receipt by it of funds from the receivables trust.

The loan note issuing entity and the security trustee will have no recourse to RBS, NatWest or any of their affiliates other than:

- against the originators under the receivables securitisation agreement for any breach of representations and obligations in respect of the receivables; and
- against RBS International as administrator under the administration agreement for any breach of its obligations as administrator.

The loan note of each series shall be redeemed on the scheduled redemption date of the notes of such series unless a rapid amortisation period or a regulated amortisation period commences with respect to such series whereupon the series loan note shall be redeemed on the earlier of such time as the relevant loan note has been repaid in full and the relevant series termination date. If relevant the loan note has not been previously redeemed on the scheduled redemption date or following any amortisation period, the relevant loan note will be redeemed at its then principal amount outstanding on the final redemption date together with all accrued and unpaid interest, deferred interest and additional interest.

### Limited Recourse

The obligations of the loan note issuing entity and certain rights of the loan noteholder under each series loan note and under the documents relating to it, will be secured under the security trust deed by security interests over the corresponding series investor interest. The security for each series will be granted by the loan note issuing entity in favour of the security trustee. If the net proceeds of the enforcement of security for a series following a mandatory redemption after meeting the expenses of the security trustee, the registered holder and any receiver are insufficient to make all payments due on the loan note of that series, the assets of the loan note issuing entity securing other series loan notes will not be available for payment of that shortfall.



**Security**

If the security granted under the security trust deed is enforced following a loan note event of default (as defined below), the monies paid to the loan note issuing entity by the receivables trustee on each distribution date will be applied in accordance with the priority of payments set out in the section entitled "*Cashflows of the Loan Note Issuing Entity*".

## CASHFLOWS OF THE LOAN NOTE ISSUING ENTITY

Each series loan note supplement sets out how money is distributed under the relevant series loan note to the loan noteholder (which will typically be the issuing entity). Payments made from the relevant ledger in the relevant loan note issuing entity distribution account with respect to each series will be made monthly on a distribution date.

On each distribution date, the amount of funds held by the loan note issuing entity in the relevant ledgers of the relevant loan note issuing entity distribution account with respect to each series will be used to make the following payments in the following order. The order of priority as set by each series loan note supplement is the same both prior to and after the enforcement of security:

- (1) an amount equal to the trustee payment amount referable to the relevant series will be paid by the loan note issuing entity to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust;
- (2) an amount equal to the servicing fee payment amount referable to the relevant series will be paid by the loan note issuing entity to the servicer, and an amount equal to the cash management fee payment amount will be paid by the loan note issuing entity to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust;
- (3) an amount equal to the loan note issuing entity costs amount in respect of the relevant series will be transferred to the loan note issuing entity expenses account and utilised in the discharge of such amounts;
- (4) an amount equal to the sum of the class A monthly distribution amount, class B monthly distribution amount and class C monthly distribution amount (excluding the monthly loan note issuing entity expenses loan amount (if any)) will be used by the loan note issuing entity to pay interest due and unpaid on the relevant series loan note allocated to each notional class or sub-class thereof (if any) with respect to the relevant series;
- (5) on a payment date during the regulated amortisation period or the rapid amortisation period, or on the relevant series scheduled redemption date, towards payment of principal amounts due and unpaid on the loan note as allocated to each notional class or sub-class thereof (if any) with respect to the relevant series;
- (6) an amount equal to the loss make-up (default) and loss make-up (charge-off) amounts *plus* refunded utilised principal collections amount will be paid by the loan note issuing entity to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust;
- (7) an amount equal to the monthly loan note issuing entity expenses loan amount (if any) will be credited to the expenses account of the loan note issuing entity and any amount due and unpaid in respect of the relevant series loan note issuing entity expense loan drawing shall be paid to the lender of such series loan note issuing entity expense loan drawing from such expenses account;
- (8) an amount equal to the investor indemnity amount for the relevant series will be paid by the loan note issuing entity to the receivables trustee as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust;
- (9) an amount equal to the loan note issuing entity return for the relevant series will be transferred by the loan note issuing entity to the loan note issuing entity profit ledger on the loan note issuing entity expenses account in respect of the relevant series;
- (10) amounts remaining after distribution in accordance with the payments made pursuant to items (1) to (9) above, if any, shall be identified as excess spread and be paid in respect of each series as further interest to the issuing entity ("**further interest**"); and
- (11) an amount equal to the deferred subscription price, if any, received by the loan note issuing entity on that distribution date from the issuing entity in respect of a particular series, ("**deferred subscription price amount**") shall be paid to the receivables trustee in respect of that series,

identified as additional consideration for the grant of the loan note issuing entity's interest in the receivables trust.

### **Interest and Payments**

The interest rate for any interest period on the relevant series loan note will be determined by the cash manager of the loan note issuing entity in accordance with the conditions of that series loan note. The interest amount in respect of each series loan note for each interest period will be calculated as follows:

$$Y = A + B + C + D$$

where:

Y = interest amount on the relevant series loan note.

During any period:

A = class A monthly distribution amount;

B = class B monthly distribution amount, if applicable;

C = class C monthly distribution amount (excluding the monthly loan note issuing entity expenses loan amount (if any)); and

D = further interest.

The interest rate for the first interest period of a loan note will be determined on the date of issue of the relevant series of notes. Subsequently, interest on each series loan note will be paid by the loan note issuing entity monthly on each distribution date.

Payments due to be made under any series loan note are to be reduced in the event that any amounts paid to the loan note issuing entity in respect of the investor interest referable to that series are insufficient to fund in full payments due on that series loan note. This is to prevent that amount being payable by the receivables trustee in respect of the investor interest referable to that series before it receives the corresponding amount in respect of collections from cardholders. There will be a corresponding increase in the amounts payable by the loan note issuing entity to make up this shortfall if the deferred amount is subsequently received by the loan note issuing entity. The loan note issuing entity will be liable to pay deferred interest on any such deferred amount. You should be aware that, if withholding tax is levied on any payments made under any series loan note, payments by the loan note issuing entity will be reduced accordingly. Such reduced payments will not be treated as deferred amounts and, accordingly, would not bear interest and the loan note issuing entity is not obliged to make up the shortfall.

If any withholding or deduction for any taxes, duties, assessments or government charges is imposed, levied, collected, withheld or assessed on payments of principal or interest on the loan note of any series by any jurisdiction or any political subdivision or authority in or of any jurisdiction having power to tax, none of the loan note issuing entity, the Jersey bank account operator or the security trustee will be required to make any additional payments to the holders of the loan notes for that withholding or deduction.

### **Loan Note Events of Default**

Unless otherwise disclosed in the relevant final terms and loan note supplement for any series loan note, the occurrence and continuation of the following events is called a loan note event of default:

- the loan note issuing entity fails to pay to, or to the order of, the issuing entity any amount that it has received from the receivables trustee in respect of principal or interest on the relevant series loan note on its due date for payment;
- the loan note issuing entity defaults in the performance or observance of its other obligations under the relevant series loan note, the relevant series loan note supplement or the security trust deed and, except where the default is incapable of remedy, it remains unremedied for 30 days

after the security trustee has given written notice to the loan note issuing entity, certifying that (save in the case of obligations owed to The Bank of New York Mellon in any of its capacities or to its successors), such default is, in the opinion of the security trustee, materially prejudicial to the interests of the holders of the relevant series loan note;

- where the issuing entity has entered into a swap agreement in respect of the relevant class or sub-class of notes in a series, the early termination, without replacement within 30 days of such termination, of the swap agreement as described in this base prospectus under "*Description of the Swap Agreement*";
- a judgment or order for the payment of any amount is given against the loan note issuing entity and continues unsatisfied and unstayed for a period of 30 days after the date it is given or the date specified for payment, if later;
- a secured party takes possession of, or a receiver, administrative receiver, administrator, examiner, manager or other similar officer is appointed over, the whole or any part of the undertaking, assets and revenues of the loan note issuing entity or an enforcement action is begun or execution levied against any of the assets of the loan note issuing entity;
- the loan note issuing entity becomes insolvent or is unable to pay its debts as they fall due or an administrator or liquidator of the loan note issuing entity is appointed over the whole or any part of its business, assets and revenues or application for any such appointment is made, or the loan note issuing entity takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with, or for the benefit of, its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of indebtedness given by it or ceases or threatens to cease to carry on all or any substantial part of its business;
- an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the loan note issuing entity;
- any action, condition or thing at any time required to be taken, fulfilled or carried out in order to (1) enable the loan note issuing entity lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the relevant series loan note and the documents relating to it or (2) to ensure that those obligations are legal, valid, binding and enforceable, except as the enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally and as that enforceability may be limited by the effect of general principles of equity, is not taken, fulfilled or, as the case may be, carried out;
- it is or will become unlawful for the loan note issuing entity to perform or comply with any of its obligations under or in respect of the relevant series loan note or the documents relating to it; or
- all or any substantial part of the business, assets and revenues of the loan note issuing entity is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or the loan note issuing entity is prevented by such a person from exercising normal control over all or any substantial part of its business, assets and revenues.

If a loan note event of default occurs then the security trustee shall be bound to give a loan note enforcement notice — if it is indemnified and/or secured to its satisfaction and it is instructed to do so by the holder of the relevant series loan note.

A "**loan note enforcement notice**" is a written notice to the loan note issuing entity declaring the relevant series loan note to be immediately due and payable. When it is given, that series loan note will become immediately due and payable at its principal amount outstanding together with accrued interest without further action or formality. The security trustee shall promptly notify the issuing entity that it has given a loan note enforcement notice to the loan note issuing entity. A declaration that a series loan note has become immediately due and payable will not, of itself, accelerate the timing or amount of redemption of that series loan note.

**Jersey bank account operating agreement**

The loan note issuing entity has entered into a bank account operating agreement in Jersey (the "**Jersey bank account operating agreement**") with the Jersey bank account operator. Under the terms of the Jersey bank account operating agreement, the Jersey bank account operator agrees to exercise certain rights and powers in relation to the bank accounts of the loan note issuing entity on its behalf in accordance with the instructions and directions of the loan note issuing entity.

## THE TRUST DEED AND TRUST DEED SUPPLEMENTS

### General

Each series of notes issued by the issuing entity will be governed by the trust deed made between the note trustee and the issuing entity. For each issue of a series, the trust deed will be varied and supplemented upon the issue date of such series by a supplemental trust deed for that series (each called a "**trust deed supplement**"). Under the trust deed, the issuing entity declares in favour of the note trustee that it (i) assigns by way of security its rights, title and interest in the programme documents and any documents specified in the relevant final terms and (ii) creates a floating charge over the whole of its undertaking and assets (other than those assets situated in Jersey) not charged by any fixed charge upon the security trust set out in the trust deed (as varied and supplemented by any trust deed supplement). The trust deed supplement for a series will also secure, in respect of that series, the rights of the issuing entity in and to the specific series loan note issued by the loan note issuing entity in favour of the issuing entity which supports the series in question. Together, the terms of the trust deed with the terms of a particular trust deed supplement for a series will set out the following:

- the constitution of the notes for that series;
- the applicable covenants, representations and warranties of the issuing entity in relation to that series;
- the security for that series;
- the pre-enforcement and post-enforcement payment priorities and enforcement procedures relating to that series; and
- the appointment of the note trustee, its powers and responsibilities and the limitations on those responsibilities.

### Constitution of the notes

The trust deed, when supplemented by a particular trust deed supplement, sets out the form of each note for the relevant series. It also sets out the terms and conditions of each note and the conditions for the cancellation of any note of that series.

### Covenants, representations and warranties of the issuing entity

The note trustee holds the benefit of the issuing entity covenants on trust for the noteholders. The covenants are set out in the trust deed. Covenants given by the issuing entity include compliance with and performance of all its obligations under the conditions, the payment of interest and repayment of principal on each note when due, and the provision to the note trustee of access to all information and reports that it may need in order to discharge its responsibilities in relation to the holders of the notes.

### Note security

Each trust deed supplement will create a segregated security interest held on trust by the note trustee for the benefit of, among others, the holders of notes of that series and this security will be separate and distinct from the security created by any other trust deed supplement.

The trust deed and each trust deed supplement creates Jersey security interests (to the extent permitted by Jersey law) in relation to those of the above assets of the issuing entity which support the series in question and which are situated in Jersey. All other security is created under English law.

### Enforcement and priority of payments

The terms and provisions of the trust deed and each trust deed supplement also set out the general procedures by which the note trustee may take steps to enforce the security created thereunder so that the note trustee may protect the interests of each of the noteholders (and any other secured parties) in accordance with the terms and conditions of each series.

## **The notes**

As the holder of loan notes, the issuing entity will be entitled to receive payments of interest and principal, at specified times, as well as certain other amounts. These payments will be received by the issuing entity in respect of each relevant series and utilised in and towards payment of interest on and redemption of the relevant series as well as payments to the swap counterparty under any swap agreement (if one is entered into in relation to any class or sub-class of notes) and payment of certain other expenses. See "*Cashflows of the issuing entity*", "*Description of the Swap Agreements*", "*Interest and Payments*" and "*Scheduled redemption of a series*" below.

See also "*The Loan Notes*" for further information on the cashflows relating to the loan notes utilised to pay interest on and to redeem the notes.

The ability of the issuing entity to meet its obligations to repay the principal of, and to pay interest on, each series will depend on the receipt by it of funds from the loan note issuing entity and receipt by it of amounts from a swap counterparty under the swap agreement (if one is entered into in relation to a particular class or sub-class). See "*Risk Factors*" and "*Description of the Swap Agreements*".

## **Recourse**

It should be noted that if the net proceeds of the enforcement of security in respect of a particular series following a mandatory redemption after meeting the expenses of the note trustee and any receiver are insufficient to make all payments due on the notes of that series, the assets of the issuing entity already secured under a charge for the benefit of other series will not be available for payment of that shortfall.

The issuing entity and the note trustee will have no recourse to RBS, NatWest or any of their affiliates.

## **Appointment, powers, responsibilities and liability of the note trustee**

The trust deed sets out, amongst other things, the terms upon which the note trustee is appointed, the indemnification of the note trustee, the payment it receives and the extent of the note trustee's authority to act beyond its powers as a trustee under English law. It also contains provisions limiting or excluding liability of the note trustee in certain circumstances. The note trustee is also given the ability to appoint a delegate or agent in the execution of any of its duties under the trust deed. The trust deed also sets out the circumstances in which the note trustee may resign or retire.

The trust deed states that the note trustee is entitled to be indemnified and/or secured and relieved from responsibility in certain circumstances including, without restriction, in relation to taking action to enforce security or debt which it holds. The note trustee is also entitled to be paid its costs and expenses in priority to the claims of the noteholders.

The note trustee is not responsible for any liability which may be suffered because any assets comprised in the security or any deeds or documents of title to such assets, are inadequately insured or are held by custodians on behalf of the note trustee.

The note trustee and its related companies are entitled to enter into business transactions with the issuing entity, loan note issuing entity, RBS, NatWest or related companies of any of these without accounting for any profit resulting from those transactions.

The note trustee is relieved of liability for making searches or other enquiries in relation to the assets comprising the security. The note trustee has no responsibility in relation to the legality and the enforceability of the trust arrangements and the connected security. The note trustee will not be obliged to take any action which might result in its incurring personal liabilities. The note trustee is not obliged to monitor or investigate the performance of any other person under the documents relating to the issuing entity, the loan note issuing entity or the documents relating to the receivables trust and shall be entitled to assume, until it has actual notice to the contrary, that all such persons are properly performing their duties and that no pay-out event has occurred, unless it receives express notice to the contrary.

The note trustee may agree, without the consent of the issuing entity, to (a) (except in relation to a basic terms modification (as defined in the trust deed)) any modification of, or to the waiver or authorisation of any breach or proposed breach of any notes or trust deed supplement or the trust deed which is not, in the opinion of the note trustee, materially prejudicial to the interests of the holders of the most senior class of

outstanding notes or (b) any modification of any notes or trust deed supplement or the trust deed, which, in the note trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. Any such modification, waiver, authorisation or determination shall be binding on the noteholders and, unless the note trustee agrees otherwise, any such modification shall be notified to the noteholders in accordance with the terms and conditions of the notes.

The note trustee is not responsible for any deficiency which may arise in relation to checking the calculations contained in or otherwise verifying any information coming into its possession in relation to the receivables trust.

The trust deed will be governed by English law and, to the extent that it relates to security interests over assets situated in Jersey, by Jersey law.

The note trustee is not bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the issuing entity to all or any of the property in respect of which the issuing entity has created security. The note trustee is not liable for any failure, omission or defect in perfecting, protecting or further assuring the security. The note trustee is not responsible for investigating, monitoring or supervising the observance or performance by any person in respect of the charged property or otherwise. The note trustee is not under any obligation to insure any of the security or any deed or documents of title. The note trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of enforcement of security. The note trustee shall not be responsible for monitoring whether a loan note event of default or an event of default has occurred.

The note trustee may resign at any time. The noteholders shall together have the power, exercisable by extraordinary resolution, to remove the note trustee. In all circumstances, the issuing entity must appoint a successor note trustee for the notes. Any resignation or removal of the note trustee and appointment of a successor note trustee will not become effective unless there remains a note trustee (being a trust corporation) in office after such resignation or removal.

#### **The US Trust Indenture Act**

The trust deed includes certain provisions required by the US Trust Indenture Act. Generally, these provisions outline the duties, rights and responsibilities of the note trustee and the issuing entity and the rights of the noteholders. Specifically these include, but are not limited to:

- the maintenance of a list of noteholders by the note trustee;
- the provision of financial statements and other information by the issuing entity to the note trustee;
- the duty of the note trustee to use the same degree of care in exercising its responsibilities as would be exercised by a prudent person conducting its own affairs;
- the duty of the note trustee to notify all noteholders of any events of default of which it has actual knowledge;
- the right of the note trustee to resign at any time by notifying the issuing entity in writing, and the ability of the issuing entity to remove the note trustee under certain circumstances; and
- the requirement that the issuing entity provide an annual certificate to the note trustee as to the issuing entity's compliance with the conditions and covenants contained in the trust deed.

The trust deed contains a provision that, if any other provision of the trust deed limits, qualifies or conflicts with another provision which is required to be included in the trust deed by, and is not subject to contractual waiver under, the Trust Indenture Act, the Trust Indenture Act provision will prevail.



## CASHFLOWS OF THE ISSUING ENTITY

Each series loan note sets out how money is distributed under that series loan note to the issuing entity as the holder. For each series, the payment made from the account of the loan note issuing entity to the relevant issuing entity distribution account of the issuing entity will be made monthly on a distribution date, which will also be the monthly interest payment date in respect of the notes during any amortisation period and any notes which have a monthly rate of interest.

Other payments, in particular, payments of interest on the notes prior to any amortisation period, will be made on an interest payment date which falls at the end of an annual period with respect to the notes that earn a fixed rate of interest or at the end of a quarterly or monthly interest period with respect to notes that earn a floating rate of interest (see "*Annual, quarterly or monthly payments*" and "*Monthly payments*" below). For a description of principal payments, see "*Scheduled redemption of a series*" below.

### **Amounts transferred by the loan note issuing entity relating to the issuing entity distribution account**

Amounts will be transferred by the loan note issuing entity and credited to the relevant class or sub-class distribution ledger in the relevant issuing entity distribution account with respect to the relevant series and class or sub-class, from time to time, as specified in the relevant series loan note. These payments and the utilisation thereof by the issuing entity are described in detail in, respectively, "*Monthly payments*" below, "*Interest and payments*" below and "*Scheduled redemption of a series*" below.

### **Monthly payments**

On each distribution date the aggregate of all amounts (including revenue and principal) with respect to the relevant series and class or sub-class thereof will be transferred by the loan note issuing entity to the issuing entity and credited to the issuing entity costs ledger, the excess spread ledger, the issuing entity profit ledger, the expenses loan ledger or the relevant class or sub-class distribution ledger (as applicable). Cash received on that distribution date relating to the relevant series (but excluding amounts paid by the interest rate swap counterparty relating to quarterly or annual payments during a period which is not an amortisation period), including, if an amortisation period has commenced since the previous interest payment date, any monthly distribution amounts previously retained in the relevant class or sub-class distribution ledger since the previous interest payment date, shall be applied, together with any interest earned or investment proceeds on each relevant ledger, in the following manner:

- (1) an amount equal to the issuing entity costs amount for the series for such distribution date shall be used or retained in the issuing entity costs ledger for payment of each item of the issuing entity costs amount;
- (2) in respect of the class A notes and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is not in an amortisation period, an amount equal to the class A monthly distribution amount (excluding such amount of the class A monthly distribution amount which has been credited to the issuing entity costs ledger) or each and every part thereof corresponding to each and every sub-class shall be used or retained in the relevant class or sub-class distribution ledger, or paid to any relevant swap counterparty (if required), in each case as described in "*Annual, quarterly or monthly payments*" below;
- (3) in respect of the class A notes and each and every sub-class thereof (if any), in respect of the scheduled redemption date, if this falls in a period that is not an amortisation period, an amount equal to the principal amount referable to the class or sub-class shall be paid by the issuing entity from the relevant class or sub-class distribution ledger to the noteholders of the relevant class or sub-class in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class);
- (4) in respect of the class A notes and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is in an amortisation period, amounts (other than termination amounts) due to the interest rate swap counterparty from the relevant class or sub-class distribution ledger;

- (5) in respect of the class A notes and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is in an amortisation period, if the swap agreement has not terminated, or there is no swap agreement for the class or sub-class, to pay from the relevant class or sub-class distribution ledger the amount equal to the class A monthly distribution amount (excluding such amount of the class A monthly distribution amount which has been credited to the issuing entity costs ledger) and amounts identified as class A principal or each and every part thereof corresponding to each and every sub-class to the noteholders of the relevant class or sub-class in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class);
- (6) in respect of the class A notes and each and every sub-class thereof (if any), in respect of a distribution date falling in an amortisation period, if the swap agreement has been terminated, the following payments shall be made from the relevant class or sub-class distribution ledger *pari passu* and in no priority between each item but in proportion to the respective amounts due:
  - (A) in and towards any issuing entity fault swap termination amount for the class A notes or any sub-class thereof (if any); and
  - (B) in and towards payments of amounts due and unpaid in respect of the class A notes or any sub-class thereof (if any) in priority, first to interest (such monies to be applied first to the payment of any interest amount, then any outstanding deferred interest and, thereafter, any additional interest) and secondly to principal;
- (7) in respect of the class B notes (if any) and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is not in an amortisation period, an amount equal to the class B monthly distribution amount or each and every part thereof corresponding to each and every sub-class shall be used or retained in the relevant class or sub-class distribution ledger, or paid to any relevant swap counterparty (if required), in each case as described in "*Annual, quarterly or monthly payments*" below;
- (8) in respect of the class B notes (if any) and each and every sub-class thereof (if any), in respect of the scheduled redemption date, if this falls in a period that is not an amortisation period, an amount equal to the principal amount referable to the class or sub-class shall be paid by the issuing entity from the relevant class or sub-class distribution ledger to the noteholders of the relevant class or sub-class in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class);
- (9) in respect of the class B notes (if any) and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is in an amortisation period, amounts (other than termination amounts) due to the interest rate swap counterparty from the relevant class or sub-class distribution ledger;
- (10) in respect of the class B notes (if any) and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is in an amortisation period, if the swap agreement has not terminated, or there is no swap agreement for the class or sub-class, to pay from the relevant class or sub-class distribution ledger the amount equal to the class B monthly distribution amount and amounts identified as class B principal or each and every part thereof corresponding to each and every sub-class to the noteholders of the relevant class or sub-class in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class);
- (11) in respect of the class B notes (if any) and each and every sub-class thereof (if any), in respect of a distribution date falling in an amortisation period, if the swap agreement has been terminated, the following payments shall be made from the relevant class or sub-class distribution ledger *pari passu* and in no priority between each item but in proportion to the respective amounts due:
  - (A) in and towards any issuing entity fault swap termination amount for the class B notes or any sub-class thereof (if any); and

- (B) in and towards payments of amounts due and unpaid in respect of the class B notes or any sub-class thereof (if any) in priority, first to interest (such monies to be applied first to the payment of any interest amount, then any outstanding deferred interest and, thereafter, any additional interest) and secondly to principal;
- (12) in respect of the class C notes and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is not an amortisation period, an amount equal to the class C monthly distribution amount (excluding the monthly loan note issuing entity expenses loan amount (if any) and amounts therein which have been credited to the expenses loan ledger and the issuing entity profit ledger) or each and every part thereof corresponding to each and every sub-class shall be used or retained in the relevant class or sub-class distribution ledger, or paid to any relevant swap counterparty (if required) in each case as described in "*Annual, quarterly or monthly payments*" below;
- (13) in respect of the class C notes and each and every sub-class thereof (if any), in respect of the scheduled redemption date, if this falls in a period that is not an amortisation period, an amount equal to the principal amount referable to the class or sub-class shall be paid by the issuing entity to the noteholders of the relevant class or sub-class from the relevant class or sub-class distribution ledger in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class);
- (14) in respect of the class C notes and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is in an amortisation period, amounts (other than termination amounts) due to the interest rate swap counterparty from the relevant class or sub-class distribution ledger;
- (15) in respect of the class C notes and each and every sub-class thereof (if any), in respect of a distribution date falling in any period that is in an amortisation period, if the swap agreement has not terminated, or there is no swap agreement for the class or sub-class, to pay from the relevant class or sub-class distribution ledger the amount equal to the class C monthly distribution amount (excluding the monthly loan note issuing entity expenses loan amount (if any) and amounts therein which have been credited to the expenses loan ledger and the issuing entity profit ledger) and amounts identified as class C principal or each and every part thereof corresponding to each and every sub-class to the noteholders of the relevant class or sub-class in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class);
- (16) in respect of the class C notes and each and every sub-class thereof (if any), in respect of a distribution date falling in an amortisation period, if the swap agreement has been terminated, the following payments shall be made from the relevant class or sub-class distribution ledger *pari passu* and in no priority between each item but in proportion to the respective amounts due:
  - (A) in and towards any issuing entity fault swap termination amount for the class C notes or any sub-class thereof (if any); and
  - (B) in and towards payments of amounts due and unpaid in respect of the class C notes or any sub-class thereof (if any) in priority, first to interest (such monies to be applied first to the payment of any interest amount, then any outstanding deferred interest and, thereafter, any additional interest) and secondly to principal;
- (17) if the issuing entity has entered into a swap agreement for the class A notes or any sub-class thereof (if any), in and towards any counterparty fault swap termination amount from the relevant class or sub-class distribution ledger;
- (18) if the issuing entity has entered into a swap agreement for the class B notes or any sub-class thereof (if any), in and towards any counterparty fault swap termination amount from the relevant class or sub-class distribution ledger;

- (19) if the issuing entity has entered into a swap agreement for the class C notes or any sub-class thereof (if any), in and towards any counterparty fault swap termination amount from the relevant class or sub-class distribution ledger;
- (20) any investment proceeds and interest earned on any amounts retained in any ledger shall be credited to the excess spread ledger;
- (21) in or towards payment of any sums due from (or required to be provided for by) the issuing entity to meet its liabilities to any taxation authority from the issuing entity profit ledger;
- (22) any amounts due and unpaid in respect of the relevant series expense loan drawing (if any) shall be paid to the lender of the relevant series expense loan drawing from the expenses loan ledger;
- (23) the amount identified as issuing entity profit in respect of the relevant series shall be retained in the issuing entity profit ledger; and
- (24) the remainder (if any) including sums on the excess spread ledger shall be paid to the loan note issuing entity as deferred subscription price for that distribution date in respect of that series in an amount equal to the amount of further interest received by the issuing entity in respect of each class and sub-class of the relevant series on that distribution date and not otherwise utilised to make any of the payments in items (1) to (23) above.

Where the full amount of any revenue payments described in "*Monthly Payments*" above or "*Annual, quarterly or monthly payments*" below cannot be made due to insufficiency in the funds credited to the relevant class or sub-class distribution ledger which are available to make such payment, that payment will not be payable to that extent. However, any such shortfall may be deferred to the next and succeeding distribution dates or interest payment dates, as applicable, but only if such a deferral is expressly contemplated above or is contemplated otherwise in the relevant documents for that series.

#### **Annual, quarterly or monthly payments**

On each distribution date that is not an interest payment date, while the relevant series is not in an amortisation period, the issuing entity will retain monthly distribution amounts in the relevant class or sub-class distribution ledger of such series. However, if the issuing entity has entered into a swap agreement for any class or sub-class, the issuing entity may be required pursuant to the relevant swap agreement not to retain on each distribution date the relevant monthly distribution amount or such part thereof corresponding to the relevant class or sub-class subject to the swap agreement but to pay on such date such amount to the swap counterparty. Otherwise, on each annual or quarterly or monthly interest payment date (as applicable) of a class or sub-class (if any) in a period that is not an amortisation period, the aggregate of each amount that has been previously retained in the relevant class or sub-class distribution ledger on the twelve (in the case of annual payments) or three (in the case of quarterly payments) or one (in the case of monthly payments) distribution dates immediately prior to and including such interest payment date, together with any payment (excluding termination payments and amounts received as a consequence of entering an amortisation period) previously received from any interest rate swap counterparty relating to such class or sub-class (if applicable), shall be paid by the issuing entity firstly to any interest rate swap counterparty (if applicable) and then to the relevant class or sub-class of noteholders in accordance with the terms and conditions of the notes (but only after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to such class or sub-class).

#### **Interest and payments**

Each class or sub-class of each series will bear interest for a period equal to an interest period under the notes at a rate determined in accordance with the relevant trust deed supplement and the terms and conditions of the notes to be paid by, or on behalf of, the issuing entity and as set out in the relevant final terms.

#### **Interest payment dates**

The first interest payment date for each series will be specified in the relevant final terms.

During any period that is not an amortisation period, interest on the notes will be paid monthly, quarterly or annually (depending on the note terms and conditions) on the interest payment date in accordance with the relevant note terms and conditions after making any necessary payments described in "*Monthly Payments*" above. During the regulated amortisation period or the rapid amortisation period, interest will only be paid monthly.

### **Withholding or deduction**

If any withholding or deduction for, or on account of, any taxes, duties, assessments or government charges of whatever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest on any note by any jurisdiction or any political subdivision or authority in or of any jurisdiction having power to tax, payments by the issuing entity to the holder of the relevant note will be reduced accordingly and neither the issuing entity nor the note trustee will be required to make any additional payments to the holders of the notes for that withholding or deduction. Such reduced payments will not be treated as deferred interest and, accordingly, will not bear additional interest. See "*Material United Kingdom Tax consequences*" for information on the United Kingdom withholding tax treatment of payments under the notes.

### **Scheduled redemption of a series**

Unless the regulated amortisation period or the rapid amortisation period has earlier commenced (see "*Mandatory redemption of a series*" below), each class or sub-class of note will be redeemed on its relevant scheduled redemption date to the extent of the principal amount which has on that day been credited to the relevant class or sub-class distribution ledgers of the relevant series in the issuing entity distribution account by the loan note issuing entity (after exchange of such amount to the relevant currency by a swap counterparty pursuant to any relevant currency swap agreement entered into with respect to that class or sub-class), as the case may be, in accordance with the provisions of the relevant loan note in respect of amounts owing under the relevant loan note. See also "*Description of the Swap Agreements*."

### **Mandatory redemption of a series**

If either the regulated amortisation period or the rapid amortisation period commences prior to or on the relevant series scheduled redemption date, then the principal amounts will be credited monthly to the relevant class or sub-class distribution ledgers of the relevant series in the relevant issuing entity distribution account by the loan note issuing entity and, on each monthly interest payment date, principal amounts will be applied in accordance with the terms and conditions of the relevant class or sub-class of notes until the earlier of (A) redemption of the class or sub-class of notes in full or (B) the distribution date falling on the final redemption date of the notes. See also "*Terms and conditions of the Notes*."

### **Optional early redemption in full of a series**

If a series is specified in the relevant final terms as being able to be redeemed on any call date, then (subject to any additional conditions (if any) specified in the relevant final terms) on any interest payment date falling on or after the relevant call date and upon giving not more than 60 nor less than 30 days' prior written notice to the note trustee, the swap counterparty (if any) and the noteholders (in accordance with condition 16 (*Notices*)), the issuing entity may redeem all (but not some only) of the notes of such series then outstanding at their then principal amount outstanding together with accrued interest **provided that**, prior to giving any such notice, the issuing entity shall have provided to the note trustee a certificate signed by two directors of the issuing entity to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the relevant series on such interest payment date as aforesaid and to pay any amounts required to be paid in priority to or *pari passu* with such series outstanding in accordance with the conditions of the trust deed and relevant trust deed supplement. See also "*Terms and Conditions of the Notes*".

### **Bank account operating agreement**

The issuing entity will enter into a bank account operating agreement (the "**issuing entity bank account operating agreement**") with the bank account operator. Under the terms of the issuing entity bank account operating agreement, the bank account operator agrees to exercise certain rights and powers in

relation to the bank accounts of the issuing entity on its behalf in accordance with the instructions and directions of the issuing entity.

## **THE NOTES AND THE GLOBAL NOTES**

The issue of all series of notes under the programme will be authorised by a resolution of the board of directors of the issuing entity, passed on or prior to the date of the first issue of notes. Each series of notes will be constituted by a trust deed supplement to be dated on or about the relevant issue date between the issuing entity and the note trustee, as trustee for, among others, the holders for the time being of the notes. The trust deed includes provisions which enable it to be modified or supplemented and any reference to the trust deed is a reference also to the document as modified or supplemented in accordance with its terms.

The statements set out below include summaries of, and are subject to, the detailed provisions of the trust deed and the relevant trust deed supplement for a series, which will contain the forms of the global note certificates and the individual note certificates. The issuing entity has entered into, for the benefit of the programme, an agency agreement between the issuing entity and The Bank of New York Mellon as principal paying agent, note trustee, paying agent and agent bank and The Bank of New York (Luxembourg) S.A. as registrar and transfer agent which will regulate how payments will be made on all series of notes and how determinations and notifications will be made.

As an investor in the notes, you will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the trust deed, the relevant trust deed supplement and the agency agreement. You can see copies of these agreements at the principal office for the time being of the note trustee, which is, as of the date of this base prospectus, One Canada Square, London E14 5AL and at the office for the time being of the principal paying agent.

Each class or sub-class of notes will be represented initially by a global note certificate in registered form, in the principal amount specified in the relevant final terms. The amount of notes represented by each global note certificate is evidenced by the register maintained for that purpose by the registrar. Together, the notes represented by the global note certificates and any outstanding individual note certificates will equal the aggregate principal amount of the notes outstanding at any time. However, except in exceptional circumstances, individual note certificates will not be issued.

### **The clearing systems**

Unless specified in the relevant final terms, the global note certificates of classes or sub-classes of notes denominated in US dollars will be deposited with The Bank of New York Mellon, as the depository for, and registered in the name of Cede & Co. as nominee of, DTC. On confirmation from the depository that it holds the global note certificates, DTC will record book-entry interests to your account or the participant account through which you hold your interests in the notes. These book-entry interests will represent the beneficial owner's or participant's beneficial interest in the relevant notes represented by such global note certificate.

Unless specified in the relevant final terms, the global note certificates of classes or sub-classes of notes denominated in euro or in sterling will be deposited with a common depository for Clearstream and Euroclear, as the depository for, and registered in the name of a nominee for such common depository. On confirmation from the common depository that it holds the global note certificates, Clearstream and/or Euroclear, as applicable, will record book-entry interests in your account or the participant account through which you hold your interests in the notes. These book-entry interests will represent the beneficial owner's or participant's beneficial interest in the relevant notes represented by such global note certificate.

Beneficial owners may hold their interest in the notes represented by each global note certificate, in the case of notes denominated in US dollars only through DTC, and in the case of notes denominated in euro or sterling, in Clearstream or Euroclear, as applicable, or indirectly through organisations that are participants in any of those systems. Ownership of these beneficial interests in notes represented by each global note certificate will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, Clearstream or Euroclear (with respect to interests of their participants) and the records of their participants (with respect to interests of other persons). By contrast, ownership of direct interests in a global note certificate will be shown on, and the transfer of that ownership will be effected through, the register maintained by the registrar. Because of this holding structure of the notes, beneficial owners of notes may look only to DTC, Clearstream or Euroclear, as applicable, or their respective participants for their beneficial entitlement to those notes. The issuing entity expects that

DTC, Clearstream and Euroclear will take any action permitted to be taken by a beneficial owner of notes only in accordance with its rules and at the direction of one or more participants to whose account the interests in a global note certificate are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or those participants has or have given that direction.

## **Payment**

Principal and interest payments on the notes will be made, in the case of notes denominated in US dollars via the paying agents to, or to the order of, DTC or its nominee or, in the case of notes denominated in euro or sterling, via the paying agents to, or to the order of, Euroclear or Clearstream or their nominee, as the registered holder of the relevant global note certificate. DTC's practice is to credit its participants' accounts on the applicable payment date according to their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by DTC, Clearstream and Euroclear participants to the beneficial owners of notes will be governed by standing instructions, customary practice and any statutory or regulatory requirements as may be in effect from time to time. These payments will be the responsibility of the DTC, Clearstream and Euroclear participant and not of DTC, Clearstream, Euroclear, their other participants, any paying agent, the note trustee or the issuing entity. None of the issuing entity, the note trustee, any dealer or any paying agent will have the responsibility or liability for any aspect of the records of DTC, Clearstream or Euroclear on account of beneficial interests in the global note certificates or for maintaining, supervising or reviewing any records of DTC, Clearstream or Euroclear relating to those beneficial interests.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently the ability to transfer interests in a global note certificate to such persons may be limited. Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a global note certificate to pledge such interest to persons or entitles which do not participate, directly or indirectly, in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

## **DTC**

DTC has advised us, the arranger and the dealers, that it 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 under the provisions of section 17A of the US Securities and Exchange Act of 1934 — which we will call the "**Exchange Act**".

DTC holds securities for its participants and facilitates the clearance and settlement among its participants of securities transactions, including transfers and pledges, in deposited securities through electronic book-entry changes in its participants' accounts. This eliminates the need for physical movement of securities certificates. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations (including Euroclear and Clearstream) and other organisations. Indirect access to the DTC system is also available to others including securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Transfers between participants on the DTC system will occur under DTC rules. Transfers between participants on the Clearstream system and participants on the Euroclear system will occur under their respective rules and operating procedures.



Because of time-zone differences, credits of securities in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date. The credits for any transactions in these securities settled during this processing will be reported to the relevant Clearstream participant or Euroclear participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received and available on the DTC settlement date. However, it will not be available in the relevant Clearstream or Euroclear cash account until the business day following settlement in DTC.

Purchases of notes under the DTC system must be made by or through DTC participants (which includes Euroclear and Clearstream), which will receive a credit for the notes on DTC's records. The ownership interest of each actual investor is in turn to be recorded on the DTC participants' and indirect participants' records. Investors will not receive written confirmation from DTC of their purchase. However, investors are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC participant or indirect participant through which the investor entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of DTC participants acting on behalf of investors. Investors will not receive certificates representing their ownership interest in the notes unless use of the book-entry system for the notes is discontinued.

Conveyance of notices and other communications by DTC to DTC participants, by DTC participants to indirect participants, and by DTC participants and indirect participants to noteholders will be governed by arrangements among them and by any statutory or regulatory requirements in effect from time to time.

### ***Clearstream and Euroclear***

Clearstream is incorporated under the laws of Luxembourg as a professional registrar. Clearstream holds securities for its participating organisations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of notes. Transactions may be settled in Clearstream in any of 38 currencies, including US dollars, euro and sterling.

Clearstream participants are financial institutions around the world, including dealers, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream is also available to others, including banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

The Euroclear system was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment. This eliminates the need for physical movement of certificates. Transactions may be settled in any of 32 currencies, including US dollars, euro and sterling.

Euroclear participants include banks-including central banks – securities brokers and dealers and other professional financial intermediaries. Indirect access to the Euroclear System is also available to other firms that maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System. These terms and conditions govern transfers of securities and cash within the Euroclear System, withdrawal of securities and cash from the Euroclear System, and receipts of payments for securities in the Euroclear System. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under these terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions on the notes held indirectly through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants according to the relevant system's rules and procedures, to the extent received by its registrar. These distributions may need to be reported for tax purposes under US tax laws and regulations. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a noteholder on behalf of its participants only as permitted by its rules and procedures and only if its registrar is able to take these actions on its behalf.

Although DTC, Clearstream and Euroclear have agreed to these procedures to facilitate transfers of notes among participants of DTC, Clearstream and Euroclear, they are not obligated to perform these procedures. Additionally, these procedures may be discontinued at any time.

So long as the common depositary or its nominee is the holder of the global notes underlying the book-entry interests, it or its nominee will be the global noteholder under the trust deed. Because of this, each person holding a book-entry interest must rely on the procedures of the registrar, DTC, Euroclear and/or Clearstream or other intermediary through which the interests are held, to exercise any rights and obligations of noteholders under the trust deed and the relevant trust deed supplement.

As the holder of book-entry interests, you will not have the right under the trust deed to act on solicitations by the issuing entity for action by noteholders. You will only be able to act to the extent that you receive the appropriate proxies to do so from DTC, Euroclear or Clearstream. No assurances are made about these procedures or their adequacy for ensuring timely exercise of remedies under the trust deed.

You and other holders of book-entry interests will be entitled to receive individual note certificates, in the form and under the limited circumstances set out in the trust deed and the terms and conditions of the notes. In the event that a global note certificate is exchanged for individual note certificates, such individual note certificates shall be issued in specified denominations. A noteholder who holds a principal amount of less than the minimum specified denomination will not receive an individual note certificate in respect of such holding and would need to purchase a principal amount of notes such that it holds an amount equal to one or more specified denominations.

## TERMS AND CONDITIONS OF THE NOTES

The terms and conditions applicable to any note in global form will differ from those terms and conditions which would apply to individual note certificates to the extent described under "The Notes and the Global Notes" above. References in these terms and conditions to "notes" are to the notes of a particular series only and not to all notes that may be issued under the programme.

### 1. Introduction

#### *Programme*

Arran Funding (UK) Plc (the "**issuing entity**") has established an Arran Funding (UK) Medium Term Note Programme (the "**programme**") for the issuance of up to US\$7,500,000,000 in aggregate principal amount of notes (the "**notes**"). The notes are constituted and secured by a note trust deed (the "**trust deed**") between the issuing entity and The Bank of New York Mellon in London (the "**note trustee**", which expression includes the trustee or trustees for the time being of the trust deed) and a supplement to the trust deed (the "**trust deed supplement**") in respect of notes issued in each series. References to the trust deed include reference to the relevant trust deed supplement where the context admits.

#### *Final terms*

Notes issued under the programme are issued in series (each a "**series**") and each series comprises two or three classes of notes. A series will normally (unless specified in the relevant final terms) be constituted by class A notes, class B notes and class C notes. Each class may comprise sub-classes of notes, which may be denominated in any of sterling, US dollars or euro (each a "**sub-class**"). The sub-classes within each class of notes will rank *pari passu* and with no priority or preference among them. Each series is the subject of a set of final terms (the "**final terms**") which supplements these terms and conditions (the "**conditions**"). The terms and conditions applicable to any particular series are these conditions as supplemented, amended and/or replaced by the relevant final terms. In the event of any inconsistency between these conditions and the relevant final terms, the relevant final terms shall prevail.

#### *Agency Agreement*

The notes are the subject of an agency agreement (the "**agency agreement**") between, among others, the issuing entity, The Bank of New York Mellon as principal paying agent (the "**principal paying agent**"), the paying agents named in the agency agreement (the "**paying agents**"), the agent bank named in the agency agreement (the "**agent bank**") and the registrar and transfer agent named in the agency agreement (the "**registrar**" and the "**transfer agent**", respectively, and, together with the principal paying agent, the paying agents and the agent bank, the "**agents**"). The expression "**principal paying agent**" and the "**paying agents**" includes any successor to such person in such capacity.

#### *The Notes*

All subsequent references in these conditions to "**notes**" are to the notes which are the subject of the relevant final terms. Copies of the relevant final terms are available for inspection by noteholders during normal business hours at the specified office of the principal paying agent, the initial specified office of which is set out below.

#### *Summaries*

Certain provisions of these conditions are summaries of the trust deed and the agency agreement and are subject to their detailed provisions. The holders of any notes (the "**noteholders**") are bound by, and are deemed to have notice of, all the provisions of the trust deed, the trust deed supplement, the final terms and the agency agreement applicable to them. Copies of the trust deed, the final terms and the agency agreement are available for inspection by noteholders during normal business hours at the specified offices of each of the paying agents, the initial specified offices of which are set out below.

## 2. Interpretation

### (a) Definitions

In these conditions the following expressions have the following meanings:

**"account bank agreement"** means the relevant issuing entity account bank agreement with respect to the series;

**"additional business centre(s)"** means the city or cities specified as such in the relevant final terms;

**"additional financial centre(s)"** means the city or cities specified as such in the relevant final terms;

**"additional interest margin"** has the meaning given in the relevant final terms (if applicable);

**"amortisation period"** means the regulated amortisation period and the rapid amortisation period or such other period specified as an amortisation period in the relevant final terms;

**"basic terms modification"** means any change to any date fixed for payment of principal or interest in respect of the notes of any class or sub-class, to reduce the amount of principal or interest payable on any date in respect of the notes of any class or sub-class, to alter the method of calculating the amount of any payment in respect of the notes of any class or sub-class or the date for any such payment, (except in accordance with the terms and conditions of notes and the trust deed) to effect the exchange, conversion or substitution of the notes of any class or sub-class for, or the conversion of such notes into, shares, bonds or other obligations or securities of the issuing entity or any other person or body corporate formed or to be formed, to alter the priority of payment of interest or principal in respect of the notes, to change the currency of any payment under the notes of any class or sub-class, to change the quorum requirements relating to meetings or the majority required to pass an extraordinary resolution or to amend this definition;

**"business day"** means, in relation to any sum payable in any currency, unless otherwise specified in the final terms, a TARGET settlement day and a day on which commercial banks and foreign exchange markets settle payments generally in London, England, Jersey, Channel Islands, Edinburgh, Scotland and New York, New York, the principal financial centre of the relevant currency and in each (if any) additional business centre;

**"business day convention"**, in relation to any particular date, has the meaning given in the relevant final terms and, if so specified in the relevant final terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"following business day convention"** means that the relevant date shall be postponed to the first following day that is a business day;
- (ii) **"modified following business day convention"** or **"modified business day convention"** means that the relevant date shall be postponed to the first following day that is a business day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a business day;
- (iii) **"no adjustment"** means that the relevant date shall not be adjusted in accordance with any business day convention; and
- (iv) **"preceding business day convention"** means that the relevant date shall be brought forward to the first preceding day that is a business day;

**"calculation agent"** means the agent bank or such other person specified in the relevant final terms as the party responsible for calculating the rate(s) of interest and interest amount(s) and/or such other amount(s) as may be specified in the relevant final terms;

**"class A notes"** means notes of any series designated as such in the relevant final terms;

**"class A calculation amount"** means the amount specified as the calculation amount in respect of the class A notes in the relevant final terms;

**"class A adjusted calculation amount"** means, at any time, the product of (a) the class A calculation amount and (b) a fraction, expressed as a decimal to the sixth point, of which the numerator is the aggregate principal amount outstanding of the class A notes at such time and the denominator is the aggregate principal amount outstanding of the class A notes on the issue date;

**"class B notes"** means notes of any series designated as such (if any) in the relevant final terms;

**"class B calculation amount"** means the amount (if any) specified as the calculation amount in respect of the class B notes in the relevant final terms;

**"class B adjusted calculation amount"** (if applicable) means, at any time, the product of (a) the class B calculation amount and (b) a fraction, expressed as a decimal to the sixth point, of which the numerator is the aggregate principal amount outstanding of the class B notes at such time and the denominator is the aggregate principal amount outstanding of the class B notes on the issue date;

**"class C notes"** means notes of any series designated as such in the relevant final terms;

**"class C calculation amount"** means the amount specified as the calculation amount in respect of the class C notes in the relevant final terms;

**"class C adjusted calculation amount"** means, at any time, the product of (a) the class C calculation amount and (b) a fraction, expressed as a decimal to the sixth point, of which the numerator is the aggregate principal amount outstanding of the class C notes at such time and the denominator is the aggregate principal amount outstanding of the class C notes on the issue date;

**"closing date"** has the meaning given in the relevant final terms;

**"controlled accumulation period"** for any series has the meaning defined in the base prospectus of the issuing entity and as specified in the relevant final terms;

**"controlled accumulation period commencement date"** has the meaning given in the relevant final terms;

**"counterparty fault swap termination amount"** means any termination payment under a swap agreement where the swap agreement (if any) is terminated as a result of a swap counterparty swap event of default;

**"day count fraction"** means, in respect of the calculation of an amount for any period of time (the **"calculation period"**), such day count fraction as may be specified in these conditions or the relevant final terms and:

(i) if **"actual/actual (ICMA)"** is so specified, means

(A) where the calculation period is equal to or shorter than the regular period during which it falls, the actual number of days in the calculation period divided by the product of (1) the actual number of days in such regular period and (2) the number of regular periods in any year; and

- (B) where the calculation period is longer than one regular period, the sum of:
- (1) the actual number of days in such calculation period falling in the regular period in which it begins divided by the product of (1) the actual number of days in such regular period and (2) the number of regular periods in any year; and
  - (2) the actual number of days in such calculation period falling in the next regular period divided by the product of (1) the actual number of days in such regular period and (2) the number of regular periods in any year;
- (ii) if "**actual/365**" or "**actual/actual (ISDA)**" is so specified, means the actual number of days in the calculation period divided by 365 (or, if any portion of the calculation period falls in a leap year, the sum of (A) the actual number of days in that portion of the calculation period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the calculation period falling in a non-leap year divided by 365);
- (iii) if "**actual/365 (fixed)**" is so specified, means the actual number of days in the calculation period divided by 365;
- (iv) if "**actual/360**" is so specified, means the actual number of days in the calculation period divided by 360; and
- (v) if "**30/360**" is so specified, means the number of days in the calculation period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the calculation period is the 31st day of a month but the first day of the calculation period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the calculation period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

**"dealer agreement"** means the agreement between the issuing entity, the arranger and certain dealers (as named therein) concerning the subscription and purchase of notes to be issued pursuant to the programme as amended from time to time or any restatement thereof for the time being in force;

**"distribution date"** means the 15th day in each month or, if such day is not a business day, as the same may be adjusted in accordance with the relevant business day convention, or any other date as may be specified in the relevant final terms;

**"distribution ledger"** means a ledger within the relevant issuing entity distribution account of a particular series of notes;

**"extraordinary resolution"** has the meaning given in the trust deed;

**"final redemption date"** means the date specified as such in, or determined in accordance with the provisions of, the relevant final terms and, where the final redemption date is not a business day, as the same may be adjusted in accordance with the relevant business day convention;

**"first interest payment date"** means the date specified as such in, or determined in accordance with the provisions of, the relevant final terms and, where the first interest payment date is not a business day, as the same may be adjusted in accordance with the relevant business day convention;

**"floating rate commencement date"** is specified in the relevant final terms as either the distribution date of the first month falling in the regulated amortisation period or the

rapid amortisation period (or, if such date has passed, the immediately following distribution date) or the scheduled redemption date;

**"indebtedness"** means any indebtedness of any person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services, the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"initial rate"** has the meaning given in the relevant final terms;

**"interest amount"** means, in relation to a note and an interest period (as defined in condition 6), the amount of interest payable per relevant adjusted calculation amount in respect of that note for that interest period;

**"interest commencement date"** means the issue date of the notes or such other date as may be specified as the interest commencement date in the relevant final terms;

**"interest determination date"** has the meaning given herein, unless otherwise specified in the relevant final terms;

**"interest payment date"** has the relevant meaning given to it in conditions 6(a), (b), (c) or (d) (as applicable);

**"investor beneficiary"** means RBS Cards Securitisation Funding Limited;

**"ISDA definitions"** means the 2000 ISDA definitions (as amended and updated as at the date of issue of the first notes of the relevant series (as specified in the relevant final terms) as published by the International Swaps and Derivatives Association, Inc.);

**"issue date"** has the meaning given in the relevant final terms for a series;

**"issuing entity distribution account"** means, with respect to each series, the account at The Royal Bank of Scotland plc at its branch located at London Corporate Service Centre, PO Box 39592, 2½ Devonshire Square, London EC2M 4XJ opened pursuant to the relevant issuing entity account bank agreement in relation to all notes of a particular series issued by the issuing entity;

**"issuing entity fault swap termination amount"** means any termination payment under a swap agreement where the swap agreement is terminated otherwise than as a result of a swap counterparty swap event of default;

**"loan note"** means each series loan note issued by the loan note issuing entity under the programme as set out in the relevant final terms;

**"margin"** has the meaning given in the relevant final terms;

**"notices"** means any notices that are required to be given under the terms and conditions of the notes;

**"participating member state"** means a member state of the European Community which adopts the euro as its lawful currency in accordance with the treaty;

**"payment business day"** means, unless otherwise specified in the final terms, a business day;

**"person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"principal amount outstanding"** means, in relation to a note on any date, the aggregate amount outstanding of that note on the issue date less the aggregate amount of all principal payments in respect of that note that have become due and payable (and paid) by the issuing entity to the noteholder concerned by virtue of the issuing entity having received funds in respect thereof from the loan note issuing entity as described in condition 7;

**"principal financial centre"** means, in relation to sterling, London, in relation to US dollars, New York and in relation to euro, it means the principal financial centre of such member state of the European Community as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the calculation agent;

**"rapid amortisation period"** means, for any series, for the purposes of these conditions, the period commencing on the day on which a rapid amortisation trigger event is deemed to occur for the related series investor interest pursuant to the provisions of the relevant trust deed supplement to the receivables trust deed and cash management agreement, and ending on the earlier of (i) the day on which the outstanding principal amount of the related series investor interest is reduced to zero and (ii) the final redemption date of the relevant series of notes;

**"rate of interest"** means the rate or rates (expressed as a percentage per year) of interest payable in respect of the notes specified in the relevant final terms or calculated or determined in accordance with the provisions of these conditions and/or the relevant final terms;

**"receivables trust"** means the trusts constituted pursuant to the receivables trust and cash management agreement;

**"reference banks"** means the principal London office of each of Bank of America N.T. and S.A., Barclays Bank PLC, Deutsche Bank AG, London and The Royal Bank of Scotland plc or any duly appointed substitute reference bank(s) as may be appointed by the issuing entity;

**"regular interest payment dates"** has the meaning given herein unless otherwise specified in the relevant final terms;

**"regular period"** means, unless specified otherwise in a condition containing a specific provision or the relevant final terms:

- (i) in the case of notes where interest is scheduled to be paid only by means of regular payments, each period from and including the interest commencement date to, but excluding the first interest payment date, and each successive period from and including one interest payment date to, but excluding the next interest payment date;
- (ii) in the case of notes where, apart from the first interest period, interest is scheduled to be paid only by means of regular payments, each period from and including a regular date falling in any year to, but excluding the next regular date, where **"regular date"** means the day and month (but not the year) on which any interest payment date falls; and



- (iii) in the case of notes where, apart from one interest period other than the first interest period, interest is scheduled to be paid only by means of regular payments, each period from and including a regular date falling in any year, to but excluding the next regular date, where "**regular date**" means the day and month (but not the year) on which any interest payment date falls other than the interest payment date falling at the end of the irregular interest period.

"**regulated amortisation period**" means, for any series, for the purposes of these note conditions, the period commencing on the day on which a regulated amortisation trigger event is deemed to occur for the related series investor interest pursuant to the provisions of the relevant trust deed supplement to the receivables trust deed and cash management agreement, and ending on the earlier of (i) the day on which the outstanding principal amount of the related series investor interest is reduced to zero, (ii) the commencement of a rapid amortisation period for the related loan note and (iii) the final redemption date of the notes;

"**related loan note**" means, for any series, the loan note specified in the relevant final terms as the loan note the subject of first fixed security to collateralise that series of notes;

"**relevant adjusted calculation amount**" means, in respect of the class A notes, the class A adjusted calculation amount, in respect of the class B notes (if any), the class B adjusted calculation amount and, in respect of the class C notes, the class C adjusted calculation amount;

"**relevant date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in London by the principal paying agent or the note trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the noteholders in accordance with condition 16;

"**relevant indebtedness**" means any indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**relevant screen page**" means the page of the Reuters screen or such other medium for the electronic display of data as may be approved by the note trustee and notified to the noteholders of a relevant series;

"**revolving period**" means, for any series, for the purposes of these note conditions, any period which is not a controlled accumulation period or an amortisation period for that series;

"**scheduled redemption date**" has the meaning given in the relevant final terms;

"**security interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**series**" means those notes with the same terms and conditions issued in accordance with a particular set of final terms;

"**series investor interest**" means the total principal amount of the interest of the investor beneficiary in respect of a series and reflects the total amount of the proportional entitlement to principal receivables under the receivables trust calculated as available to that series held by the receivables trustee;

"**specified currency**" has the meaning given in the relevant final terms; "**specified denomination(s)**" has the meaning given in the relevant final terms; "**specified office**" has the meaning given in the agency agreement;

"**subsidiary**" means, in relation to any person (the "**first person**") at any particular time, any other person (the "**second person**"):

- (i) whose affairs and policies the first person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person;

"**swap counterparty swap event of default**" means an event of default specified in the relevant swap agreement and pertaining to the swap counterparty;

"**TARGET settlement day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"**treaty**" means the treaty establishing the European Community, as amended.

(b) ***Interpretation***

In these conditions:

- (i) any reference to principal shall be deemed to include the redemption amount and any other amount in the nature of principal payable pursuant to these conditions;
- (ii) any reference to interest shall be deemed to include any other amount in the nature of interest payable pursuant to these conditions;
- (iii) references to notes being "outstanding" shall be construed in accordance with the agency agreement and the trust deed;
- (iv) if an expression is stated in condition 2(a) to have the meaning given in the relevant final terms, but the relevant final terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the notes; and
- (v) any reference to the agency agreement and the trust deed shall be construed with respect to any series of notes as a reference to the agency agreement or the trust deed, as the case may be, as amended and/or supplemented up to and including the issue date of the notes of that series.

3. **Form, Denomination and Title**

The notes will be issued in registered form ("**registered notes**"), in specified denominations (as specified in the relevant final terms) **provided that** in the case of any notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in sterling or US dollars as at the date of issue of those notes). References in these conditions to "**notes**" include registered notes and all applicable classes and sub-classes (if any) in the series.

(a) ***Register***

The registrar will maintain a register (the "**register**") in respect of the notes in accordance with the provisions of the agency agreement. The "**holder**" of a note means the person in whose name such note is for the time being registered in the register (or, in

the case of a joint holding, the first named thereof) and "**noteholder**" shall be construed accordingly.

(b) ***Title***

The registered holder of each note shall (except as otherwise required by law) be treated as the absolute owner of such note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the note certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such note certificate) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the notes or the trust deed under the Contracts (Rights of Third Parties) Act 1999.

(c) ***Transfers***

Subject to paragraphs (f) (*Closed Periods*) and (g) (*Regulations concerning transfers and registration*) below, a note may be transferred upon surrender of the relevant note certificate, with the endorsed form of transfer duly completed, at the specified office of the registrar or any transfer agent, together with such evidence as the registrar or (as the case may be) such transfer agent may reasonably require to prove the title of the noteholder and the authority of the individuals who have executed the form of transfer; **provided, however, that** a note may not be transferred unless the principal amount of notes transferred and (where not all of the notes held by a holder are being transferred) the principal amount of the balance of notes not transferred are an authorised denomination or multiple thereof. Where not all the notes represented by the surrendered note certificate are the subject of the transfer, a new note certificate in respect of the balance of the notes will be issued to the noteholder.

(d) ***Registration and delivery of note certificates***

Within five business days of the surrender of a note certificate in accordance with paragraph (c) (*Transfers*) above, the registrar will register the transfer in question and deliver a new note certificate of a like principal amount to the notes transferred to each relevant holder at its specified office or (as the case may be) the specified office of any 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.

(e) ***No charge***

The transfer of a note will be effected without charge by or on behalf of the issuing entity, the registrar or any transfer agent but against such indemnity as the registrar or (as the case may be) such transfer agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) ***Closed periods***

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the notes.

(g) ***Regulations concerning transfers and registration***

All transfers of notes and entries on the register are subject to the detailed regulations concerning the transfer of notes scheduled to the agency agreement (as the same may be supplemented or varied in the relevant trust deed supplement). The regulations may be changed by the issuing entity with the prior written approval of the note trustee and the registrar. A copy of the current regulations will be mailed (free of charge) by the registrar to any noteholder who requests in writing a copy of such regulations.

#### 4. **Status, Security and Priority of Payments**

##### (a) ***Status***

Each class and sub-class (if any) of notes in each series are direct, secured and unconditional obligations of the issuing entity which will at all times rank *pari passu* and *pro rata* without preference or priority amongst themselves. Each class may comprise sub-classes of notes, which may be denominated in any of sterling, US dollars or euro (each a "**sub-class**"). The sub-classes of each class of notes will rank *pari passu* and with no priority or preference among them.

In these conditions, the "**most senior class**" means the class A notes while they remain outstanding and thereafter the class B notes (if any) while they remain outstanding and thereafter the class C notes. If any proposed action or inaction affects a particular sub-class of notes, this term shall mean the specific sub-class of notes with the greatest amount outstanding of the most senior class of notes.

The note trust deed contains provisions requiring the note trustee to have regard to the interests of the noteholders equally as a single class as regards all rights, powers, trusts, authorities, duties and discretions of the note trustee (except where expressly provided otherwise) but where there is, in the note trustee's opinion, a conflict among the interests of the classes of noteholders, the note trustee is required to have regard only to the interests of the holders of the most senior class of notes then outstanding.

The class A notes will rank in priority to the class B notes (if any) and the class C notes, and the class B notes (if any) will rank in priority to the class C notes.

The note trust deed contains provisions limiting the powers of the class B noteholders (if any) and/or the class C noteholders to request or direct the note trustee to take any action or to pass an extraordinary resolution which may affect the interests of each of the other classes of notes ranking equally or senior to such class. Except in certain circumstances, the note trust deed contains no such limitation on the powers of the holders of the most senior class of notes then outstanding, the exercise of which will be binding on all classes of notes, irrespective of the effect thereof on their interests.

##### (b) ***Security***

As security for the payment of all monies payable in respect of the notes of a series under the trust deed (including the remuneration, expenses and any other claims of the note trustee and any receiver appointed under the trust deed), the issuing entity will, pursuant to the trust deed and the trust deed supplement, for each series of notes create the following security (the "**security**") in favour of the note trustee for itself and on trust for, among others, the noteholders of each series:

- (i) an assignment by way of security interest under Jersey law of the issuing entity Jersey secured property (as described in the trust deed and the relevant trust deed supplement) (including the issuing entity's rights, title, interests and benefit in and to the related loan note for that series and the security interest created in favour of the security trustee by the loan note issuing entity in respect of the related loan note for that series, to the extent such rights, title and interests constitute assets situate in Jersey);
- (ii) an assignment by way of first fixed security under English law of the issuing entity's right, title, interest and benefit in and to the related loan note for that series, save to the extent that such right, title and interest constitutes assets situate in Jersey;
- (iii) an assignment by way of first fixed security under English law of the issuing entity's right, title, interest and benefit in the security interest created in favour of the security trustee by the loan note issuing entity in respect of the related loan note (to the extent it relates to such series of notes), save to the extent that such right, title and interest constitute assets situate in Jersey;

- (iv) an assignment by way of first fixed security under English law of the issuing entity's right, title, interest and benefit in and to any agreements or documents to which the issuing entity is a party (and sums received or recoverable thereunder), save to the extent that such right, title and interest constitute assets situate in Jersey;
- (v) an assignment by way of first fixed security under English law of the issuing entity's right, title, interest and benefit in and to all monies credited in respect of the relevant issuing entity distribution account or to any bank or other account in which the issuing entity may at any time have any right, title, interest or benefit, save to the extent that such right, title and interest constitute assets situate in Jersey; and
- (vi) a first floating charge under English law over the whole of the issuing entity's undertaking and assets present and future (to the extent not situated in Jersey), all as more particularly described in the trust deed and the trust deed supplement.

(c) ***Application of Proceeds Upon Enforcement***

The trust deed and each supplement thereto will contain provisions regulating the priority of application of amounts prior to the enforcement of security relating to the relevant series. Following the service of an enforcement notice in respect of a series of notes, all monies received relating to the relevant series and held in any ledger of the issuing entity distribution account of the relevant series shall be applied in the following order of priority:

- (i) *first*, in no order of priority among the respective amounts then due but proportionally to such amounts, to pay any outstanding issuing entity costs amount and any remuneration then due to any receiver or the note trustee and all amounts due in respect of legal fees and other costs, charges, liabilities, expenses, losses, indemnities, damages, proceedings, claims and demands then incurred by the note trustee under and in respect of the conditions for such series and related documents (as defined in condition 5(ii)(A) but excluding the dealer agreement) and in enforcing the security created by or pursuant to the trust deed and the relevant supplement thereto or in perfecting title to the security, together with interest thereon as provided in any such document;
- (ii) *secondly*, in priority, (A) (to the extent not met by (i) above) in payment or satisfaction of all amounts referable to such series then due and unpaid to the note trustee and/or any appointee and/or any agent of the note trustee under the trust deed and the supplement for the series thereto, and (B) in payment or satisfaction of all amounts referable to such series then due and unpaid under the corporate services agreement;
- (iii) *thirdly, pro rata and pari passu*, in respect of the class A notes and each and every sub-class thereof (if any), and in no order of priority among the following amounts but proportionally to the respective amounts then due:
  - (A) if the issuing entity has entered into a swap agreement for the class A notes or any sub-class thereof (if any), in and towards any issuing entity fault swap termination amount in relation to the class A notes or any sub-class thereof; and
  - (B) in or towards payment of amounts due and unpaid in respect of such notes in priority, first to interest (such monies to be applied first to the payment of any interest amount, then any outstanding deferred interest and, thereafter, any additional interest on the class A notes or any sub-class thereof (if any)), and secondly to principal;

- (iv) *fourthly, pro rata and pari passu*, in respect of the class B notes (if any) and each and every sub-class thereof (if any), and in no order of priority among the following amounts but proportionally to the respective amounts then due:
  - (A) if the issuing entity has entered into a swap agreement for the class B notes or any sub-class thereof (if any), in and towards any issuing entity fault swap termination amount in relation to the class B notes or any sub-class thereof; and
  - (B) in or towards payment of amounts due and unpaid in respect of such notes in priority, first to interest (such monies to be applied first to the payment of any interest amount, then any outstanding deferred interest and, thereafter, any additional interest on the class B notes or any sub-class thereof (if any)), and secondly to principal;
- (v) *fifthly, pro rata and pari passu*, in respect of the class C notes and each and every sub-class thereof (if any), and in no order of priority among the following amounts but proportionally to the respective amounts then due:
  - (A) if the issuing entity has entered into a swap agreement for the class C notes or any sub-class thereof (if any), in and towards any issuing entity fault swap termination amount in relation to the class C notes or any sub-class thereof; and
  - (B) in or towards payment of amounts due and unpaid in respect of such notes in priority first to interest (such monies to be applied first to the payment of any interest amount, then outstanding deferred interest and, thereafter, any additional interest on the class C notes or any sub-class thereof (if any)), and secondly to principal;
- (vi) *sixthly*, if the issuing entity has entered into a swap agreement for the class A notes or any sub-class thereof (if any), in and towards any counterparty fault swap termination amount;
- (vii) *seventhly*, if the issuing entity has entered into a swap agreement for the class B notes (if any) or any sub-class thereof (if any), in and towards any counterparty fault swap termination amount;
- (viii) *eighthly*, if the issuing entity has entered into a swap agreement for the class C notes or any sub-class thereof (if any), in and towards any counterparty fault swap termination amount;
- (ix) *ninthly*, the amount identified as issuing entity profit in respect of the relevant series shall be retained in the issuing entity profit ledger;
- (x) *tenthly*, in or towards payment of any sums due from (or required to be provided for by) the issuing entity to meet its liabilities to any taxation authority;
- (xi) *eleventhly*, towards payment of any amounts due and unpaid to the lender under the terms of the relevant series expense loan drawing; and
- (xii) *twelfthly*, in payment of the balance (if any) of the aggregate amount remaining from the proceeds of the first fixed security granted in favour of each relevant series, after the payment of the items set out above and any sums due to third parties under obligations incurred in the course of the issuing entity's business, to the loan note issuing entity identified as deferred subscription price in respect of the relevant loan note.

## 5. Negative Covenants of the Issuing Entity

So long as any of the notes remains outstanding the issuing entity shall not, save to the extent permitted by the related documents or with the prior written consent of the note trustee:

- (i) create or permit to subsist any security interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital);
- (ii) carry on any business other than as described in this base prospectus and any final terms relating to the issue of any series of notes and in respect of that business shall not engage in any activity or do anything whatsoever except:
  - (A) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the notes, the trust deed and each supplement thereto, the agency agreement, the dealer agreement, each swap agreement, the loan notes, each set of final terms and the account bank agreement and any bank mandate regarding the issuing entity distribution account (together, the "**related documents**");
  - (B) use, invest or dispose of any of its property or assets except in the manner provided in or contemplated by the related documents; and
  - (C) perform any act incidental to or necessary in connection with paragraphs (A) or (B) above;
- (iii) have or form, or cause to be formed, any subsidiaries or subsidiary undertakings or undertakings of any other nature or have any employees or premises or have an interest in a bank account other than the issuing entity distribution account;
- (iv) create, incur or suffer to exist any indebtedness (other than indebtedness permitted to be incurred under the terms of its articles of association and pursuant to or as contemplated in any of the related documents) or give any guarantee or indemnity in respect of any obligation of any person;
- (v) repurchase any shares of its capital stock or declare or pay any dividend or other distribution to its shareholders other than a lawful dividend under English law of amounts not exceeding issuing entity profit amounts from time to time received by it (after payment of any applicable taxes thereon);
- (vi) waive, modify or amend, or consent to any waiver, modification or amendment of, any of the provisions of the related documents without the prior written consent of the note trustee (and, in the case of the notes, of (i) the rate of interest, or (ii) any interest period, without the prior written consent of the originator beneficiaries);
- (vii) offer to surrender to any company any amounts which are available for surrender by way of group relief; or
- (viii) consolidate or merge with any other persons or convey or transfer its properties or assets substantially as an entirety to any other person.

## 6. Interest

### (a) *Specific Provision: Floating Rate Sterling Notes*

This condition 6(a) is applicable to the notes if the specified currency is sterling and the notes are issued as floating rate notes.

Each note bears interest at a floating rate on its principal amount outstanding from (and including) the interest commencement date. Interest in respect of the notes is payable in arrear in sterling on each interest payment date.

"**interest payment date**" means the following dates:

- (i) during any period that is not an amortisation period, the first interest payment date and each regular interest payment date (being every third distribution date following the preceding interest payment date, unless specified in the final terms); and

- (ii) during an amortisation period, each distribution date.

Each period beginning on (and including) the interest commencement date or any interest payment date and ending on (but excluding) the next interest payment date is herein called an "**interest period**"; **provided, however, that** with respect to an interest period that commences during any period that is not an amortisation period and ends during either the regulated amortisation period or the rapid amortisation period, such interest period will end on the originally scheduled interest payment date (and, for the avoidance of doubt, in the case of an interest period which commences on the interest payment date which falls at the end of the interest period during which the rapid amortisation period or regulated amortisation period begins, the interest period shall end on the next distribution date). The first interest payment will be made on the first interest payment date in respect of the interest period from (and including) the interest commencement date to the first interest payment date.

The rate of interest applicable to each note (the "**rate of interest**") for each interest period will be determined by the agent bank as the sum of the margin and LIBOR for the relevant interest period (or, in the case of the first interest period, a linear interpolation of the LIBOR rates for such periods as specified in the relevant final terms).

LIBOR shall be determined on the following basis:

- (i) on the interest commencement date in respect of the first interest period and thereafter on each "**determination date**", namely the first day of the interest period for which the rate will apply, the agent bank will determine the offered quotation to leading banks in the London interbank market, in respect of the first interest period from (and including) the interest commencement date to (but excluding) the first interest payment date, a linear interpolation of the rates for sterling deposits for such periods as specified in the relevant final terms and for each interest period thereafter, for sterling deposits for the relevant interest period, by reference to the display designated as the British Bankers Association LIBOR Rates as quoted on Reuters Screen LIBOR01 or (aa) such other page as may replace Reuters Screen LIBOR01 on that service for the purposes of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the note trustee) as may replace the Reuters service, as at or about 11.00 a.m. (London time) on that date, (the "**screen rate**");
- (ii) if, on any determination date, the screen rate is unavailable, the agent bank will:
  - (1) request the reference banks to provide the agent bank with its offered quotation to leading banks in the London interbank market, in respect of the first interest period from (and including) the interest commencement date to (but excluding) the first interest payment date, a linear interpolation of the rates for such periods as specified in the relevant final terms and for each interest period thereafter, for sterling deposits for the relevant interest period, as at approximately 11.00 a.m. (London time) on the LIBOR determination date in question and in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean (rounded upwards to four decimal places) of such quotations;
- (iii) if, on any determination date, the screen rate is unavailable and two or three only of the reference banks provide offered quotations, LIBOR for the relevant interest period shall be determined in accordance with the provisions of paragraph (ii) on the basis of the arithmetic mean (rounded upwards to four decimal places) of the offered quotations of those reference banks providing the offered quotations; and



- (iv) if fewer than two such quotations are provided by the reference banks as requested, the agent bank will determine the arithmetic mean (rounded upwards to four decimal places) of the rates quoted by major banks in London, selected by the agent bank, at approximately 11.00 a.m. (London time) on the first day of the relevant interest period for loans in sterling to leading European banks for a period equal to the relevant interest period and in an amount that is representative for a single transaction in that market at that time,

**provided that** if the agent bank is unable to determine LIBOR in accordance with the above provisions in relation to any interest period, the rate of interest applicable to such note during such interest period will be the sum of the margin in respect of such note and LIBOR last determined in relation to such note in respect of the preceding interest period.

The agent bank will, as soon as practicable after the determination date in relation to each interest period, calculate the amount of interest (the "**interest amount**") payable per relevant adjusted calculation amount in respect of each note for such interest period. The interest amount payable per relevant adjusted calculation amount in respect of each note will be calculated by applying the relevant rate of interest for such interest period to the relevant adjusted calculation amount in respect of such note during such interest period, multiplying by the relevant day count fraction and rounding the resulting figure to the nearest penny (half a penny rounded upwards). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of interest payable in respect of such note shall be the product of the interest amount (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding.

(b) ***Specific Provision: Floating Rate Euro Notes***

This condition 6(b) is applicable to the notes if the specified currency is euro and the notes are designated to be floating rate notes.

Each note bears interest at a floating rate on its principal amount outstanding from (and including) the interest commencement date. Interest in respect of the notes is payable in arrear in euros on each interest payment date.

"**interest payment date**" means the following dates:

- (i) during any period that is not an amortisation period, the first interest payment date and each regular interest payment date (being the third distribution date following the preceding interest payment date, unless specified in the final terms); and
- (ii) during an amortisation period, each distribution date.

Each period beginning on (and including) the interest commencement date or any interest payment date and ending on (but excluding) the next interest payment date is herein called an "**interest period**"; **provided, however, that** with respect to an interest period that commences during any period that is not an amortisation period and ends during the regulated amortisation period or the rapid amortisation period, such interest period will end on the originally scheduled interest payment date (and, for the avoidance of doubt, in the case of an interest period which commences on the interest payment date which falls at the end of the interest period during which the rapid amortisation period or regulated amortisation period begins, the interest period shall end on the next distribution date).

The rate of interest applicable to each note (the "**rate of interest**") for each interest period will be determined by the agent bank as the sum of the margin and EURIBOR for the relevant interest period (or, in the case of the first interest period, a linear interpolation of the EURIBOR rates for such periods as specified in the relevant final terms).

EURIBOR shall be determined on the following basis:

- (i) on the second TARGET Settlement Day before the interest commencement date in respect of the first interest period and thereafter on each "**determination date**", namely 11.00 a.m. (Brussels time) on the second TARGET Settlement Day before the first day of the interest period for which the rate will apply, the agent bank will determine the offered quotation to prime banks in the Euro-Zone Inter-bank market, in respect of the first interest period from (and including) the interest commencement date to (but excluding) the first interest payment date, a linear interpolation of the rates for euro deposits for such periods as specified in the relevant final terms and for each interest period thereafter, for euro deposits for the relevant interest period, by reference to (aa) the display page designated EURIBOR01 on the Reuters Service (or such other page as may replace that page on that service, or such other service as may be nominated by the agent bank as the information vendor, for the purpose of displaying comparable rates) as of the determination date or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the note trustee) as may replace the Reuters service, as at or about 11.00 a.m. (Brussels time) on that date (the "**screen rate**");
- (ii) if, on any determination date, the screen rate is unavailable, the agent bank will:
  - (1) request the reference banks to provide a quotation of the rate at which deposits in euro are offered by it at approximately 11.00 a.m. (Brussels time) on the determination date to prime banks in the Euro-Zone Interbank market for a period equal to the relevant interest period and in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the agent bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the euro-zone, selected by the agent bank, at approximately 11.00 a.m. (Brussels time) on the determination date for loans in euro to leading European banks for a period equal to the relevant interest period and in an amount that is representative for a single transaction in that market at that time,

**provided that** if the agent bank is unable to determine EURIBOR in accordance with the above provisions in relation to any interest period, the rate of interest applicable to the notes during such interest period will be the sum of the margin and EURIBOR last determined in relation to such notes in respect of the preceding interest period.

The agent bank will, as soon as practicable after the determination date in relation to each interest period, calculate the amount of interest (the "**interest amount**") payable per relevant adjusted calculation amount in respect of each note for such interest period. The interest amount payable per relevant adjusted calculation amount in respect of each note will be calculated by applying the relevant rate of interest for such interest period to the relevant adjusted calculation amount in respect of such note during such interest period, multiplying by the relevant day count fraction and rounding the resulting figure to the nearest euro 0.01 (half a cent rounded upwards). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of interest payable in respect of such note shall be the product of the interest amount (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding.

(c) ***Specific Provision: Fixed Rate Sterling Notes***

This condition 6(c) is applicable to the notes if the specified currency is sterling and the notes are designated to be fixed rate notes.

Each note bears interest on its principal amount outstanding from (and including) the interest commencement date. Interest in respect of the notes is payable in arrear in sterling on each interest payment date.

**"interest payment date"** means the following dates:

- (i) during any period that is not an amortisation period, the first interest payment date and each regular interest payment date (as specified in the final terms); and
- (ii) during an amortisation period, each distribution date.

Each period beginning on (and including) the interest commencement date or any interest payment date and ending on (but excluding) the next interest payment date is herein called an **"interest period"**; **provided, however, that** where the floating rate commencement date is a date falling prior to the scheduled redemption date with respect to an interest period that commences during the revolving period or the accumulation period and ends during the regulated amortisation period or the rapid amortisation period, such interest period will end on (and exclude) the floating rate commencement date. The first interest payment will be made on the first interest payment date in respect of the interest period from (and including) the interest commencement date to the first interest payment date.

Subject to the following paragraph, each note bears interest at the initial rate on its principal amount outstanding during the period from (and including) the interest commencement date to (but excluding) the floating rate commencement date (the **"initial period"**). Interest in respect of such note during the initial period is payable in arrear in sterling on each regular interest payment date and the final interest payment date during the initial period shall be the scheduled redemption date.

The amount of the interest payable per relevant adjusted calculation amount (the **"interest amount"**) in respect of each note for any interest period during the initial period shall be calculated by applying the initial rate to the relevant adjusted calculation amount of such note, multiplying the resulting product by the relevant day count fraction and rounding the resultant figure to the nearest penny (half of a penny being rounded upwards). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of interest payable in respect of such note shall be the product of the interest amount (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding.

The amount of the interest payable per relevant adjusted calculation amount (the **"interest amount"**) in respect of each note for any period which is not an interest period shall be calculated by applying the initial rate to the relevant adjusted calculation amount in respect of such note, multiplying the resulting product by the relevant day count fraction and rounding the resultant figure to the nearest penny (half of a penny being rounded upwards). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of interest payable in respect of such note shall be the product of the interest amount (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding. In respect of any period which is not an interest period (including the period commencing on the interest commencement date), **"day count fraction"** shall be determined in accordance with the following provisions:

- (i) each interest payment date shall be called a "**regular date**" and each period from and including a regular date in each year to but excluding the next regular date shall be called a "regular period";
- (ii) the first regular date for the purposes of the first interest period shall be the distribution date falling the same number of months as in a regular period prior to the first interest payment date so that the first regular period begins on such date and ends on the first interest payment date **provided that** if the interest commencement date is earlier than such first regular date, the first regular period for the purposes of this condition 6(c) shall be deemed to be the period commencing on the distribution date falling the same number of months as a regular period prior to such first regular date and ending on such first regular date and the second regular period shall commence on such first regular date and end on the first interest payment date;
- (iii) if the relevant period falls during a regular period, the relevant day count fraction will be the number of days in the relevant period divided by the number of days in the regular period in which the relevant period falls; and
- (iv) if the relevant period begins in one regular period and ends in the next succeeding regular period, the relevant day count fraction will be the sum of: (A) the number of days in the relevant period falling within the first such regular period divided by the number of days in the first such regular period; and (B) the number of days in the relevant period falling within the second such regular period divided by the number of days in the second such regular period.

**provided that** for the purposes of this condition 6(c), the number of days in any period during the initial period which is not a regular period shall be calculated on the basis of the number of days from and including the first day of the relevant period to but excluding the last day of the regular period and on the basis of the day count fraction applicable to an interest period.

However, in the event that the regulated amortisation period or the rapid amortisation period has commenced, then from (and including) the floating rate commencement date to (but excluding) the final redemption date (the "**redemption period**"), each note bears interest at a floating rate on its principal amount outstanding to be determined in accordance with the provisions below, payable in arrear on each distribution date. During the redemption period, each period beginning on (and including) a distribution date to (but excluding) the next distribution date is called an "**interest period**".

The rate of interest applicable to each note the subject of this condition 6(c) (the "**redemption rate**") for each interest period during the redemption period will be determined by the agent bank as the sum of the margin and LIBOR for the relevant interest period.

LIBOR shall be determined on the following basis:

- (i) on the floating rate commencement date in respect of the first interest period during the redemption period and thereafter on each "**determination date**", namely the first day of the interest period for which the redemption rate will apply, the agent bank will determine the offered quotation to leading banks in the London interbank market, for sterling deposits for the relevant interest period, by reference to the display designated as the British Bankers Association LIBOR Rates as quoted on Reuters Screen LIBOR01 or (aa) such other page as may replace Reuters Screen LIBOR01 on that service for the purposes of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the note trustee) as may replace the Reuters service, as at or about 11.00 a.m. (London time) on that date, (the "**screen rate**");

- (ii) if, on any determination date, the screen rate is unavailable, the agent bank will:
  - (1) request the reference banks to provide the agent bank with its offered quotation to leading banks in the London interbank market, for sterling deposits for the relevant interest period, as at approximately 11.00 a.m. (London time) on the LIBOR determination date in question and in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean (rounded upwards to four decimal places) of such quotations;
- (iii) if on any determination date the screen rate is unavailable and two or three only of the reference banks provide offered quotations, LIBOR for the relevant interest period shall be determined in accordance with the provisions of paragraph (ii) on the basis of the arithmetic mean (rounded upwards to four decimal places) of the offered quotations of those reference banks providing the offered quotations; and
- (iv) if fewer than two such quotations are provided by the reference banks as requested, the agent bank will determine the arithmetic mean (rounded upwards to four decimal places) of the rates quoted by major banks in London, selected by the agent bank, at approximately 11.00 a.m. (London time) on the first day of the relevant interest period for loans in sterling to leading European banks for a period equal to the relevant interest period and in an amount that is representative for a single transaction in that market at that time,

**provided that** if the agent bank is unable to determine LIBOR in accordance with the above provisions in relation to any interest period, the redemption rate applicable to the such note in respect of such interest period during the redemption period will be the sum of the margin in respect of such note and LIBOR last determined in relation to such note in respect of the preceding interest period.

During the redemption period, the agent bank will, as soon as practicable after the determination date in relation to each interest period during the redemption period, calculate the amount of interest (the "**interest amount**") payable in respect of each note for such interest period.

The amount of the interest payable per relevant adjusted calculation amount (the "**interest amount**") in respect of each note for any interest period during the initial period shall be calculated by applying the initial rate to the relevant adjusted calculation amount of such note, multiplying the resulting product by the relevant day count fraction and rounding the resultant figure to the nearest penny (half of a penny being rounded upwards). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of interest payable in respect of such note shall be the product of the interest amount (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding.

(d) ***Specific Provision: Floating Rate US dollar Notes***

This condition 6(d) is applicable to the notes if the specified currency is US dollars and the notes are designated as floating rate notes.

Each note bears interest at a floating rate on its principal amount outstanding from (and including) the interest commencement date. Interest in respect of the each note is payable in arrear in US dollars on each interest payment date.

"**interest payment date**" means the following dates:

- (i) during any period that is not an amortisation period, the first interest payment date and each regular interest payment date (being either each distribution date

in the case of one-month LIBOR and the third distribution date following and including the preceding interest payment date in the case of three-month LIBOR (unless specified in the final terms)); and

- (ii) during an amortisation period, each distribution date.

Each period beginning on (and including) the interest commencement date or any interest payment date and ending on (but excluding) the next interest payment date is herein called an "**interest period**"; **provided, however, that** with respect to an interest period that commences during any period that is not an amortisation period and ends during the regulated amortisation period or the rapid amortisation period, such interest period will end on the originally scheduled interest payment date (and, for the avoidance of doubt, in the case of an interest period which commences on the interest payment date which falls at the end of the interest period during which the rapid amortisation period or regulated amortisation period begins, the interest period shall end on the next distribution date). The first interest payment will be made on the first interest payment date in respect of the interest period from (and including) the interest commencement date to the first interest payment date.

The rate of interest applicable to each note of each class for each interest period will be determined by the agent bank as the sum of the margin and LIBOR for the relevant interest period (or, in the case of the first interest period, a linear interpolation of the LIBOR rates for such periods as specified in the relevant final terms).

LIBOR shall be determined on the following basis:

- (i) on each quotation date until the first quotation date during the regulated amortisation period or the rapid amortisation period, the agent bank will determine the offered quotation to leading banks in the London interbank market for one-month US dollar deposits or three-month US dollar deposits (in accordance with the relevant interest period specified in the final terms). In the case of the first interest period, the agent bank will determine LIBOR based upon the linear interpolation of LIBOR for US dollar deposits as specified in the final terms. On each quotation date during the regulated amortisation period or the rapid amortisation period, the agent bank will determine the offered quotation to leading banks in the London interbank market for one-month US dollar deposits.

This will be determined by reference to the British Bankers Association LIBOR Rates display as quoted on Reuters Screen LIBOR01. If Reuters Screen LIBOR01 stops providing these quotations, the replacement service for the purposes of displaying this information will be used. If the replacement service stops displaying the information, any page showing this information will be used. If there is more than one service displaying the information, the one approved in writing by the note trustee in its sole discretion will be used.

In each case above, the determination will be made as at or about 11.00 a.m. (London time), on that date. These are called the screen rates for the respective classes.

A quotation date means the second London business day before the first day of an interest period.

- (ii) if, on any quotation date, a screen rate is unavailable, the agent bank will:
- request reference banks to provide the agent bank with its offered quotation to leading banks of the equivalent of that screen rate on that quotation date in an amount that represents a single transaction in that market at that time; and
  - calculate the arithmetic mean rounded upwards to four decimal places, of those quotations;

- (iii) if, on any quotation date, the screen rate is unavailable and only two or three of the reference banks provide offered quotations, the rate of interest for that interest period will be the arithmetic mean of the quotations provided by those two or three reference banks calculated in the manner described in (ii) above; and
- (iv) if fewer than two reference banks provide quotations, the agent bank will determine (in its absolute discretion) the arithmetic mean (rounded upwards to four decimal places) of the leading rates quoted by major banks in London — selected by the agent bank at approximately 11.00 a.m. (London time) on the relevant quotation date — to leading European banks for a period equal to the relevant interest period and in an amount that is representative for a single transaction in that market at that time, for loans in US dollars,

**provided that** if the agent bank is unable to determine LIBOR in accordance with the above provisions in relation to any interest period, the rate of interest applicable to the notes during such interest period will be the sum of the margin and LIBOR last determined in relation to such notes in respect of the preceding interest period.

The agent bank will, as soon as practicable after the determination date in relation to each interest period, calculate the amount of interest (the "**interest amount**") payable per relevant adjusted calculation amount in respect of each note for such interest period. The interest amount payable per relevant adjusted calculation amount in respect of each note will be calculated by applying the relevant rate of interest for such interest period to the relevant adjusted calculation amount in respect of such note during such interest period, multiplying by the relevant day count fraction and rounding the resulting figure to the nearest cent (half a cent rounded upwards). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of interest payable in respect of such note shall be the product of the interest amount (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding.

(e) ***General Provision: Deferred Interest and Additional Interest***

To the extent that the monies which are deposited in the distribution ledger of the issuing entity distribution account for a class or sub-class (if any) of a series by the loan note issuing entity on an interest payment date in accordance with the provisions of the related loan note are insufficient to pay the full amount of interest on any notes of a class or sub-class (if any) of such series on such interest payment date, payment of the interest shortfall ("**deferred interest**"), which will be borne by each note of the relevant class or sub-class (if any) in a proportion equal to the proportion that the principal amount outstanding of the note of the relevant class or sub-class (if any) bears to the aggregate principal amount outstanding of the relevant notes of the relevant class or sub-class (if any) (as determined on the interest payment date on which such deferred interest arises), will be deferred until the interest payment date occurring thereafter on which funds are available to the issuing entity (by being deposited to the credit of the relevant distribution ledger of the issuing entity distribution account for that class or sub-class (if any) by the loan note issuing entity on such interest payment date in accordance with the provisions of the related loan note) to pay such deferred interest to the extent of such available funds. Such deferred interest will accrue interest ("**additional interest**") at the then current rate of interest (or, in the case of a fixed rate note, the initial rate (during the initial period) or the redemption rate (during the redemption period)), and payment of any additional interest will also be deferred until the interest payment date thereafter on which funds are available to the issuing entity (by being deposited to the credit of the class or sub-class distribution ledger of the issuing entity distribution account for a series by the loan note issuing entity on such interest payment date in accordance with the provisions of the related loan note) to pay such additional interest to the extent of such available funds.

(f) **General Provision: Calculation of interest amount**

On each interest payment date, the agent bank shall determine the actual amount of interest which will be paid on the notes on that interest payment date and the amount of deferred interest (if any) on the notes in respect of the related interest period and the amount of additional interest (if any) which will be paid on such interest payment date. The amount of additional interest shall be calculated by applying the then current relevant rate of interest for the class or sub-class of notes to the deferred interest and any additional interest from prior interest periods which remains unpaid, multiplying such sum by the relevant day count fraction.

In the event that, on any interest payment date, the amount of monies which are deposited to the series distribution ledger for a class or sub-class (if any) by the loan note issuing entity on such day in accordance with the provisions of the related loan note is insufficient to pay in full the interest amount, any outstanding deferred interest and any additional interest due on such interest payment date in respect of such class or sub-class (if any) of notes, such monies will be applied first to the payment of any interest amount, secondly to the payment of any outstanding deferred interest and, thereafter, to the payment of any additional interest in respect of the relevant class or sub-class (if any).

(g) **General Provision: Interest ceases to accrue**

Interest will cease to accrue on any part of the principal amount outstanding of a note from the scheduled redemption date unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this condition (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such note up to that day are received by or on behalf of the relevant noteholder and (ii) the day which is seven days after the principal paying agent or the note trustee has notified the relevant noteholders either in accordance with condition 16 or individually that it has received all sums due in respect of the relevant notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(h) **General Provision: Failure of agent bank**

If the agent bank fails at any time to determine a rate of interest or to calculate an interest amount or amount of deferred interest (if any) or amount of additional interest (if any), the note trustee or its appointed agent, without any liability therefor, will determine such rate of interest as it considers fair and reasonable in the circumstances (having such regard as it thinks fit to the other provisions of these conditions) or (as the case may be) calculate such interest amount or amount of deferred interest (if any) or amount of additional interest (if any), in accordance with the paragraph entitled "*General Provision: Deferred Interest and Additional Interest*" above, and each such determination or calculation shall be deemed to have been made by the agent bank.

(i) **General Provision: Publication**

The agent bank will cause each rate of interest, interest amount, amount of deferred interest (if any) and amount of additional interest (if any) determined by it, together with the relevant interest payment date, to be notified to the issuing entity, the paying agents, the note trustee and (for so long as the respective notes are admitted to trading on the regulated market of the London Stock Exchange plc (the "**regulated market of the London Stock Exchange**")) the London Stock Exchange as soon as practicable after such determination, but in any event not later than the seventh day thereafter or such earlier day as the regulated market of the London Stock Exchange may require, and the agent bank will cause the same to be published in accordance with condition 16 as soon as possible thereafter. The agent bank will be entitled to recalculate any interest amount and amount of additional interest (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant interest period.



(j) **General Provision: Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this condition 6, whether by the agent bank or the note trustee will (in the absence of wilful default, bad faith or manifest error) be binding on the issuing entity, the paying agents, the note trustee, the agent bank and the noteholders and no liability to any such person will attach to the agent bank or the note trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions for such purposes.

7. **Redemption and Purchase**

(a) **Scheduled Redemption**

Unless previously redeemed and cancelled or unless an amortisation period has earlier commenced, the notes of a class or sub-class will be redeemed on the interest payment date which falls on the scheduled redemption date specified in the relevant final terms for the series to which the class or sub-class belongs as follows and to the following extent:

- (i) if, on the scheduled redemption date, the loan note issuing entity deposits into the relevant class or sub-class distribution ledger in the relevant issuing entity distribution account (in accordance with the provisions of the loan note related to the series to which the class or sub-class belongs) an amount identified as principal equal to the principal amount outstanding of such class or sub-class, then the notes of such class or sub-class will be redeemed *pro rata* to the extent of that amount (after exchange of such principal amount to the relevant currency pursuant to the relevant swap agreement, if such a currency swap agreement has been entered into); and
- (ii) if, on the scheduled redemption date, the loan note issuing entity deposits into the relevant class or sub-class distribution ledger in the relevant issuing entity distribution account (in accordance with the provisions of the loan note related to the series to which the class or sub-class belongs) an amount identified as principal which is less than the principal amount outstanding of such class or sub-class, then the notes of such class or sub-class will be redeemed *pro rata* in part to the extent of the amount which is so deposited (after exchange of such principal amount to the relevant currency pursuant to the relevant swap agreement, if such a currency swap has been entered into), and the rapid amortisation period will commence with effect from the scheduled redemption date.

If the rapid amortisation period for a series of notes commences in the circumstances referred to in (ii) above, then on each interest payment date which thereafter occurs during the amortisation period, the notes will be redeemed in whole or, as the case may be, *pro rata* in part to the extent of the amount (after exchange of such amount to the relevant currency at the rate of exchange applicable to such series under the swap agreement or, if there is no longer a swap agreement, then at a spot rate of exchange, if such series is not denominated in sterling) which, if any, is deposited to the relevant class or sub-class distribution ledger in the relevant issuing entity distribution account on such day in accordance with the provisions of the related loan note until the earlier of (a) such time as the series of notes is redeemed in full or (b) the final redemption date specified in the relevant final terms for such series of note.

The principal paying agent will cause each principal payment and principal amount outstanding to be notified to the issuing entity, the paying agents, the note trustee and (for so long as the notes are admitted to trading on the regulated market of the London Stock Exchange), the London Stock Exchange, as soon as practicable after such determination, but in any event not later than the seventh day thereafter or such earlier day as the regulated market of the London Stock Exchange may require and will cause the same to be published in accordance with condition 16 as soon as possible thereafter.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this condition by the principal paying agent will (in the absence of wilful default, bad faith or manifest error) be binding on the issuing entity, the paying agents, the note trustee and the noteholders and (subject as aforesaid) no liability to any such person will attach to the principal paying agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

If the agent bank fails at any time to determine a principal payment or principal amount outstanding as set out below, the note trustee or its appointed agent, without accepting liability therefor shall calculate such principal payment or principal amount outstanding in accordance with the above provisions of this condition, and each such determination or calculation shall be deemed to have been made by the agent bank. Any such determination or calculation will be binding on the issuing entity, the paying agents, the note trustee and the noteholders.

(b) ***Mandatory Early Redemption***

If an amortisation period commences prior to the scheduled redemption date with respect to any series of notes (or, if the issuing entity has entered into a swap agreement in respect of any class or sub-class of the notes, an amortisation period commences (or is continuing) on or after the scheduled redemption date), then on each interest payment date (including the scheduled redemption date), which thereafter occurs during such amortisation period, each class or sub-class of notes that belongs to the relevant series now subject to an amortisation period will be redeemed *pro rata* in part to the extent of the amount (being the "**available redemption funds**") which is deposited into the relevant corresponding class or sub-class distribution ledger (in respect of the relevant series) by the loan note issuing entity on each such date in accordance with the provisions of the loan note related to the relevant series to which the class or sub-class belongs until the earlier of (a) such time as each class or sub-class of the relevant series is redeemed in full, (b) such date prior to the final redemption date (if any) specified in the relevant final terms and (c) the final redemption date specified in the relevant final terms; **provided that** if the issuing entity has entered into a swap agreement in respect of any class or sub-class of notes, then on each interest payment date which occurs on and after the scheduled redemption date, the notes will be redeemed *pro rata* in part to the extent of the available redemption funds (after exchange of such amount to the relevant currency pursuant to the relevant currency swap agreement, if such a currency swap has been entered into) until the earlier of (a) such time as each class or sub-class of the relevant series is redeemed in full, and (b) the final redemption date specified in the relevant final terms.

On each interest payment date, the agent bank shall determine (i) the amount of each "**principal payment**" payable per relevant adjusted calculation amount in respect of each note, which will be the *pro rata* share of such relevant adjusted calculation amount in the available redemption funds (converted into the relevant currency, if the relevant class or sub-class is not denominated in sterling) calculated by dividing such available redemption funds by the aggregate principal amount outstanding of the relevant class or sub-class of notes and multiplying such quotient by the relevant adjusted calculation amount for such class or sub-class of notes at such time, and (ii) the principal amount outstanding and relevant adjusted calculation amount in respect of each note on the first day of the next following interest period (after deducting any principal payment due to be made in respect of each note on the interest payment date). Where the principal amount outstanding of a note is a multiple of the relevant adjusted calculation amount, the amount of principal payable in respect of such note shall be the product of the principal payment (determined in the manner provided above) and the number by which the relevant adjusted calculation amount is required to be multiplied to reach the principal amount outstanding of such note, without any further rounding.

(c) ***Optional Early Redemption in Full***

If a series is specified in the relevant final terms as being able to be redeemed on any "call date", then (subject to any additional conditions (if any) specified in the relevant final terms) on any interest payment date falling on or after the relevant call date and upon giving not more than 60 nor less than 30 days' prior written notice to the note trustee, the swap counterparty (if any) and the noteholders (in accordance with condition 16 (*Notices*)), the issuing entity may redeem all (but not some only) of the notes of such series then outstanding at their then principal amount outstanding together with accrued interest **provided that**, prior to giving any such notice, the issuing entity shall have provided to the note trustee a certificate signed by two directors of the issuing entity to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the relevant series on such interest payment date as aforesaid and to pay any amounts required to be paid in priority to or *pari passu* with such series outstanding in accordance with the conditions of the trust deed and relevant trust deed supplement.

(d) ***Final Redemption***

If the notes have not previously been cancelled or redeemed in full pursuant to conditions 7(a), 7(b) or 10 (including any case where any interest (including deferred interest and additional interest) thereon has not earlier been paid), the notes will be finally redeemed at their then principal amount outstanding, together with accrued interest (including deferred interest and additional interest) thereon on the final redemption date specified in the relevant final terms.

(e) ***Other Redemption***

The issuing entity shall not be entitled to redeem the notes otherwise than as provided in paragraphs (a), (b) and (c) above.

(f) ***Purchase***

The issuing entity may not, at any time, purchase the notes in the open market or otherwise.

(g) ***Cancellation***

All notes redeemed pursuant to the foregoing provisions shall be cancelled forthwith and may not be reissued or resold.

8. **Payments**

(a) ***Principal in Euro***

Payments of principal shall be made by euro cheque drawn on, or, upon application by a holder of a note to the specified office of the principal paying agent not later than the fifteenth day before the due date for any such payment, by transfer to a euro account (or other account to which euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to TARGET2 and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note certificates at the specified office of any paying agent.

(b) ***Interest in Euro***

Payments of interest shall be made by euro cheque drawn on, or, upon application by a holder of a note to the specified office of the principal paying agent not later than the fifteenth day before the due date for any such payment, by transfer to a euro account (or other account to which euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to TARGET2 and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note certificates at the specified office of any paying agent.

(c) ***Principal in US dollars***

Payments of principal shall be made by US dollar cheque drawn on, or, upon application by a holder of a note to the specified office of the principal paying agent not later than the fifteenth day before the due date for any such payment, by transfer to a US dollar account (or other account to which US dollars may be credited or transferred) maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note certificates at the specified office of any paying agent.

(d) ***Interest in US dollars***

Payments of interest shall be made by US dollar cheque drawn on, or, upon application by a holder of a note to the specified office of the principal paying agent not later than the fifteenth day before the due date for any such payment, by transfer to a US dollar account (or other account to which US dollars may be credited or transferred) maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note certificates at the specified office of any paying agent.

(e) ***Principal in Sterling***

Payments of principal shall be made by sterling cheque drawn on, or, upon application by a holder of a note to the specified office of the principal paying agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account (or other account to which sterling may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to TARGET2 and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note certificates at the specified office of any paying agent.

(f) ***Interest in Sterling***

Payments of interest shall be made by sterling cheque drawn on, or, upon application by a holder of a note to the specified office of the principal paying agent not later than the fifteenth day before the due date for any such payment, by transfer to a sterling account (or other account to which sterling may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to TARGET2 and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant note certificates at the specified office of any paying agent.

(g) ***Payments subject to fiscal laws***

All payments in respect of the notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of condition 9 (*Taxation*). No commissions or expenses shall be charged to the noteholders in respect of such payments.

(h) ***Payments on business days***

If the due date for payment of any amount in respect of any note is not a payment business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding payment business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(i) ***Partial payments***

If a paying agent makes a partial payment in respect of any note, the issuing entity shall procure that the amount and date of such payment are noted on the register and, in the case of partial payment upon presentation of a note certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant note certificate.

(j) ***Record date***

Each payment in respect of a note will be made to the person shown as the holder in the register at the opening of business in the place of the registrar's specified office on the fifteenth day before the due date for such payment (the "**record date**"). Where payment in respect of a note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the register at the opening of business on the relevant record date.

(k) ***Paying Agent***

The issuing entity reserves the right, subject to the prior written approval of the note trustee, at any time to vary or terminate the appointment of the principal paying agent and to appoint additional or other paying agents. The issuing entity will at all times maintain a paying agent with a specified office in London (so long as the notes are admitted to the Official List of the Financial Services Authority in its capacity as the UK Listing Authority (the "**UKLA**") and/or admitted to trading on the regulated market of the London Stock Exchange).

9. **Taxation**

All payments of principal and interest in respect of the notes by or on behalf of the issuing entity shall be made free and clear of, and without withholding or deduction for or on account of, any and all present and future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any other jurisdiction to whose tax laws such payments may be subject or any political subdivision therein or any authority in or of any of the foregoing having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the issuing entity or the paying agents shall make such payment after such withholding or deduction of such amounts has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the issuing entity nor the paying agents will be required to make any additional payments to any noteholder in respect of any amounts deducted or withheld as mentioned in this condition 9.

10. **Events of Default**

If any of the following events (each, an "**event of default**") occurs in respect of a series:

(a) ***Non-payment***

the issuing entity fails to pay any amount of principal in respect of a class or sub-class (if any) of the relevant series of notes within seven days of the due date for payment thereof, or fails to pay any amount of interest in respect of a class or sub-class (if any) of the relevant series of notes within fifteen days of the due date for payment thereof; or

(b) ***Breach of other obligations***

the issuing entity defaults in the performance or observance of any of its other obligations under or in respect of the relevant series of notes, the trust deed (other than, in such case, any obligation for the payment of any principal or interest on the notes) or the agency agreement and (except where such default is incapable of remedy) such default remains unremedied for 30 days after written notice thereof by the note trustee, addressed to the issuing entity, certifying that such default is, in the opinion of the note trustee, materially prejudicial to the interests of the most senior class outstanding of notes of such series; or

(c) ***Unsatisfied judgment***

one or more judgment(s) or order(s) for the payment of any amount is rendered against the issuing entity and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(d) ***Security enforced***

a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the issuing entity or an enforcement action is begun or a distress or execution is levied against any assets of the issuing entity; or

(e) ***Insolvency, etc.***

(i) the issuing entity becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the issuing entity or the whole or any part of the undertaking, assets and revenues of the issuing entity is appointed (or application for any such appointment is made), (iii) the issuing entity takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of indebtedness given by it or (iv) the issuing entity ceases or threatens to cease to carry on all or any substantial part of its business; or

(f) ***Winding-up, etc.***

an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the issuing entity; or

(g) ***Failure to take action, etc.***

any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the issuing entity lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the notes and the related documents, (ii) to ensure that those obligations are legal, valid, binding and enforceable (except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganisation or other similar laws affecting the enforcement of the rights of creditors generally and as such enforceability may be limited by the effect of general principles of equity) and (iii) to make the notes and the related documents admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or

(h) ***Unlawfulness***

it is or will become unlawful for the issuing entity to perform or comply with any of its obligations under or in respect of the relevant series of notes; or

(i) ***Government intervention***

(i) all or any substantial part of the undertaking, assets and revenues of the issuing entity is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the issuing entity is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(j) ***Swap Termination***

if the issuing entity has entered into, in respect of the relevant class or sub-class of notes, a swap agreement, an early termination of such swap agreement without replacement within 30 days,

then, the note trustee may at its discretion and, if so required by holders of at least one-quarter of the aggregate principal amount outstanding of the most senior class outstanding of notes of such series or if so directed by an extraordinary resolution (as defined in the trust deed) of the noteholders of the most senior class outstanding of notes of such series (subject in each case to being indemnified and/or secured to its satisfaction), shall be bound to, give written notice (an "**enforcement notice**") to the issuing entity declaring all of the notes of the relevant series to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount outstanding together with accrued interest (including deferred interest and

additional interest) without further action or formality and the security shall become enforceable. Notice of any such declaration shall promptly be given to all the noteholders of the relevant series by the issuing entity.

11. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant note certificates are surrendered for payment within ten years of the appropriate relevant date.

12. **Note Trustee and Agents**

The note trustee is entitled to be indemnified and/or secured and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the noteholders.

In the exercise of its powers and discretions under these note conditions and the trust deed, the note trustee will have regard to the interests of the noteholders as a class and will not be responsible for any consequence (including any tax consequence) for individual holders of notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the agency agreement, and in connection with the notes, the paying agents act solely as agents of the issuing entity and (to the extent provided therein) the note trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the noteholders.

If, in the opinion of the note trustee, there is a conflict between the interests of the holders of any of the classes or sub-classes of notes, the note trustee shall, in the exercise of its duties, powers and discretions, have regard solely to the interests of the class which ranks most senior and which is still outstanding.

The note trustee is relieved of liability for making searches or other enquiries in relation to the assets comprising the security. The note trustee has no responsibility in relation to the legality and the enforceability of the trust arrangements and the connected security. The note trustee will not be obliged to take any action which might result in its incurring personal liabilities. The note trustee is not obliged to monitor or investigate the performance of any other person under the documents relating to the loan note issuing entity or the documents relating to the receivables trust and shall be entitled to assume, until it has actual notice to the contrary, that all such persons are properly performing their duties and that no pay-out event has occurred, unless it receives express notice to the contrary.

The note trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of security.

The note trustee is not responsible for checking the calculations contained in or otherwise verifying any information coming into its possession in relation to the receivables trust. Neither shall the note trustee be responsible for monitoring or determining whether or not any or all of the issuance tests in respect of the related loan note for a series are satisfied prior to or at the time of any issue of a series and its related loan note or any increase of the outstanding principal amount of an existing series and its related loan note by the loan note issuing entity.

The note trustee and its related companies are entitled to enter into business transactions with the issuing entity, RBS, NatWest and/or related companies of any of them without accounting for any profit resulting therefrom.

The initial paying agents and their initial specified offices are listed below. The initial agent bank is specified in the relevant final terms. Subject to the provisions of the agency agreement, the issuing entity reserves the right at any time to vary or terminate the appointment of any paying agent and to appoint successor or additional paying agents or a successor agent bank, **provided, however, that:**

- (a) the issuing entity shall at all times maintain a principal paying agent; and

- (b) the issuing entity will ensure that it maintains a paying agent in a European Union member state such that the paying agent will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such directive; and
- (c) if a calculation agent is specified in the relevant final terms, the issuing entity shall at all times maintain a calculation agent; and
- (d) if and for so long as the notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a paying agent in any particular place, the issuing entity shall maintain a paying agent having its specified office in the place required by such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the paying agents or in their specified offices shall promptly be given to the noteholders.

### 13. **Replacement of Note Certificates**

If any note certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the issuing entity or registrar may reasonably require. Mutilated or defaced note certificates must be surrendered before replacements will be issued.

### 14. **Meetings of Noteholders; Modification and Waiver**

#### **Meetings of Noteholders**

The trust deed contains provisions for convening meetings of noteholders to consider matters relating to the notes of a series, including the modification of any provision of these conditions or the trust deed. Any such modification may be made if sanctioned by an extraordinary resolution of the relevant noteholders.

The note trust deed provides that:

- (a) an extraordinary resolution which, in the opinion of the note trustee, affects the notes of only one class or sub-class, shall be transacted at a separate meeting of the noteholders of that class or sub-class;
- (b) an extraordinary resolution which, in the opinion of the note trustee, affects the noteholders of more than one class or sub-class of notes, but does not give rise to an actual or potential conflict of interest between the noteholders of one class or sub-class of notes and the holders of another class or sub-class of notes, shall be transacted either at separate meetings of the noteholders of each such class or sub-class or at a single meeting of the noteholders of all such classes or sub-classes of notes as the note trustee shall determine in its absolute discretion; and
- (c) an extraordinary resolution which, in the opinion of the note trustee affects the noteholders of more than one class or sub-class and gives rise to any actual or potential conflict of interest between the noteholders of one class or sub-class of notes and the noteholders of any other class or sub-class of notes, shall be transacted at separate meetings of the noteholders of each such class or sub-class.

The quorum for an extraordinary resolution, other than regarding a basic terms modification, relating to a meeting of a particular class or classes or sub-class or sub-classes of notes will be two or more persons holding or representing a majority of the principal amount outstanding of the outstanding notes in that class or those classes or sub-class or sub-classes or, at any adjourned meeting, two or more persons being or representing noteholders of that class or those classes or



sub-class or sub-classes, whatever the principal amount outstanding of the outstanding notes so held or represented in such class or classes or sub-class or sub-classes.

The quorum for an extraordinary resolution relating to a basic terms modification (which must be proposed separately to each class or sub-class of noteholders) will be two or more persons holding or representing in the aggregate 75 per cent. of the principal amount outstanding of the outstanding notes in the relevant class or classes or sub-class or sub-classes or, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 33 per cent. of the principal amount outstanding of the outstanding notes in the relevant class or classes or sub-class or sub-classes.

In relation to each class or sub-class of notes:

- (a) no extraordinary resolution involving a basic terms modification that is passed by the holders of one class or sub-class of notes shall be effective unless it is sanctioned by an extraordinary resolution of the holders of each of the other classes or sub-classes of notes (to the extent that there are outstanding notes in each such other classes or sub-classes);
- (b) no extraordinary resolution to approve any matter other than a basic terms modification of any class or sub-class of notes shall be effective unless it is sanctioned by an extraordinary resolution of the holders of each of the other classes or sub-classes of notes ranking senior to such class or sub-class (to the extent that there are outstanding notes ranking senior to such class or sub-class), unless the note trustee considers that none of the holders of each of the other classes of notes ranking senior to such class or sub-class would be materially prejudiced by the absence of such sanction; and
- (c) any resolution passed at a meeting of noteholders of one or more classes or sub-classes of notes duly convened and held in accordance with the note trust deed shall be binding upon all noteholders of such class or classes or sub-class or sub-classes, whether or not present at such meeting and whether or not voting and, except in the case of a meeting relating to a basic terms modification, any resolution passed at a meeting of the holders of the most senior class or sub-class of notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes or sub-classes of notes.

### ***Modification and Waiver***

The note trustee may agree, without the consent of the noteholders, (i) to any modification (except a basic terms modification) of, or to the waiver or authorisation of any breach or proposed breach of, the notes or any series thereof (including these note conditions) or any other related document, the loan notes in respect of a series, the trust deed and the trust deed supplement which is not, in the opinion of the note trustee, materially prejudicial to the interests of the holders of the most senior class or sub-classes of outstanding notes or (ii) to any modification of any of the provisions of these note conditions or any of the related documents which, in the opinion of the note trustee, is of a formal, minor or technical nature or is to correct a manifest error. The note trustee shall not waive or authorise (i) any such proposed breach in contravention of any express direction by an extraordinary resolution of the holders of the most senior class of outstanding notes (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or (ii) any such proposed breach or breach relating to a basic terms modification.

Any such modification, authorisation or waiver shall be binding on the relevant noteholders and, unless the note trustee agrees otherwise, shall be notified by the issuing entity to the noteholders in accordance with condition 16 as soon as practicable thereafter. Where each rating agency that is then rating the relevant class of notes has given written confirmation that the then current rating of the relevant class of notes would not be adversely affected by such exercise, the note trustee in considering whether or not such exercise is materially prejudicial to the interests of the noteholders (or any class thereof) or, as the case may be, the holders of the most senior class of outstanding notes, shall be entitled to take into account such written confirmation from each rating agency **provided that** the note trustee shall continue to be responsible for taking into account all other matters which would be relevant to such consideration. Notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may

be of relevance to noteholders. The above does not impose or extend any actual or contingent liability for the rating agencies to the noteholders or any other party or create any legal relations between the rating agencies and the noteholders or any other party.

### ***Substitution***

As more fully set forth in the trust deed (and subject to the conditions and more detailed provisions which are contained therein), subject to such amendment of the trust deed and such other conditions as the note trustee may require, but without the consent of the noteholders, the note trustee may also agree to the substitution of any other body corporate in place of the issuing entity (the "**substituted issuing entity**") as principal debtor under the trust deed and the notes and in the case of such a substitution the note trustee may agree, without the consent of the noteholders, to a change of the law governing the notes and/or the trust deed, **provided that** such change would not in the opinion of the note trustee be materially prejudicial to the interests of the holders of the most senior class of outstanding notes. Any such substitution or addition shall be notified to the noteholders in accordance with condition 16 as soon as practicable thereafter.

## **15. Enforcement**

At any time after the notes of a series become due and repayable and, without prejudice to its rights of enforcement in relation to the security, the note trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce payment of the notes of the relevant series only (including the right to repayment of the relevant series of notes together with accrued interest thereon and including enforcing the security in relation to the relevant series only) and shall be bound to do so if (and only if):

- (a) it shall have been so directed by holders of at least one-quarter of the aggregate principal amount outstanding of the holders of the most senior class of outstanding notes or by an extraordinary resolution of the holders of the most senior class of outstanding notes; and
- (b) it shall have been indemnified or provided with security to its satisfaction.

No noteholder may institute any proceedings against the issuing entity to enforce its rights under or in respect of the notes or the trust deed unless (i) the note trustee has become bound to institute proceedings and has failed to do so within a reasonable time and (ii) such failure is continuing. The note trustee may only enforce the outstanding floating charge given to it if it shall have been so directed by one-quarter in aggregate principal amount of the holders of the most senior class of outstanding notes of each and every series.

## **16. Notices**

Notices to the noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times). Any such notice shall be deemed to have been given on the date of first publication.

Until such time as any definitive note certificates are issued, there may, so long as the global note certificate(s) is or are held in its or their entirety on behalf of Euroclear and Clearstream, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream, for communication by them to the holders of the notes. Any such notice shall be deemed to have been given to the holders of the relevant notes on the seventh day after the day on which such notice was given to Euroclear and Clearstream.

Any notices specifying the rate of interest, the redemption rate, an interest amount, an amount of additional interest or of deferred interest, a principal payment or a principal amount outstanding shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be approved by the note trustee and notified to the relevant class of noteholders (the "**relevant screen**"). Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impracticable to give notice in accordance with this paragraph, then notice of the matters referred to in this condition shall be given in accordance with the preceding paragraph.

Copies of all notices given in accordance with these provisions shall be sent to the London Stock Exchange and Euroclear and Clearstream.

17. **Currency Indemnity**

If any sum due from the issuing entity in respect of the notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the issuing entity, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the notes, the issuing entity shall indemnify each noteholder, on the written demand of such noteholder addressed to the issuing entity and delivered to the issuing entity or to the specified office of the principal paying agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the issuing entity and shall give rise to a separate and independent cause of action.

18. **Rounding**

For the purposes of any calculations referred to in these conditions (unless otherwise specified in these conditions or the relevant final terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

19. **Redenomination, Renominalisation and Reconventioning**

***Application***

This condition 19 is applicable to the notes only if it is specified in the relevant final terms as being applicable.

***Notice of redenomination***

If the country of the specified currency becomes, or announces its intention to become, a participating member state, the issuing entity may, without the consent of the noteholders, on giving at least 30 days' prior notice to the noteholders and the paying agents, designate a date (the "**redenomination date**"), being an interest payment date under the notes falling on or after the date on which such country becomes a participating member state.

***Redenomination***

Notwithstanding the other provisions of these conditions, with effect from the redenomination date:

- (i) the notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount outstanding for each note equal to the principal amount outstanding of that note in the specified currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided, however, that**, if the issuing entity determines, with the agreement of the principal paying agent, then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be

amended so as to comply with such market practice and the issuing entity shall promptly notify the noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the notes have then been admitted to listing, trading and/or quotation and the paying agents of such deemed amendments;

- (ii) if notes have been issued in definitive form:
  - (A) the payment obligations contained in all notes denominated in the specified currency will become void on the redenomination date but all other obligations of the issuing entity thereunder (including the obligation to exchange such notes in accordance with this condition 19) shall remain in full force and effect; and
  - (B) new notes denominated in euro will be issued in exchange for notes denominated in the specified currency in such manner as the principal paying agent may specify and as shall be notified to the noteholders; and
- (iii) all payments in respect of the notes (other than, unless the redenomination date is on or after such date as the specified currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the redenomination date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Community.

Any individual note certificates issued pursuant to such redenomination shall have a minimum specified denomination of €50,000 (or its equivalent in another currency).

#### ***Interest***

Following redenomination of the notes pursuant to this condition 19, where individual note certificates have been issued, the amount of interest due in respect of the notes will be calculated by reference to the aggregate outstanding principal amount of the notes.

#### ***Interest determination date***

If the floating rate note provisions are specified in the relevant final terms as being applicable and screen rate determination is specified in the relevant final terms as the manner in which the rate(s) of interest is/are to be determined, with effect from the redenomination date, the interest determination date shall be deemed to be the second TARGET settlement day before the first day of the relevant interest period.

### **20. Governing Law and Jurisdiction**

#### ***Governing law***

The notes and all matters arising from or connected with the notes are governed by, and shall be construed in accordance with, English law.

#### ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute (a "**dispute**") arising from or connected with the notes.

#### ***Appropriate forum***

The issuing entity agrees that the courts of England are the most appropriate and convenient courts to settle any dispute and, accordingly, that it will not argue to the contrary.

#### ***Rights of the note trustee to take proceedings outside England***

Condition 20 (*English courts*) is for the benefit of the note trustee only. As a result, nothing in this condition 20 (*Governing law and jurisdiction*) prevents the note trustee from taking proceedings relating to a dispute ("**proceedings**") in any other courts with jurisdiction. To the

extent allowed by law, the note trustee may take concurrent proceedings in any number of jurisdictions.

***The trust deed***

The trust deed provides for the courts of England and Wales to have exclusive jurisdiction in connection with the notes.

***Consent to enforcement etc.***

The issuing entity consents generally in respect of any proceedings to the giving of any relief or the issue of any process in connection with such proceedings, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such proceedings.

21. **Third Party Rights**

No person shall have any right to enforce any term or condition of the notes or the security trust deed under the Contracts (Rights of Third Parties) Act 1999.

22. **Recourse**

If at any time following (i) the final redemption date or any earlier date upon which the notes of a series are due and payable, (ii) the date on which the issuing entity has received all sums due to it in respect of such series and (iii) the application in full of any amounts available to pay amounts due and payable under the notes of such series in accordance with the relevant priority of payments, there remains any amount then due and payable under the notes of such series then such amount shall, on the day following the application in full of the amounts referred to in (iii) above, cease to be due and payable by the issuing entity.

## DESCRIPTION OF THE SWAP AGREEMENTS

### General

The issuing entity may enter into swap agreements with one or more counterparties for each class or sub-class of notes. Under separate ISDA master agreements (and the schedules and confirmations relating thereto) for any such class or sub-class requiring a swap, as the same may be amended and/or supplemented each between the issuing entity and the swap counterparty, the issuing entity will: (i) in respect of a currency swap agreement, pay to the swap counterparty (a) on the closing date of a series issuance, certain initial payments in the currency denomination of that class or sub-class and (b) thereafter, sterling sums equal to the payments required under such currency swap agreement; and (ii) in respect of an interest rate swap agreement, pay to the swap counterparty after the relevant issue date sterling sums equal to the payments required under such interest rate swap agreement (if any).

Further details of the swap counterparty will be set out in the applicable final terms.

### In relation to currency swap agreements only

In the event that the regulated amortisation period or the rapid amortisation period commences on the series scheduled redemption date, and on or prior to the series scheduled redemption date there have been credited to the issuing entity's class or sub-class distribution ledger insufficient funds to redeem the relevant class or sub-class in full (any such event, a "**redemption trigger**"), then the following provisions shall apply:

The period from and including the series scheduled redemption date to the redemption period end date is called the "**redemption period**". The "**redemption period end date**" is the interest payment date as set out in the relevant final terms. From the occurrence of the redemption trigger, the termination date under the relevant swap agreement shall be amended to be the redemption period end date. During the redemption period, on each payment date, the notional amount applicable in respect of payments to be made by the issuing entity under the relevant swap agreement shall be reduced (for the next following calculation period for the issuing entity) by an amount equal to the amount identified as principal credited to the relevant class or sub-class distribution ledger during the period from (and including) the immediately preceding payment date to (but excluding) such payment date (the amount of such reduction, the "**issuing entity amortisation amount**"). During the redemption period, on each interest payment date, the notional amount applicable in respect of payments to be made by the swap counterparty under the relevant swap agreement shall be reduced (for the next following calculation period for the swap counterparty) by an amount (the "**counterparty amortisation amount**") calculated as specified below:

The counterparty amortisation amount is equal to  $A \times \frac{B}{C}$

where:

- A = the notional amount applicable to payments to be made by the swap counterparty pursuant to the relevant swap agreement and calculated on the effective date under such swap agreement
- B = the issuing entity amortisation amount applicable on the relevant payment date
- C = the notional amount applicable to payments to be made by the issuing entity pursuant to the relevant swap agreement and calculated on the effective date under such swap agreement.

### Early termination

Each swap agreement for any class or sub-class may be terminated early in the following circumstances:

- (a) at the option of one party, after the expiration of any applicable grace period, if there is a failure by the other party to pay any amounts due under the swap agreement;
- (b) pursuant to the occurrence of an event of default under condition 10 of the note conditions and the notes becoming repayable;

- (c) upon the occurrence of certain other events with respect to either party to the swap agreement, including an insolvency, merger without an assumption of the obligations in respect of the swap agreement, or changes in law resulting in illegality; and
- (d) in the event that there is a withholding tax imposed (1) in relation to the issuing entity's payments under the swap agreement (2) in relation to the swap counterparty's payments under the swap agreement (following, broadly, expiry of any period during which the swap counterparty is required to mitigate against the imposition of such withholding tax) and, if determined, in accordance with condition 14 of the note conditions as a basic terms modification, by an extraordinary resolution of the noteholders of the relevant class or sub-class.

Upon any such early termination of a swap agreement, the issuing entity or the swap counterparty may be liable to make a termination payment to the other. The amount of any such termination payment will be based on the market value of the swap computed in accordance with the relevant swap agreement, generally on the basis of market quotations of the cost of entering into a swap transaction with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties, in accordance with the procedures set forth in the relevant swap agreement. Any such termination payment could, if interest rates and/or the relevant currency exchange rate had changed significantly, be substantial.

Upon termination of a swap agreement and no replacement swap counterparty being arranged within the required time, the security under the trust deed (and the the trust deed supplement) in respect of the relevant series will become enforceable. If such security is enforced, the proceeds thereof will be applied in payment of amounts under the order of priority of payments set forth in the conditions of the notes of such series. In the event that a swap agreement with respect to a specific class or sub-class is terminated not as a result of a swap counterparty swap event of default (as defined below), then any termination payment to be paid to the swap counterparty by the issuing entity in accordance with the early termination provisions of such swap agreement shall rank *pari passu* with only those payments to be made with respect to the relevant class or sub-class of notes corresponding to the relevant swap agreement.

Certain events including, without limitation, failure to pay or deliver, misrepresentation, insolvency or bankruptcy pertaining to the swap counterparty (a "**swap counterparty swap event of default**") may result in the early termination of the relevant swap agreement. In the event that a swap agreement is terminated as a result of a swap counterparty swap event of default, then any termination payment to be paid to the swap counterparty by the issuing entity in accordance with the early termination provisions of such swap agreement shall be subordinated to any payments to be made under the relevant notes.

## **Taxation**

Neither the issuing entity nor the swap counterparty is obliged under any of the swap agreements to gross up if withholding taxes are imposed on payments made under such swap agreement.

In the event that any withholding tax is imposed on payments due to the issuing entity and which are referable to the relevant class or sub-class, or payments by the issuing entity under any swap agreement (and subject to the provisions of the following paragraph), the swap counterparty shall be entitled to deduct amounts in the same proportion (as calculated in accordance with such swap agreement) from the corresponding payment due from it. In such event, payments on the relevant series will be subject to deferral in proportion to the amount so deducted. In the event that any withholding tax is imposed on payments due by the swap counterparty under a swap agreement, the issuing entity shall not be entitled to deduct amounts from subsequent payments due from it and (subject to the provisions of the following paragraph) payments on the relevant series will be subject to deferral in proportion to the amount so withheld.

Under the circumstances described in each of the swap agreements, if at any time the swap counterparty would on the next date for payment be required by any relevant taxing authority or court of competent jurisdiction by operation of law to withhold or account for or deduct any amount in respect of tax, the swap counterparty will inform the issuing entity and the note trustee. The swap counterparty will use its best endeavours (**provided that** using its best endeavours will not require it to incur any loss (including additional capital costs), excluding immaterial, incidental expenses) to arrange the substitution of an affiliate incorporated in another jurisdiction to act as the swap counterparty under the relevant swap agreement or to change the office through which it acts as swap counterparty, but not so as in any event to

(i) result in the ratings of the relevant series by Standard & Poor's, Fitch Ratings or Moody's being reduced or adversely affected by reference to the ratings which would otherwise have applied to such series if such circumstances described above had not occurred or (ii) otherwise prejudice the position of the issuing entity under the relevant swap agreement. If the swap counterparty is unable to arrange such substitution or change, the swap counterparty shall so inform the issuing entity and the security trustee and shall use its best endeavours (**provided that** using its best endeavours will not require it to incur any loss (including additional capital costs), excluding immaterial, incidental expenses) to arrange the substitution of another company incorporated in another jurisdiction to act as the swap counterparty under the relevant swap agreement, but not so as in any event to (i) result in the ratings of the relevant series by Standard & Poor's, Fitch Ratings or Moody's to be reduced or adversely affected by reference to the ratings which would otherwise have applied to such series if such circumstances described above had not occurred or (ii) otherwise prejudice the position of the issuing entity under the relevant swap agreement.

### **Rating downgrade or withdrawal**

If the rating of a swap counterparty (or, if applicable, its guarantor or credit support provider) falls below the ratings specified in the relevant swap agreement (in accordance with the criteria of the rating agencies at the time the relevant swap agreement was entered into) or if the rating of a swap counterparty (or, if applicable, its guarantor or credit support provider) is withdrawn, then the swap counterparty will, in accordance with the provisions of, and subject to the timeframes specified in, the relevant swap agreement, be required to take certain remedial measures, which may include:

- (a) providing collateral in accordance with a mark-to-market collateral agreement between the swap counterparty and the issuing entity (the "**credit support annex**");
- (b) obtaining a guarantee from a guarantor that satisfies the minimum rating and other requirements specified in the relevant swap agreement;
- (c) transferring the relevant swap agreement to an entity that satisfies the minimum rating and other requirements specified in the relevant swap agreement; or
- (d) taking such other actions as may be specified in the relevant swap agreement.

If the swap counterparty fails to take any of the applicable remedial measures in accordance with the provisions of the relevant swap agreement, the issuing entity may terminate such swap agreement in accordance with its terms.

### **General**

Except as stated under "*Taxation*" above, or as otherwise permitted under the swap agreements and as provided below, neither the issuing entity nor the swap counterparty is, save for the assignment by way of security in favour of the note trustee under the trust deed supplement, permitted to assign, novate or transfer as a whole or in part any of its rights, obligations or interests under the swap agreements. The swap counterparty may transfer its rights and obligations under each swap agreement (but not its rights only) to another of its offices, branches or affiliates on ten business days' prior written notice to the issuing entity and the note trustee **provided that** (i) the swap counterparty delivers an opinion of independent counsel of recognised standing in form and substance satisfactory to the note trustee confirming that as at such date of transfer the transferee will not, as a result of such transfer, be required to withhold or deduct on account of tax under the swap agreement, (ii) a termination event or event of default does not occur under the swap agreement as a result of such transfer and (iii) the then current ratings of the relevant class or sub-class of notes by Standard & Poor's, Fitch Ratings or Moody's are not adversely affected as a result of such transfer.

In the event that the swap counterparty makes a permitted transfer of its rights and obligations under any swap agreement other than to another of such swap counterparty's offices, branches or affiliates, the issuing entity shall forthwith give notice of such fact to the note trustee.



## MATERIAL LEGAL ASPECTS OF THE RECEIVABLES

### Consumer Credit Act 1974 (as amended)

This section, entitled "*Consumer Credit Act 1974 (as amended)*" contains a discussion of the material consequences of the CCA for the designated accounts.

#### Enforcement of improperly executed or modified credit card agreements

If a credit card agreement has not been executed or modified in accordance with the CCA, then it may be unenforceable against a cardholder without a court order and in some instances may be completely unenforceable. As is common with many other UK credit card issuers, the originators' credit card agreements may not in all circumstances comply in all respects with the CCA or other related legislation. As a result, these agreements may be unenforceable by the relevant originator against a cardholder automatically or without a court order. The originators give no guarantee that a court order could be obtained if required. With respect to those credit card agreements which are not enforceable under the CCA or other related legislation such that a court order could not be obtained, the originators estimate that this will, on any pool selection date or additional selection date, represent less than 1 per cent. of the aggregate principal receivables in the designated accounts. Any resultant losses arising on these accounts will be written off and borne by the investor beneficiaries and originator beneficiaries based on their respective interests in the receivables trust. However, the credit card agreements that do not comply with the CCA are still legal, valid and binding obligations of the relevant cardholder and it will still be possible to collect payments from cardholders willing to pay their debt and demand arrears from cardholders who are falling behind with their payments. Further, it is unlikely that an originator will have an obligation to repay or account to a cardholder for any payments received by that originator notwithstanding any such non-compliance with the CCA.

#### Unfair relationship test

As of 6 April 2008, an unfair relationship test has applied to all new and existing credit agreements. There is no statutory definition of what constitutes an unfair relationship. The test allows the courts to be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. Once the cardholder alleges that an unfair relationship exists, the burden of proof is on the creditor to prove the contrary.

If a credit card agreement is found to be unfair, the court may require the creditor repay sums to the debtor, to do, not do or cease doing anything in relation to the agreement, reduce or discharge any sums payable by the debtor or surety, return surety, alter the terms of the agreement or direct accounts to be taken.

In addition, it is possible that certain clauses of a credit card agreement may be found to be unfair under the UTCCR. Such unfair clauses may be found by the courts to be unenforceable against the cardholder.

The possible unenforceability of, or liabilities due to an underlying credit card agreement constituting an unfair relationship, may result in unrecoverable losses on accounts to which such agreements apply. If losses arise on these accounts, they will be written off and borne by the investor beneficiary and originator beneficiary based on their interests in the receivables trust.

#### Liability for supplier's misrepresentation or breach of contract

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

Section 75 of the CCA provides that, if the supplier is in breach of the contract (whether such contract is express or implied by law) between the supplier and a cardholder in a debtor-creditor-supplier agreement or if the supplier has made a misrepresentation about that contract, the creditor may also be liable to the cardholder for the breach or misrepresentation. The liability of an originator for a designated account in the circumstances described above is called the "**originator section 75 liability**". In these circumstances, the cardholder may have the right to reduce the amount owed to the originator under his or her credit card account. This right would survive the sale of the receivables to the receivables trustee. As a result, the receivables trustee may not receive payments from that originator that it might otherwise expect to

receive. However, an originator will not be liable where the cash price of the item or service supplied concerning the claim is less than £100 or greater than £30,000 but the liability of the creditor is unlimited.

The receivables trustee has agreed to indemnify the originators for any loss suffered by the originators arising from an originator section 75 liability. This indemnity cannot exceed the original outstanding principal balance of the affected charge on the designated account.

The receivables trustee's indemnity will be payable from available spread on the receivables. Any amounts that an originator recovers from the supplier will reduce that originator's loss for purposes of the receivables trustee's indemnity. The originators will have rights of indemnity against suppliers under section 75 of the CCA. The originators may also be able to chargeback the transaction in dispute to the supplier under the operating regulations of VISA® or MasterCard®.

If an originator's loss for purposes of the receivables trustee's indemnity exceeds the available spread available to satisfy the loss, the amount of the excess will reduce the relevant originator interest accordingly.

### **Transfer of Benefit of Receivables**

The transfer by each originator to the receivables trustee of the benefit of the receivables is governed by both English law and by Scots law, as applicable, and takes effect in equity only, except in the case of receivables which are governed by Scots law, in which case the transfer takes effect under a declaration of trust which is governed by Scots law pursuant to which the beneficial interest in the trust property is vested in the receivables trustee.

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

Until notice of assignment is given to the cardholders (which will be following an assignation occurring in the case of receivables governed by Scots law) each cardholder will discharge his or her obligations under the designated account by making payment to the relevant originator. Giving notice of assignment to cardholders (and following an assignation in the case of receivables governed by Scots law) would mean that cardholders should no longer make payment to the originators as creditors under the credit card agreements, but should instead make payment to the receivables trustee as assignee of the receivables. If notice of assignment is given (and following an assignation in the case of receivables governed by Scots law) and a cardholder ignores it and makes payment to the relevant originator for its own account, that cardholder would nevertheless still be bound to make payment to the receivables trustee. The originators, having transferred only the equitable benefit or the beneficial interest of the securitised receivables to the receivables trustee (by way of assignment or Scottish declaration of trust), are the bare trustees of the receivables trustee for the purposes of the collection of the receivables that are the property of the receivables trust and are accountable to the receivables trustee accordingly.

Until notice of assignment is given to a cardholder (which will be following an assignation occurring in the case of receivables governed by Scots law) who is a depositor or other creditor of an originator equitable set-offs may accrue in favour of that cardholder against his or her obligation to make payments under the credit card agreement to that originator. These rights of set-off may result in the receivables trustee receiving less monies than anticipated from the receivables.

The transfer of the benefit of the receivables to the receivables trustee has been and will continue to be subject both to any prior equities that have arisen in favour of the cardholder and to any equities that may arise in the cardholder's favour after the transfer. Where a notice of assignment is given to a cardholder (and following an assignation in the case of receivables governed by Scots law), certain rights of set-off may not arise after the date of the notice of assignment.

Under the terms of the receivables securitisation agreement, the originators represent that each receivable assigned to or held on trust for the receivables trustee is an eligible receivable unless the receivable is specified as being an ineligible receivable. The eligibility criteria require that each receivable constitutes

the legal, valid and binding obligations of the cardholder enforceable unless they are not in compliance with the CCA, in which case they may only be enforceable with a court order and, in a small number of cases, may be unenforceable against the cardholder in accordance with their terms. The eligibility criteria also require that each receivable is not, save as specifically contemplated by any rule of English law or Scots law, currently subject to any defence, dispute, set-off or counterclaim or enforcement orders apart from in the limited cases described in the previous sentence.

Notice of assignment to the cardholder and, in respect of any receivables transferred after the closing date pursuant to an English law governed contract for assignment not in written form, a written assignment in respect of those English law governed receivables or, in the case of Scots law governed receivables the subject of a Scottish declaration of trust, an actual assignation followed by a notice of assignment to cardholders would be necessary to perfect the transfer so that the receivables trustee would take priority over any interest of a later encumbrancer or transferee of the relevant originator's rights who has no notice of the transfer to the receivables trustee.

Notice to the cardholder and, where necessary, assignation followed by a notice of assignment to cardholders would prevent the credit card agreement from being amended by the relevant originator or the cardholder without the consent of the receivables trustee.

As regards receivables that are governed by English law, lack of notice to the cardholder means that, for procedural purposes, the receivables trustee will have to join the relevant originator as a party to any legal action that the receivables trustee may want to take against any cardholder.

## MATERIAL UNITED KINGDOM TAX CONSEQUENCES

The following is a summary of the United Kingdom withholding taxation treatment as at the date hereof in relation to payments of principal and interest in respect of the notes. It is based on current United Kingdom law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not purport to be a complete analysis of all UK tax considerations relating to the notes. They relate only to the position of persons who are the absolute beneficial owners of their notes and may not apply to certain classes of persons such as dealers. They do not necessarily apply where the income is deemed for tax purposes to be income of any other person. **Any noteholders who are in doubt as to their tax position should consult their professional advisers.**

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the notes. In particular, noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### UK withholding tax

The notes issued by the issuing entity will constitute "**quoted Eurobonds**" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. HMRC guidance indicates that the London Stock Exchange is a recognised stock exchange for these purposes. The notes will be treated as listed on the London Stock exchange if they are admitted to the Official List of the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. Whilst the notes are and continue to be quoted Eurobonds, payments of interest on the notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such notes part of a borrowing with a total term of a year or more.

### Provision of information

Noteholders should note that where any interest on notes is paid to them (or to any person acting on their behalf) by the issuing entity or any person in the United Kingdom acting on behalf of the issuing entity (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the issuing entity, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the noteholder (including the noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the noteholder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of certain other jurisdictions.

With effect from 6 April 2009, the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any notes where the amount payable on redemption is greater than the issue price of the notes.

### EU Directive on the taxation of savings income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual

resident or certain limited types of entity established in that other member state; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain member states (including Jersey), have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a member state. In addition, the member states have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a member state to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories. The European Commission has announced proposals to amend the EU savings tax directive. The proposed amendments, if implemented, would extend the scope of the directive so as to cover (i) a wider range of income similar to interest, and (ii) payments through certain types of entity (whether or not established in a member state) for the ultimate benefit of an EU resident individual.

#### **Other rules relating to United Kingdom withholding tax**

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

Where notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the issuer and does not consider the tax consequences of any such substitution.

## **MATERIAL JERSEY TAX CONSEQUENCES**

### **General**

Mourant du Feu & Jeune, as "**Jersey tax counsel**", are of the opinion that, subject to finalisation of documents in a form which is satisfactory to them and not inconsistent with the descriptions in the body of this base prospectus and based on certain assumptions which cannot be verified before closing, the following discussion is true in all material respects in relation to the matters expressly addressed. The discussion is based on an interpretation of laws, regulations, rulings and decisions, including certain letters from the Comptroller of Income Tax in Jersey, all of which are currently in effect and are subject to change. Any such change may be applied retroactively and may adversely affect the Jersey tax consequences described in this base prospectus. In this section, unless otherwise noted, the term "**note**" refers to both the actual global notes and any interest in the global notes held indirectly through DTC, Clearstream or Euroclear.

### **Income tax**

The issuing entity is not regarded as resident for income tax purposes in Jersey and, consequently, is not liable to be charged to tax under Schedule D under the Income Tax (Jersey) Law 1961, as amended (the "**income tax law**"); and it is not expected that the issuing entity will be in receipt of income that would be liable to be charged to tax under any other Schedule under the income tax law.

For the calendar year ending 31 December 2008:

- (a) each of the loan note issuing entity and the receivables trustee has "exempt company" status within the meaning of Article 123A of the income tax law; and
- (b) as an "exempt company" neither the loan note issuing entity nor the receivables trustee will be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts).

On and from 1 January 2009, each of the loan note issuing entity and the receivables trustee is regarded as resident for tax purposes in Jersey and is liable to be charged to tax at a rate of 0% under Schedule D under the income tax law; and it is not expected that either the loan note issuing entity or the receivables trustee will be in receipt of income charged to tax under any Schedule under the income tax law other than Schedule D.

Income tax is charged under Schedule D under the income tax law in respect of (i) the income or profits of any trade carried on in Jersey or elsewhere by a person regarded as resident for tax purposes in Jersey, (ii) any interest of money, whether yearly or otherwise, or other annual payment paid to a person regarded as resident for tax purposes in Jersey, whether such payment is made within or out of Jersey, (iii) dividends and other distributions of a company regarded as resident in Jersey paid to a person regarded as resident for tax purposes in Jersey, (iv) income arising to a person regarded as resident for tax purposes in Jersey from securities out of Jersey and (v) any other income of a person regarded as resident for tax purposes in Jersey that is not derived from the ownership or disposal of land in Jersey.

### **Taxation of the receivables trust**

The Comptroller of Income Tax in Jersey, among other things, has confirmed that the receivables trustee as trustee of the receivables trust will not be assessed to Jersey income tax on the payments, income and gains arising from the property held under the receivables trust including, by long standing concession, any interest arising from Jersey bank deposits held by the receivables trustee as trustee, and confirmed that distributions made by the receivables trustee in respect of the certificates issued to beneficiaries of the receivables trust may be made by the receivables trustee free of any Jersey withholding tax.

### **Withholding tax**

The loan note issuing entity is not entitled to make any deduction or withholding for or on account of Jersey income tax from any interest or other payments on any loan note. No holder of a loan note (other than a resident of Jersey) is subject to any tax in Jersey in respect of the acquisition, ownership, sale, exchange or other disposition of such loan note.

## **Jersey and the European Union Directive on the Taxation of Savings Income**

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and our understanding of the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above), neither the loan note issuing entity nor the receivables trustee would be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

### **Other taxes**

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposition *inter vivos* of the loan notes. Stamp duty of up to 0.75% is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate (including any loan note or interest therein) and (ii) otherwise, on the value of so much of the estate (including any loan note or interest therein), if any, as is situated in Jersey.

## PLAN OF DISTRIBUTION

The issuing entity has entered into an agreement (the "**dealer agreement**") with The Royal Bank of Scotland plc, acting through its Global Banking & Markets division (the "**dealer**" and, together with any other dealer that may in the future become a party to the dealer agreement as provided therein, the "**dealers**") in connection with the future distribution of series of notes to be issued under the programme. The dealer agreement does not impose any obligation on the dealers to purchase, or on the issuing entity to issue, any notes, but provides the general terms and conditions under which the issuing entity and one or more dealers may agree to the issuance by the former and the purchase by the latter of one or more series of notes.

In addition, because the provisions of the dealer agreement are not exclusive, the issuing entity may offer and sell the notes in any of three ways:

- directly to one or more purchasers;
- through agents; or
- through dealers.

Any dealer or agent that offers the notes may be an affiliate of the issuing entity, RBS and/or NatWest, and offers and sales of notes may include secondary market transactions by these affiliates. These affiliates may act as principal or agent in secondary market transactions. Secondary market transactions will be made at prices related to prevailing market prices at the time of sale.

A set of final terms will specify the terms of each offering, including:

- the name or names of any dealers or agents,
- the public offering or purchase price,
- the net proceeds to the issuing entity from the sale,
- any underwriting discounts and other items constituting underwriters' compensation,
- any discounts and commissions allowed or paid to dealers,
- any commissions allowed or paid to agents, and
- the securities exchanges, if any, on which the notes will be listed.

If any notes are sold through dealers, the final terms will describe the nature of the obligation of the dealers to purchase the notes. The notes may be offered to the public either through syndicates represented by one or more dealers or directly by one or more firms acting alone. The dealer or dealers for a particular offering of notes will be named in the final terms relating to that offering, and, if a syndicate is used, the managing dealer or dealers will be set forth on the cover of the final terms. Unless otherwise described in the final terms, the obligation of the dealers to purchase any notes will be subject to various conditions precedent.

The final terms for any notes offered other than through dealers will contain information regarding the nature of the offering and any agreements to be entered into between the issuing entity and the participants in the distribution of the notes.

Dealer trading may take place in some of the notes, including notes not listed on any securities exchange. Direct sales may be made on a national securities exchange or otherwise. If the issuing entity, directly or through agents, solicits offers to purchase notes, the issuing entity reserves the sole right to accept and, together with its agents, to reject in whole or in part any proposed purchase of notes.

The issuing entity may change any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers. If indicated in the relevant final terms, the issuing entity will authorise dealers or agents to solicit offers by certain institutions to purchase securities from the issuing entity pursuant to delayed delivery contracts providing for payment and delivery at a future date.



Any dealer or agent participating in the distribution of securities, including notes offered by this base prospectus, may be deemed to be an underwriter of those securities under the Securities Act of 1933 and any discounts or commissions received by them and any profit realised by them on the sale or resale of the securities may be deemed to be underwriting discounts and commissions.

The issuing entity may agree to indemnify dealers, agents and their controlling persons against certain civil liabilities, including liabilities under the Securities Act of 1933 in connection with their participation in the distribution of the issuing entity's notes.

The issuing entity anticipates that the notes will be sold to institutional and retail investors. Purchasers of notes, including dealers, may, depending on the facts and circumstances of the purchases, be deemed to be "**underwriters**" within the meaning of the Securities Act of 1933 in connection with re-offers and sales of the notes by them. Noteholders should consult with their legal advisors in this regard prior to any re-offer or sale.

Dealers and agents participating in the distribution of the securities, and their controlling persons, may engage in transactions with and perform services for the originators, the issuing entity or their affiliates in the ordinary course of business.

RBS will be an originator, originator beneficiary, servicer, trust cash manager, arranger, a dealer and the lender under the expense loan facility and any loan note issuing entity expense loan facility. RBS owns 100 per cent. of the issued share capital of the loan note issuing entity.

### **United States**

Unless otherwise specified in the relevant final terms, the notes may only be offered, sold or delivered outside the United States to persons who are not US persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

Unless specified otherwise in the relevant final terms:

- (a) The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act.
- (b) Each dealer will agree that it will not offer, sell or deliver notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the notes comprising the relevant series, as certified by such dealer (or, in the case of a sale of a series of notes to or through more than one dealer, by each of such dealers as to the notes of such series purchased by or through it, in which case the issuing entity shall notify each such dealer when all such dealers have so certified) within the United States or to, or for the account or benefit of, US persons, and such dealer will have sent to each dealer to which it sells notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, US persons.
- (c) In addition, until 40 days after the commencement of the offering of notes comprising any series, any offer or sale of notes within the United States by any dealer (whether or not participating in the offering of such notes) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each dealer has represented and agreed, and each further dealer appointed under the programme will be required to represent and agree, that:

- (i) **No deposit-taking:** in relation to any notes which have a maturity of less than one year:
  - (1) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (2) it has not offered or sold and will not offer or sell any notes other than to persons:
- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the notes would otherwise constitute a contravention of Section 19 of the FSMA by the issuing entity;

- (ii) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the issuing entity; and
- (iii) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

### **General**

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant final terms, no action has been or will be taken in any country or jurisdiction by the issuing entity or the dealers that would permit a public offering of notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this base prospectus or any set of final terms comes are required by the issuing entity and the dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver notes or have in their possession or distribute such offering material, in all cases at their own expense.

The dealer agreement provides that the dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the dealers described in the immediately preceding paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the issuing entity. Any such supplement or modification will be set out in the relevant final terms (in the case of a supplement or modification relevant only to a particular series of notes).

## **RATINGS OF THE NOTES**

Notes offered by this base prospectus and the applicable final terms will be assigned a rating by at least one of Standard & Poor's, Moody's and Fitch Ratings.

The ratings of the notes should be evaluated independently from similar ratings on other types of securities. A rating is not a recommendation to buy, sell or hold the notes. A rating may be suspended, lowered or withdrawn at any time. The rating does not address the expected schedule of principal payments other than to say that principal will be returned no later than the final maturity date.

Rating agencies other than those requested could assign a rating to the notes, and its rating could be lower than any rating assigned by a rating agency chosen by the issuing entity.

## **LEGAL MATTERS**

Matters of English law relating to the validity of the issuance of the notes will be passed upon for the arranger and dealers by Clifford Chance LLP. In the case of any notes which, pursuant to the relevant final terms, are to be offered and sold within the United States, certain legal matters will be passed upon for the arranger and dealers by Clifford Chance US LLP who will also act as counsel to the issuing entity as to US tax matters in respect of such notes.

Linklaters LLP have advised the issuing entity as to matters of English law and, unless a series of notes is offered solely in reliance on Regulation S, US law.

Matters of Jersey law and tax will be passed upon by Mourant du Feu & Jeune.

## GOVERNING LAW

- The programme documents are governed by the laws of England and Wales and, where they relate to security interests over assets in Jersey, by Jersey law.
- The United Kingdom and UK are abbreviated references to the United Kingdom of Great Britain and Northern Ireland. The UK comprises three distinct legal systems, namely those of England (which includes Wales), Scotland and Northern Ireland, each with its own judicial process. However, leaving aside devolution of certain powers to Welsh, Scottish and Northern Irish legislative bodies, the legislative body for each of these three jurisdictions is the UK Parliament. Accordingly, references to UK law are to laws promulgated by the UK Parliament but which are binding on the United Kingdom.
- The sale of receivables where the relevant card cardholder is resident in Scotland is governed by Scots law. The consequences of this Scots law sale are discussed under the caption "*Material Legal Aspects of the Receivables – Transfer of Benefit of Receivables*".
- Provisions of the transaction documents which grant security over certain intangible assets situated in Jersey are, in order to be effective as a matter of Jersey law, governed by Jersey law. Jersey, one of the Channel Islands off the coast of France, has an entirely separate legislative and judicial system. However, in certain areas, such as corporate law, the Jersey courts customarily follow English precedent.

## **REPORTS TO NOTEHOLDERS**

The servicer and the trust cash manager, respectively, will prepare monthly and annual reports for the receivables trustee and each rating agency that will contain information about the receivables. The financial information contained in the reports will not be prepared in accordance with generally accepted accounting principles. No reports will be sent to you.

Enquiries and requests for information in relation to the notes from noteholders in the United Kingdom may be directed to the London office of the note trustee, which is located at One Canada Square, London, E14 5AL. The note trustee, from its London office, will be able to respond to all enquiries and requests for information regarding the notes and to refer any calls requiring any action on the part of the registrar to the registrar's Luxembourg office which will liaise with the relevant holder of the notes. In performing these functions, the note trustee is procuring that the equivalent services that would be available at a London paying agent are available to holders of notes in London (excluding any payment of principal or interest or any other payment on the notes) to enable these noteholders to exercise all their rights, in particular, being informed of meetings which they are entitled to attend and exercising their right to vote.

## LISTING AND GENERAL INFORMATION

We have made an application to the UKLA to admit the notes to the Official List and to the regulated market of the London Stock Exchange to admit the notes to trading. The listing of the notes on the regulated market of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Each class of this series of notes intended to be admitted to listing on the Official List of the UKLA and admitted to trading on the regulated market of the London Stock Exchange will be so admitted to listing and trading upon submission to the UKLA and the regulated market of the London Stock Exchange of this base prospectus and any other information required by the UKLA and the regulated market of the London Stock Exchange, subject in each case to the issue of the relevant notes. Prior to official listing, dealings will be permitted by the regulated market of the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, notes may be issued pursuant to the programme which will not be admitted to listing, trading and/or quotation by the UKLA or the regulated market of the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the issuing entity and the relevant dealer(s) may agree.

Application will be made for the notes to be accepted for clearance through Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number ("ISIN") in relation to the notes of each series will be specified in the final terms relating thereto. The relevant final terms shall specify any other clearing system as shall have accepted the relevant notes for clearance together with any further appropriate information.

The establishment of the programme was authorised by board resolutions of the issuing entity passed on 11 December 2008. The issuing entity has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the notes.

An investment in the notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment. If you are in any doubt about the contents of this base prospectus or the relevant final terms, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

The issuing entity confirms that the securitised assets backing the issue of each series of notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on that series of notes. However, investors are advised that this confirmation is based on the information available to the issuing entity at the date of the base prospectus and the relevant final terms and may be affected by future performance of such securitised assets. Consequently, investors are advised to review carefully the disclosure in the base prospectus together with any amendments or supplements thereto and other documents incorporated by reference in the base prospectus and, in relation to any series, the relevant final terms.

The loan note issuing entity neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the loan note issuing entity is aware) during the 12 months before the date of this base prospectus which may have, or have had in the recent past, significant effects on the loan note issuing entity's financial position or profitability.

There has been no material adverse change in the loan note issuing entity's financial position or prospects since 31 December 2007 and, since such date, there has been no significant change in the financial or trading position of the loan note issuing entity.

The issuing entity neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuing entity is aware) since the date of the issuing entity's incorporation on 18 November 2008 which may have, or have had in the recent past, significant effects on the issuing entity's financial position or profitability.

The issuing entity has not traded since its incorporation on 18 November 2008. There has been no material adverse change in the issuing entity's financial position or prospects since its date of incorporation and, since such date, there has been no significant change in the financial or trading position of the issuing entity.

It should be remembered that the price of securities and the income from them can go down as well as up.

There is no intention to accumulate surpluses in the issuing entity, loan note issuing entity or receivables trustee.

The auditors of the loan note issuing entity are Deloitte LLP, Registered Auditor. Deloitte LLP audited the financial statements of the loan note issuing entity for the years ended 31 December 2007 and 31 December 2006, without qualification, in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

The financial statements included in this base prospectus are included only to comply with the listing requirements of the UKLA and do not purport to comply with US GAAP or SEC requirements. Prospective investors in a particular series of notes will find the relevant information regarding the originators' portfolio and the securitised portfolio in the final terms corresponding to such series.

Deloitte LLP is regulated by a number of authorities, but primarily by The Institute of Chartered Accountants in England & Wales in respect of audit. Regulation of the audit of listed companies is in the process of being passed from the Institute of Chartered Accountants in England & Wales to the Financial Reporting Council. In addition, Deloitte LLP is authorised and regulated by the Financial Services Authority in respect of activities regulated by the FSMA.

The address of Deloitte LLP is Saltire Court, 20 Castle Terrace, Edinburgh EH1 2DB.

#### ***Documents available for inspection***

For so long as the base prospectus is in effect, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the paying agent and from the registered office of the issuing entity, namely:

- (a) the memorandum and articles of association of the issuing entity;
- (b) the memorandum and articles of association of the loan note issuing entity;
- (c) the memorandum and articles of association of the receivables trustee;
- (d) the current listing particulars in relation to the programme, together with any amendments;
- (e) the agency agreement;
- (f) the dealer agreement and each relevant subscription agreement;
- (g) any set of final terms relating to notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant final terms will only be available for inspection by the relevant noteholders);
- (h) the master framework agreement (relating to the documents entered into by the receivables trustee and the loan note issuing entity);
- (i) the receivables securitisation agreement;
- (j) the receivables trust deed and trust cash management agreement and each series supplement;
- (k) the trust section 75 indemnity;
- (l) beneficiaries deed;



- (m) beneficiaries servicing agreement and supplemental beneficiaries servicing agreement;
- (n) the expenses loan agreement;
- (o) the loan note issuing entity expense loan agreements (if any);
- (p) the security trust deed and each loan note supplement;
- (q) the trust deed and each trust deed supplement;
- (r) the master framework agreement (relating to the documents entered into by the issuing entity);
- (s) the issuing entity corporate services agreement;
- (t) the accountants' report of the loan note issuing entity;
- (u) the accountants' report of the issuing entity;
- (v) the swap agreements (if any); and
- (w) the various account bank agreements.

## INDEX OF APPENDICES

The appendices are an integral part of this base prospectus.

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**APPENDIX A**  
**LOAN NOTE ISSUING ENTITY'S FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2007**

**Registered in Jersey No. 76199**

**RBS Cards Securitisation Funding Limited**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2007**

## **RBS Cards Securitisation Funding Limited**

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## **RBS Cards Securitisation Funding Limited**

### **Officers and Professional Advisors**

<b>Directors:</b>	Mark Hansford Helen Grant Richard Lyndon Le Breton Paul Nayar (appointed 18 May 2007) Lynn Ann Cleary (resigned 18 May 2007)
<b>Secretary:</b>	The Royal Bank of Scotland International Limited
<b>Registered Office:</b>	Royal Bank House 71 Bath Street St Helier Jersey JE4 8PJ Channel Islands
<b>Bankers:</b>	The Royal Bank of Scotland International Limited
<b>Auditors:</b>	Deloitte & Touche LLP Edinburgh

# **RBS Cards Securitisation Funding Limited**

## **Directors' Report**

### **1. Report of the Directors**

The directors present their annual report and the audited financial statements of RBS Cards Securitisation Funding Limited ("the company") for the year ended 31 December 2007. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **2. Principal Activity, Review of the Business and Results**

The company was incorporated in Jersey on 2 February 2000 as a limited liability company. The company, a wholly owned subsidiary of The Royal Bank of Scotland plc (a banking group operating in the United Kingdom), is a special purpose company formed primarily for the purpose of acquiring interests in credit card receivables held on trust, originally created by subsidiaries of The Royal Bank of Scotland Group plc. The interests in the receivables are funded through the issue of loan notes to other Jersey based special purpose companies established for the purpose of raising finance from the debt markets.

No significant change in the company's principal business activity is expected.

The company's result for the year is shown on page 7. On 27 June 2008, the directors approved a dividend of £315k in respect of the 2007 financial year and £277k in respect of the 2006 financial year. As the dividend was declared and approved post balance sheet date, it has not been accrued at the year end as per IAS 10. The profit for the year of £340,189 (2006: £289,093) will be transferred to reserves.

### **3. Directors and Interests**

The directors who served throughout the year and since the year end were:-

Mark Hansford  
Helen Grant  
Richard Lyndon Le Breton  
Paul Nayar (appointed 18 May 2007)  
Lynn Ann Cleary (resigned 18 May 2007)

The directors do not have any interests in the company.

### **4. Policy and Practice on Payment of Creditors**

The company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below.

In the year ending 31 December 2007, RBSG has adhered to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as, may be agreed.

### **5. Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

## **RBS Cards Securitisation Funding Limited**

### **Directors' Report (continued)**

6. Employees

The company has no employees. The Royal Bank of Scotland International Limited performs the company secretarial function. The Royal Bank of Scotland plc is a dealer of the company's loan notes and also provides administrative and cash management services to the company.

7. Going concern

The directors are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Approved by the Board of Directors  
and signed on behalf of the Board



Director

27 June 2008



## **RBS Cards Securitisation Funding Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS CARDS SECURITISATION FUNDING LIMITED**

We have audited the financial statements of RBS Cards Securitisation Funding Limited for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS CARDS SECURITISATION FUNDING LIMITED (continued)**

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

*Deloitte Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants  
Edinburgh, United Kingdom

*27 June*

2008

# RBS Cards Securitisation Funding Limited

## Income Statement

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Interest receivable and similar income	4	477,277	559,769
Interest payable		(177,049)	(141,214)
<b>Net interest income</b>		<b>300,228</b>	<b>418,555</b>
Other income		88,131	61,276
<b>Total income</b>		<b>388,359</b>	<b>479,831</b>
Administrative expenses		(22,000)	(21,715)
Excess spread		(366,019)	(457,827)
<b>Total administrative expenses</b>		<b>(388,019)</b>	<b>(479,542)</b>
<b>Profit for the year</b>	3	<b>340</b>	<b>289</b>

The accompanying notes are an integral part of these financial statements.

The above results relate to continuing operations in both the current year and prior year.

# RBS Cards Securitisation Funding Limited


## Balance Sheet

As at 31 December 2007

	Note	2007 £'000	2006 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Deposits held	5	1,503,750	1,445,845
<b>Current assets</b>			
Cash and cash equivalents		657	320
Deposits held	5	1,453,265	1,452,357
		<u>1,453,922</u>	<u>1,452,677</u>
<b>Total assets</b>		<u>2,957,672</u>	<u>2,898,522</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals	6	8,193	7,288
Subordinated liabilities – dated loan capital	7	1,445,087	1,445,087
		<u>1,453,280</u>	<u>1,452,375</u>
<b>Non-current liabilities</b>			
Subordinated liabilities – dated loan capital	7	1,503,750	1,445,845
<b>Total liabilities</b>		<u>1,503,750</u>	<u>1,445,845</u>
<b>Equity</b>			
Share capital	8	-	-
Reserves		642	302
<b>Total equity</b>		<u>642</u>	<u>302</u>
<b>Total liabilities and equity</b>		<u>2,957,672</u>	<u>2,898,522</u>

These financial statements were approved by the Board of Directors on 27 June 2008, and were signed on its behalf by:-

  
.....  
Director

  
.....  
Director

# **RBS Cards Securitisation Funding Limited**

## **Statement of Changes in Equity**

**For the year ended 31 December 2007**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance at 1 January 2007	-	302	302
Profit for the year	-	340	340
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	-	642	642
	<hr/>	<hr/>	<hr/>

## **Statement of Changes in Equity**

**For the year ended 31 December 2006**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance at 1 January 2006	-	13	13
Profit for the year	-	289	289
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	-	302	302
	<hr/>	<hr/>	<hr/>

# **RBS Cards Securitisation Funding Limited**

## **Cash Flow Statement**

**For the year ended 31 December 2007**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
<b>Profit for the year</b>	340	289
Changes in operating assets	(58,813)	(823)
Changes in operating liabilities	58,810	841
<b>Net cash flows from/ (used in) operating activities</b>	<u>(3)</u>	<u>307</u>
<b>Net decrease in cash and cash equivalents</b>	337	307
Cash and cash equivalents at beginning of year	320	13
<b>Cash and cash equivalents at end of the year</b>	<u>657</u>	<u>320</u>

# **RBS Cards Securitisation Funding Limited**

## **Notes to the financial statements**

### **1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The company has adopted IFRS7 'Financial instruments: Disclosures' for the accounting period commencing 1 January 2007. This has had no effect on the results, cash flows or financial position of the company. However, there are changes to the notes to the financial statements and comparative information is presented accordingly.

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are stated at fair value.

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the income statement.

#### **Revenue recognition**

Interest receivable represents interest earned on an aggregate investor interest in outstanding cardholder balances, recognised on an accruals basis.

Interest payable represents the interest expense on the loan notes issued to Arran Funding Limited, recognised on an effective interest rate basis and includes adjustments for transaction costs.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and issue costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

#### **Other income**

Other income comprises of various sources of fee income, including insurance commission, cash item charges and interchange income and is recognised on an accruals basis.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

#### **Deposits**

The deposits held, representing a proportional share of the credit card receivables held on trust by South Gyle Receivables Trustee Limited and deposited with the company, are recorded at cost. The company is entitled to a proportional share of the income earned on the credit card receivables portfolio. To the extent that there are losses suffered in the collection of amounts due on the receivables, such losses will reduce the proportional share of the income earned.

To the extent that in any period there is insufficient income to absorb the credit losses, such losses will be met using a cash reserve held by the trust, and only when that reserve has been fully utilised does the value of the deposit reduce. If, however, there is sufficient income in future periods, the value of the deposits may be reinstated.



## **RBS Cards Securitisation Funding Limited**

### **Notes to the financial statements (continued)**

#### **1. Accounting policies (continued)**

##### ***Subordinated liabilities – dated loan capital***

Payments on the loan notes comprise principal and interest. The carrying amount of the loan notes is increased by the finance costs and reduced by payments in respect of debt during the period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate basis in the income statement.

##### ***Cash and cash equivalents***

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash is recognised when received and cash equivalents are recognised when the investment or deposit is made.

##### ***Excess spread***

The company is obliged to meet certain costs and expenses, including credit losses, out of income received. To the extent that there is a surplus (“excess spread”) after all obligations have been met, this amount will be passed back to the trust subject to the retention of an annual equivalent amount equal to 0.01% of the value of deposits held.

##### ***Issue costs***

The company had an obligation to fund the costs associated with the issue of debt out of income earned on the deposits. These costs have been accounted for using the effective interest rate method.

##### ***Taxation***

The Company has been granted exempt company status under Article 123A of the Income Tax (Jersey) Law 1961. This status is renewable annually. The Company plans to maintain this status for as long as it is available pending the introduction of a general zero rate of corporate income tax which will be introduced as from 1 January 2009. In order to hold exempt status an annual fee of £600 is payable. The fee is included as an expense in the profit and loss account as it is not dependent on the company's results.

##### ***Adoption of the new and revised Standards***

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

*IFRS 8 - Operating segments, IFRIC 11 - IFRS2 Group Treasury Transactions, IFRIC 12 - Service Concession Arrangements and IFRIC 14 – IAS 19 The Limit on a defined benefit asset, Minimum Funding Requirements and their interaction.*

The directors anticipate that the adoption of these standards and Interpretations in future periods will have no material impact on the financial statements of the company.

## **RBS Cards Securitisation Funding Limited**

### **Notes to the financial statements (continued)**

#### **1. Accounting policies (continued)**

##### **Critical accounting policies and key sources of estimation uncertainty**

The reported results of the company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The company's principal accounting policies are set out above. IFRS requires the directors, in preparing the company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial statements.

There were no significant sources of estimation uncertainty during the year.

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 2. Directors and employees

The directors received emoluments of £2,500 (2006: £1,854) for their services to the company during the current and prior year. The directors had no interest in any contract of significance in relation to the business of the company.

The company does not have any employees.

### 3. Profit on ordinary activities

	2007 £'000	2006 £'000
Profit on ordinary activities is after charging:		
Auditors' remuneration – audit fees	15	18

### 4. Interest receivable and similar income

	2007 £'000	2006 £'000
Loans and advances to customers	477,277	559,769

### 5. Deposits held

At 31 December 2007, the company held deposits representing an interest in a portfolio of credit card receivables held on trust. Due to the short-term nature and variable interest term of the credit card receivables and hence the deposits, the fair value equals the carrying amount.

	2007 £'000	2006 £'000
Cost at 1 January	2,890,932	2,890,932
Issue of Series 07-A on 1 February 2007	57,905	-
Net book value at 31 December	2,948,837	2,890,932
Accrued interest receivable	8,178	7,270
	2,957,015	2,898,202

### 6. Accruals

	2007 £'000	2006 £'000
Audit fees accruals	15	18
Interest accruals	8,178	7,270
	8,193	7,288

## RBS Cards Securitisation Funding Limited

### Notes to the financial statements (continued)

#### 7. Subordinated liabilities – dated loan capital

The company has issued loan notes to a special purpose company, established to raise finance from the debt markets, secured on the Series 05-A, Series 05-B and Series 07-A loan notes.

During the revolving period, in which the principal collected on the underlying credit card receivables is reinvested in further credit card receivables, unless certain events determined by reference to the performance of the receivables are triggered, there will be no amortisation of the loan notes.

On 15 December 2005, the company issued loan notes to the value of £2,890,931,698 to Arran Funding Limited, in Series 05-A and Series 05-B. In addition each Series of these notes consists of 3 sub classes as shown in the table below.

On 1 February 2007, the company issued loan notes to the value of £57,905,040 to Arran Funding Limited, in Series 07-A. This Series only consists of 1 sub-class as shown in the table below.

	Series 05-A	Series 05-B	Series 07-A	Total
	£	£	£	£
Class A	1,257,225,434	1,257,567,536	57,905,040	2,572,698,010
Class B	101,156,069	101,000,000	-	202,156,069
Class C	86,705,202	87,277,457	-	173,982,659
Due within one year	1,445,086,705	-	-	1,445,086,705
Due in more than one year	-	1,445,844,993	57,905,040	1,503,750,033
	<u>1,445,086,705</u>	<u>1,445,844,993</u>	<u>57,905,040</u>	<u>2,948,836,738</u>

Series 05-A matures in December 2008, Series 05-B matures in December 2010 and Series 07-A matures in June 2012.

Payments on the class B notes are subordinated to payments on the class A notes of the series. Payments on the class C notes are subordinated to payments on the class A and class B notes of the series.

The investor is protected by early amortisation provisions whereby on the occurrence of certain triggers the transaction leaves its revolving period and enters into a period of amortisation which limits the exposure of the investor.

At 31 December, the following amounts were outstanding in respect of subordinated loan capital:

	2007 £'000	2006 £'000
Due within one year	1,445,087	-
Due in more than one year	1,503,750	2,890,932
	<u>2,948,837</u>	<u>2,890,932</u>

The estimated fair values for the deposits, interest receivable, loan notes issued, excess spread payable, and other liabilities approximate their carrying values due to the variable interest terms inherent in these financial instruments and/or their short-term nature.

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 7. Subordinated liabilities – dated loan capital (continued)

The notes are secured over a portfolio of credit card receivables.

The maturity profile of the company's notes and the interest rates which apply are as follows:

	Interest rates	Series schedule redemption date	Series termination date	Currency	2007 £'000
Loan Note Series 2005-A Class A	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	1,257,226
Loan Note Series 2005-A Class B	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	101,156
Loan Note Series 2005-A Class C	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	86,705
Loan Note Series 2005-B Class A	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	1,257,567
Loan Note Series 2005-B Class B	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	101,000
Loan Note Series 2005-B Class C	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	87,278
Loan Note Series 2007-A Class A	1 month LIBOR + 332 bps	15-Jun-12	15-Jun-14	GBP	57,905
					<u>2,948,837</u>

	Interest rates	Series schedule redemption date	Series termination date	Currency	2006 £'000
Loan Note Series 2005-A Class A	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	1,257,226
Loan Note Series 2005-A Class B	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	101,156
Loan Note Series 2005-A Class C	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	86,705
Loan Note Series 2005-B Class A	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	1,257,567
Loan Note Series 2005-B Class B	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	101,000
Loan Note Series 2005-B Class C	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	87,278
Loan Note Series 2007-A Class A	1 month LIBOR + 332 bps	15-Jun-12	15-Jun-14	GBP	-
					<u>2,890,932</u>

### 8. Called up share capital

	2007 £	2006 £
<b>Ordinary shares of £1 each</b>		
Authorised (10,000 shares)	10,000	10,000
Allotted, called-up and fully paid (10 shares)	<u>10</u>	<u>10</u>

The shares were issued on incorporation to the Royal Bank of Scotland plc.

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 9. Financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39. Non-financial assets and liabilities are shown separately.

#### 2007

	Loan and receivable £000's	Non financial assets/ liabilities £000's	Total £000's
<b>Assets</b>			
Cash and balances at central banks	657	-	657
Deposits held	2,957,015	-	2,957,015
	<u>2,957,673</u>	<u>-</u>	<u>2,957,673</u>
<b>Liabilities</b>			
Accruals	-	15	15
Subordinated liabilities - dated loan capital	2,957,015	-	2,957,015
	<u>2,957,015</u>	<u>15</u>	<u>2,957,030</u>
<b>Equity</b>			<u>642</u>
			<u>2,957,673</u>

#### 2006

	Loans and receivables £000's	Non financial assets/ liabilities £000's	Total £000's
<b>Assets</b>			
Cash and balances at central banks	320	-	320
Deposits held	2,898,202	-	2,898,202
	<u>2,898,522</u>	<u>-</u>	<u>2,898,522</u>
<b>Liabilities</b>			
Accruals	-	18	18
Subordinated liabilities - dated loan capital	2,898,202	-	2,898,202
	<u>2,898,202</u>	<u>18</u>	<u>2,898,220</u>
<b>Equity</b>			<u>302</u>
			<u>2,898,522</u>

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 9. Financial instruments (continued)

#### Maturity analysis

##### 2007

	0-3 months £000's	1-5 years £000's	Total £000's
<b>Assets</b>			
Cash at bank	657	-	657
Deposits held	2,957,015	-	2,957,015
<b>Total assets</b>	<u>2,957,673</u>	<u>-</u>	<u>2,957,673</u>
<b>Liabilities</b>			
Accruals	15	-	15
Subordinated liabilities - dated loan capital	-	2,957,015	2,957,015
<b>Total liabilities</b>	<u>15</u>	<u>2,957,015</u>	<u>2,957,030</u>

##### 2006

	0-3 months £000's	1-5 years £000's	Total £000's
<b>Assets</b>			
Cash at bank	320	-	320
Deposits held	2,898,202	-	2,898,202
<b>Total assets</b>	<u>2,898,522</u>	<u>-</u>	<u>2,898,522</u>
<b>Liabilities</b>			
Accruals	18	-	18
Subordinated liabilities - dated loan capital	-	2,898,202	2,898,202
<b>Total liabilities</b>	<u>18</u>	<u>2,898,202</u>	<u>2,898,220</u>

#### Fair value of financial instruments

The directors are of the view that the carrying value of financial instruments approximates fair value.

#### Segmental reporting

All of the company's business is transacted within the United Kingdom. The directors consider the activity of acquiring interests in credit card receivables to be a single class of business.

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 9. Financial instruments (continued)

The following table shows cash flows payable on financial liabilities on an undiscounted basis.

	0-3 months £000's
<b>2007</b>	
Accruals	15
Subordinated liabilities - dated loan capital	<u>2,957,015</u>
	<u>2,957,030</u>
<b>2006</b>	
Accruals	18
Subordinated liabilities - dated loan capital	<u>2,898,202</u>
	<u>2,898,220</u>

### Risk management

The major risks to which the company is exposed are liquidity risk, credit risk and operational risk. The company has established a comprehensive framework for managing these risks.

#### *Liquidity risk*

The transaction is structured to ensure that the liquidity risk to the company is minimised.

#### *Credit risk*

The credit card receivables are purchased by the company. Deferred consideration is payable to National Westminster Home Loans and Royal Bank of Scotland plc dependent on the performance of the credit card receivables and is paid through excess spread. National Westminster Home Loans, as a counterparty to the company, is unrated in the S&P short term ratings. Royal Bank of Scotland plc, as the other counterparty to the company, is S&P short term rated A1+.

#### *Operational risk*

Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events.



# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 10. Asset quality

#### Asset grades

Internal reporting and oversight of risk assets is principally differentiated by credit ratings. Internal ratings are used to assess the credit quality of borrowers. Customers are assigned credit ratings, based in various credit grading models that reflect the probability of default. All credit ratings across the Group map to a Group level asset quality scale.

Expressed as an annual probability of default, the upper and lower boundaries and the midpoint for each of these Group level asset quality grades are as follows:

Asset Quality Grade	Annual probability of default		
	Minimum %	Midpoint %	Maximum %
AQ1	0.00	0.10	0.20
AQ2	0.21	0.40	0.60
AQ3	0.61	1.05	1.50
AQ4	1.51	3.25	5.00
AQ5	5.01	52.50	100.00

The following table provides analysis of credit quality by credit rating.

2007	AQ1 – AQ3 £000's
Cash at bank	657
Deposits held	2,957,015
	<u>2,957,673</u>
2006	AQ1 – AQ3 £000's
Cash at bank	320
Deposits held	2,898,202
	<u>2,898,522</u>

### 11. Controlling party

The company's immediate parent company and smallest group into which the company is consolidated is The Royal Bank of Scotland plc, which is incorporated in Great Britain and registered in Scotland.

The company's ultimate parent company, ultimate controlling party and largest group into which the company is consolidated is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements of The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn EH12 1HQ Edinburgh.

## **RBS Cards Securitisation Funding Limited**

### **Notes to the financial statements (continued)**

#### **12. Related party transactions**

The company has entered into transactions with Arran Funding Limited and with The Royal Bank of Scotland plc. Both Arran Funding Limited and The Royal Bank of Scotland plc are consolidated under The Royal Bank of Scotland Group, the ultimate parent company, and hence the transactions are related party transactions.

During the year, the company has sold debt securities of £57,905k (2006: £nil) to Arran Funding Limited. The company has paid interest of £177,049 (2006: £150,721k) to Arran Funding Limited representing interest on the debt securities. During the current period, the company has paid an amount of £1,567k (2006: £8,648k) to Arran Funding Limited in relation to the provisions relating to the credit card securitisation transactions.

Each of Mark Hansford, Richard Lyndon Le Breton and Paul Nayar are shareholders in The Royal Bank of Scotland Group plc and employees of The Royal Bank of Scotland International Limited. Lynn Cleary is also a Director of The Royal Bank of Scotland International Limited. Paul Nayar is also a Director of several subsidiaries within The Royal Bank of Scotland International (Holdings) Limited group of companies.

#### **13. Post balance sheet events**

On 27 June 2008, the directors approved a dividend of £315k in respect of the 2007 financial year and £277k in respect of the 2006 financial year. As the dividend was declared and approved post balance sheet date, it has not been accrued at the year end as per IAS 10.

There have been no other significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

**APPENDIX B**  
**LOAN NOTE ISSUING ENTITY'S FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2006**

Registered in Jersey No. 76199

**RBS Cards Securitisation Funding Limited**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2006**

## **RBS Cards Securitisation Funding Limited**

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## **RBS Cards Securitisation Funding Limited**

### **Officers and Professional Advisors**

<b>Directors:</b>	Mark Hansford Helen Grant Paul Nayar Richard Lyndon Le Breton
<b>Secretary:</b>	The Royal Bank of Scotland International Limited
<b>Registered Office:</b>	Royal Bank House 71 Bath Street St Helier Jersey JE4 8PJ Channel Islands
<b>Bankers:</b>	The Royal Bank of Scotland International Limited
<b>Auditors:</b>	Deloitte & Touche LLP Edinburgh

# **RBS Cards Securitisation Funding Limited**

## **Directors' Report**

### **1. Report of the Directors**

The directors present their annual report and the audited accounts of RBS Cards Securitisation Funding Limited ("the Company") for the year ended 31 December 2006. The accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **2. Principal Activity, Review of the Business and Results**

The Company was incorporated in Jersey on 2 February 2000 as a limited liability company. The company, a wholly owned subsidiary of The Royal Bank of Scotland plc (a banking group operating in the United Kingdom), is a special purpose company formed primarily for the purpose of acquiring interests in credit card receivables held on trust, originally created by subsidiaries of The Royal Bank of Scotland Group plc. The interests in the receivables are funded through the issue of loan notes to other Jersey based special purpose companies established for the purpose of raising finance from the debt markets.

No significant change in the Company's principal business activity is expected.

The Company's result for the year is shown on page 7. No dividend has been declared or proposed (2005: £162,077) in the year. The retained profit for the year of £289,093 (2005: £13,465) will be transferred to reserves.

### **3. Directors and Interests**

The current Directors and Secretary of the Company are shown on page 1.

Changes made during 2006 and 2007 are shown below

Paul Nayar (appointed 18 May 2007)  
Lynn Ann Cleary (resigned 18 May 2007)  
Richard Lyndon Le Breton (appointed 20 March 2006)  
Robert Niall Douglas (resigned 20 March 2006)

The directors do not have any interests in the Company that are required to be disclosed under the Companies (Jersey) Law 1991.

### **4. Policy and Practice on Payment of Creditors**

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below.

In the year ending 31 December 2006, RBSG has adhered to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as, may be agreed.

### **5. Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

## **RBS Cards Securitisation Funding Limited**

### **Directors' Report (continued)**

#### 6. Employees

The Company has no employees. The Royal Bank of Scotland International Limited performs the Company secretarial function. The Royal Bank of Scotland plc is a dealer of the Company's loan notes and also provides administrative and cash management services to the Company.

Approved by the Board of Directors  
and signed on behalf of the Board

  
.....  
Director

31 October 2007



## **RBS Cards Securitisation Funding Limited**

### **Statement of Directors' Responsibilities**

Company law in Jersey requires the directors to prepare accounts for each financial period and they have elected to prepare company accounts, for each financial period in accordance with International Financial Reporting Standards ("IFRS"). The directors are responsible for preparing accounts that present fairly the financial position, financial performance and cash flows of the Company. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and which disclose with reasonable accuracy at any time the financial position of the Company at that time; and to enable them to ensure that any accounts prepared comply with the Companies (Jersey) Law 1991 and IFRS. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS CARDS SECURITISATION FUNDING LIMITED**

We have audited the accounts of RBS Cards Securitisation Funding Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 9. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable law and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts have been properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### **Basis of audit opinion**

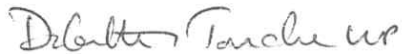
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS CARDS SECURITISATION  
FUNDING LIMITED (continued)**

**Opinion**

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 2006 and of its profit for the period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and have been properly prepared in accordance with the Companies (Jersey) Law 1991.



Deloitte & Touche LLP  
Chartered Accountants  
Edinburgh, United Kingdom  
31 October 2007

# RBS Cards Securitisation Funding Limited

## Income Statement

For the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Interest receivable and similar income	4	559,769	90,865
Interest payable		(141,214)	(30,263)
<b>Net interest income</b>		<u>418,555</u>	<u>60,602</u>
Other income		61,276	33,552
<b>Total income</b>		<u>479,831</u>	<u>94,154</u>
Administrative expenses		(21,715)	(4,828)
Excess spread		(457,827)	(89,264)
<b>Total administrative expenses</b>		<u>(479,542)</u>	<u>(94,092)</u>
<b>Profit for the financial year</b>	3	<u>289</u>	<u>62</u>

The accompanying notes are an integral part of these financial statements.

The above results relate to continuing operations in both the current year and prior year.

# RBS Cards Securitisation Funding Limited


## Balance Sheet

At 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Deposits held	5	2,898,202	2,897,379
<b>Current assets</b>			
Cash and balances at central banks		320	13
<b>Total assets</b>		<u>2,898,522</u>	<u>2,897,392</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals		18	-
<b>Non-current liabilities</b>			
Subordinated liabilities – dated loan capital	6	2,898,202	2,897,379
<b>Total liabilities</b>		<u>2,898,220</u>	<u>2,897,379</u>
<b>Equity</b>			
Share capital	7	-	-
Reserves		302	13
<b>Total equity</b>		<u>302</u>	<u>13</u>
<b>Total liabilities and equity</b>		<u>2,898,522</u>	<u>2,897,392</u>

These financial statements were approved by the Board of Directors on 31 October 2007, and were signed on its behalf by:-

  
Director

  
Director

# **RBS Cards Securitisation Funding Limited**

## **Statement of Changes in Equity**

**For the year ended 31 December 2006**

	<b>Share Capital £'000</b>	<b>Accumulated profit £'000</b>	<b>Total £'000</b>
Balance at 1 January 2006	-	13	13
Retained profit	-	289	289
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	-	302	302
	<hr/>	<hr/>	<hr/>

## **Statement of Changes in Equity**

**For the year ended 31 December 2005**

	<b>Share capital £'000</b>	<b>Accumulated profit £'000</b>	<b>Total £'000</b>
Balance at 1 January 2005	-	113	113
Retained profit	-	62	62
	<hr/>	<hr/>	<hr/>
Balance	-	175	175
Dividends paid out in October 2005	-	(162)	(162)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	-	13	13
	<hr/>	<hr/>	<hr/>

# RBS Cards Securitisation Funding Limited

## Cash Flow Statement

For the year ended 31 December 2006

	2006 £'000	2005 £'000
<b>Operating profit</b>	289	62
Changes in operating assets	(823)	14,456
Changes in operating liabilities	841	(14,456)
<b>Net cash flows from operating activities</b>	<u>307</u>	<u>(62)</u>
<b>Investing activities</b>		
Proceeds from loans repaid	-	1,133,016
Investment in receivables	-	(2,890,932)
<b>Net cash flows from investing activities</b>	<u>-</u>	<u>(1,757,916)</u>
<b>Financing activities</b>		
Dividends paid	-	(162)
Repayment of funds borrowed	-	(1,133,016)
Issue of loan notes	-	2,890,932
<b>Net cash flows from financing activities</b>	<u>-</u>	<u>1,757,754</u>
<b>Net decrease in cash and cash equivalents</b>	307	(100)
Cash and cash equivalents at beginning of year	13	113
<b>Cash and cash equivalents at end of the year</b>	<u>320</u>	<u>13</u>

# **RBS Cards Securitisation Funding Limited**

## **Notes to the financial statements**

### **1. Accounting Policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

#### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention as modified by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

Due to the fact that the nature of the business is to provide finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the income statement.

#### **Revenue recognition**

Interest receivable represents interest earned on an aggregate investor interest in outstanding cardholder balances, recognised on an accruals basis.

Interest payable represents the interest expense on the loan notes issued to Arran Funding Limited, recognised on an effective interest rate basis and includes adjustments for transaction costs.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and issue costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

#### **Other income**

Other income comprises of various sources of fee income, including insurance commission, cash item charges and interchange income and is recognised on an accruals basis.

#### **Financial Instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### **Deposits**

The deposits held, representing a proportional share of the credit card receivables held on trust by South Gyle Receivables Trustee Limited and deposited with the Company, are recorded at cost. The Company is entitled to a proportional share of the income earned on the credit card receivables portfolio. To the extent that there are losses suffered in the collection of amounts due on the receivables, such losses will reduce the proportional share of the income earned.

To the extent that in any period there is insufficient income to absorb the credit losses, such losses will be met using a cash reserve held by the trust, and only when that reserve has been fully utilised does the value of the deposit reduce. If, however, there is sufficient income in future periods, the value of the deposits may be reinstated.



## **RBS Cards Securitisation Funding Limited**

### **Notes to the financial statements (continued)**

#### **1. Accounting Policies (continued)**

##### **Subordinated liabilities – dated loan capital**

Payments on the loan notes comprise principal and interest. The carrying amount of the loan notes is increased by the finance costs and reduced by payments in respect of debt during the period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate basis in the income statement.

##### **Cash**

Cash and cash equivalents comprise cash at bank.

##### **Excess spread**

The Company is obliged to meet certain costs and expenses, including credit losses, out of income received. To the extent that there is a surplus (“excess spread”) after all obligations have been met, this amount will be passed back to the trust subject to the retention of an annual equivalent amount equal to 0.01% of the value of deposits held.

##### **Issue costs**

The Company had an obligation to fund the costs associated with the issue of debt out of income earned on the deposits. These costs have been accounted for using the effective interest rate method.

##### **Taxation**

The Company has been granted exempt Company status under Article 123A of the Income Tax (Jersey) Law 1961 (as amended) and the status is renewable annually. The Company plans to maintain such status for as long as it is available pending the introduction of a general zero rate of corporation tax in Jersey. An annual exempt Company charge of £600 is payable to the Comptroller of Income Tax in Jersey. The fee is included as an expense in the income statement as it is not dependent on the Company's results.

##### **Critical accounting policies and key sources of estimation uncertainty**

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its Financial statements. The Company's principal accounting policies are set out above. IFRS requires the directors, in preparing the Company's Financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, International Accounting Standard (“IAS”) 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’, requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial statements.

#### **2. Directors and employees**

The directors received emoluments of £1,854 (2005: £nil) for their services to the Company during the current period (2005: £nil). The directors had no interest in any contract of significance in relation to the business of the Company.

The Company does not have any employees.

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 3. Profit on ordinary activities

	2006 £'000	2005 £'000
Profit on ordinary activities is after charging:		
Auditors' remuneration – audit fees	18	8
Credit losses	-	28,894
	<u>18</u>	<u>28,894</u>

### 4. Interest receivable and similar income

	2006 £'000	2005 £'000
Loans and advances to customers	559,769	88,862
Balances at bank	-	2,003
	<u>559,769</u>	<u>90,865</u>

### 5. Deposits held

At 31 December 2006, the Company held deposits representing an interest in a portfolio of credit card receivables held on trust. Due to the short-term nature and variable interest term of the credit card receivables and hence the deposits, the fair value equals the carrying amount.

	2006 £'000	2005 £'000
Cost at 1 January	2,890,932	1,133,016
Maturity of Series OO-B on 15 March 2005 and 15 September 2005	-	(1,133,016)
Issue of Series 05-A and 05-B on 15 December 2005	-	2,890,932
Net Book Value at 31 December	<u>2,890,932</u>	<u>2,890,932</u>
Accrued interest receivable	7,270	6,447
	<u>2,898,202</u>	<u>2,897,379</u>

### 6. Subordinated liabilities – dated loan capital

The Company has issued loan notes to a special purpose company, established to raise finance from the debt markets, secured on the Series 05-A and Series 05-B loan notes.

During the revolving period, in which the principal collected on the underlying credit card receivables is reinvested in further credit card receivables, unless certain events determined by reference to the performance of the receivables are triggered, there will be no amortisation of the loan notes.

# RBS Cards Securitisation Funding Limited

## Notes to the financial statements (continued)

### 6. Subordinated liabilities – dated loan capital (continued)

On 15 December 2005, the Company issued loan notes to the value of £2,890,931,698 to Arran Funding Ltd, in Series 05-A and Series 05-B. In addition each Series of notes consists of 3 sub classes as follows:

	Series 05-A	Series 05-B	Total
Class A	£1,257,225,434	£1,257,567,536	£2,514,792,970
Class B	£101,156,069	£101,000,000	£202,156,069
Class C	£86,705,202	£87,277,457	£173,982,659
Due in more than one year	£1,445,086,705	£1,445,844,993	£2,890,931,698

Series 05-A matures in December 2008 and Series 05-B matures in December 2010.

Payments on the class B notes are subordinated to payments on the class A notes of the same series. Payments on the class C notes are subordinated to payments on the class A and class B notes of the same series.

The investor is protected by early amortisation provisions whereby on the occurrence of certain triggers the transaction leaves its revolving period and enters into a period of amortisation which limits the exposure of the investor.

At 31 December, the following amounts were outstanding in respect of subordinated loan capital:

	2006 £'000	2005 £'000
Due in more than one year	2,898,202	2,897,379

The estimated fair values for the deposits, interest receivable, loan notes issued, excess spread payable, and other liabilities approximate their carrying values due to the variable interest terms inherent in these financial instruments and/or their short-term nature. The following information relates to loan notes in issue during the year ended 31 December 2006 and, where relevant, is calculated using month-end balances.

	2006 £'000	2005 £'000
Maximum month-end outstanding notes during the year	2,890,932	2,890,932
Average amount outstanding notes during the year	2,890,932	579,707

## RBS Cards Securitisation Funding Limited

### Notes to the financial statements (continued)

#### 6. Subordinated liabilities – dated loan capital (continued)

The notes are secured over a portfolio of credit card receivables.

The maturity profile of the Company's notes and the interest rates which apply are as follows:

	Interest rates	Series schedule redemption date	Series termination date	Currency	2006 £'000
Loan Note Series 2005-A Class A	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	1,257,226
Loan Note Series 2005-A Class B	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	101,156
Loan Note Series 2005-A Class C	1 month LIBOR + 13 bps	15-Dec-08	15-Dec-10	GBP	86,705
Loan Note Series 2005-B Class A	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	1,257,567
Loan Note Series 2005-B Class B	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	101,000
Loan Note Series 2005-B Class C	1 month LIBOR + 16 bps	15-Dec-10	15-Dec-12	GBP	87,278
					2,890,932

#### 7. Called up share capital

	2006 £	2005 £
<b>Ordinary shares of £1 each</b>		
Authorised (10,000 shares)	10,000	10,000
Allotted, called-up and fully paid (10 shares)	10	10

The shares were issued on incorporation to the Royal Bank of Scotland plc.

#### 8. Controlling Party

The Company's immediate parent company and smallest group into which the Company is consolidated is The Royal Bank of Scotland plc, which is incorporated in Great Britain and registered in Scotland.

The Company's ultimate parent company, ultimate controlling party and largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland. Copies of the consolidated accounts of The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn EH12 1HQ Edinburgh.

#### 9. Related party transactions

The Company has entered into transactions with Arran Funding Limited and with The Royal Bank of Scotland plc. Both Arran Funding Limited and The Royal Bank of Scotland plc are consolidated under The Royal Bank of Scotland Group, the ultimate parent company, and hence the transactions are related party transactions.

During the period, the Company has sold debt securities of £nil (2005: £2,890,932k) to Arran Funding Limited. The company has paid interest of £150,721k (2005: £6,447k) to Arran Funding Limited representing interest on the debt securities. During the current period, the Company has paid an amount of £8,684k to Arran Funding Limited in relation to the provisions relating to the credit card securitisation transactions.

## APPENDIX C FORM OF FINAL TERMS

DATED [•]

(Prospectus supplement to the base prospectus dated [•] 2008)

### ARRAN FUNDING (UK) PLC

(incorporated in England and Wales with limited liability under registered number [•])  
issuing entity

Issue of [£][€][£][•],000,000 principal amount of Series 200[•]-[•], Class A Notes [£][€][£][•],000,000 principal amount of Series 200[•]-[•], Class B Notes [£][€][£][•],000,000 principal amount of Series 200[•]-[•], Class C Notes (together, the "**series 200[•]-[•] notes**")

under the \$7,500,000,000 Arran Funding (UK) Medium Term Note Programme

(ultimately backed by trust property in the South Gyle Receivables Trust held by  
South Gyle Receivables Trustee Limited)

The Royal Bank of Scotland plc  
sponsor, originator and servicer

National Westminster Bank Plc  
originator

RBS Cards Securitisation Funding Limited  
depositor

The issuing entity will issue	Class [A] Notes	[Class [B] Notes	Class [C] Notes
Principal amount	[£][€][£] [•],000,000	[£][€][£] [•],000,000	[£][€][£] [•],000,000
Interest rate	[•]% per annum plus [•] rate for relevant interest period	[•]% per annum plus [•] rate for relevant interest period	[•]% per annum plus [•] rate for relevant interest period
Interest payment dates	During the revolving period and the controlled accumulation period prior to the scheduled redemption date, the [•] day of [[•], [•], [•] and [•]]/each month], beginning [•] and during any amortisation period, the [•] day of each month, in each case subject to adjustment for non-business days	During the revolving period and the controlled accumulation period prior to the scheduled redemption date, the [•] day of [[•], [•], [•] and [•]]/each month], beginning [•] and during any amortisation period, the [•] day of each month, in each case subject to adjustment for non-business days	During the revolving period and the controlled accumulation period prior to the scheduled redemption date, the [•] day of [[•], [•], [•] and [•]]/each month], beginning [•] and during any amortisation period, the [•] day of each month, in each case subject to adjustment for non-business days
Scheduled redemption date	[•], 20[•]	[•], 20[•]	[•], 20[•]
Final redemption date	[•], 20[•]	[•], 20[•]	[•], 20[•]
Price to public	[£][€][£] [•],000,000 (or [•]%)	[£][€][£] [•],000,000 (or [•]%)	[£][€][£] [•],000,000 (or [•]%)
Underwriting discount	[£][€][£] [•],000,000 (or [•]%)	[£][€][£] [•],000,000 (or [•]%)	[£][€][£] [•],000,000 (or [•]%)
Proceeds to originators	[£][€][£] [•],000,000 (or [•]%)	[£][€][£] [•],000,000 (or [•]%)	[£][€][£] [•],000,000 (or [•]%)

[Payments on the class B notes are subordinated to payments on the class A notes of the same series.] Payments on the class C notes are subordinated to payments on the class A [and class B] notes of the same series.

The ultimate source of payment on the notes will be collections on consumer credit card accounts originated in the United Kingdom by The Royal Bank of Scotland plc and its subsidiary National Westminster Bank Plc, both acting through The Royal Bank of Scotland plc's Retails Markets Division - Cards Business, or by RBS Advanta and transferred to The Royal Bank of Scotland plc.

**Please review and carefully consider the risk factors beginning on page 20 of the base prospectus and any additional risk factors on page [•] of this set of final terms before you purchase any notes.**

You should read this set of final terms and the base prospectus carefully before you invest. A note is not a deposit and neither the notes nor the underlying receivables are insured or guaranteed by The Royal Bank of Scotland plc, National Westminster Bank Plc or by any United Kingdom or United States governmental agency. The notes offered in this set of final terms and the base prospectus will be obligations of the issuing entity only. The issuing entity will only have a limited pool of assets to satisfy its obligations under the notes. The notes will not be obligations of The Royal Bank of Scotland plc, National Westminster Bank Plc or any of their affiliates.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account of, "**US Persons**" (within the meaning of Regulation S of the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. [Notes may only be offered, sold or delivered outside the United States to persons who are not US persons in offshore transactions in reliance on Regulation S.] Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved the notes or determined that this set of final terms or the base prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

**Dealers**  
[To Be Inserted]

## IMPORTANT NOTICES

In the event that any withholding or deduction for any taxes, duties, assessments or government charges of whatever nature is imposed, levied, collected, withheld or assessed on payments of principal or interest in respect of the notes by Jersey, the United Kingdom, or any other jurisdiction or any political subdivision or any authority in or of such jurisdiction having power to tax, the issuing entity or the paying agents shall make such payments after such withholding or deduction and neither the issuing entity nor the paying agents will be required to make any additional payments to holders of notes in respect of such withholding or deduction.

This document constitutes a set of final terms for the purposes of article 5.4 of the prospectus directive and is supplemental to and must be read in conjunction with the base prospectus. Full information on the issuing entity and the offer of the notes is only available on the basis of the combination of this set of final terms and the base prospectus. The base prospectus is available for viewing at [www.investors.rbs.com](http://www.investors.rbs.com) and copies may be obtained from the registered office of the issuing entity.

The issuing entity has confirmed to the dealers named under "*Plan of Distribution*" below that this set of final terms, when read in conjunction with the base prospectus, contains all information which is (in the context of the programme, the issue, offering and sale of the notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in this set of final terms are honestly held or made and are not misleading in any material respect; that this set of final terms does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the programme, the issue and offering and sale of the notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this set of final terms or any other document entered into in relation to the programme or any information supplied by the issuing entity or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the issuing entity or any dealer.

Neither the delivery of this set of final terms nor the offering, sale or delivery of any note shall, in any circumstances, create any implication that the information contained in this set of final terms is true subsequent to the date hereof or the date upon which any future final terms (in relation to any future issue of other notes) is produced or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the issuing entity since the date thereof or, if later, the date upon which any future final terms (in relation to any future issue of other notes) is produced or that any other information supplied in connection with the programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No request has been made for a certificate permitting public offers of the notes in other member states of the European Union.

The distribution of this set of final terms and the offering, sale and delivery of the notes in certain jurisdictions may be restricted by law. Persons in possession of this set of final terms are required by the issuing entity and the dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of notes and on the distribution of this set of final terms and other offering material relating to the notes, see "*Plan of Distribution*" in the base prospectus.

An investment in the notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment.

The maximum aggregate principal amount of notes outstanding at any one time under the programme will not exceed \$7,500,000,000 (and for this purpose, any notes denominated in another currency shall be translated into US dollars at the date of the agreement to issue such notes). The maximum aggregate principal amount of notes which may be outstanding at any one time under the programme may be increased from time to time, subject to compliance with the relevant provisions of the dealer agreement as defined under "*Plan of Distribution*" in the base prospectus.

Certain figures included in this set of final terms have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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The information about these series 200[•]-[•] notes appears in two separate documents: a base prospectus and a set of final terms. The base prospectus provides general information about each series of notes issued under the Arran Funding (UK) Medium Term Note Programme, some of which may not apply to the series 200[•]-[•] notes described in this set of final terms. With respect to the series 200[•]-[•] notes, this set of final terms is the "relevant final terms" or the "applicable final terms" referred to in the base prospectus.

This set of final terms may be used to offer and sell the series 200[•]-[•] notes only if accompanied by the base prospectus.

This set of final terms may supplement the disclosure in the base prospectus. If the terms in this set of final terms differ from the terms in the base prospectus, the terms in this set of final terms will apply to the series 200[•]-[•] notes.

You should rely only on the information in this set of final terms and the base prospectus, including information incorporated by reference. We have not authorised anyone to provide you with different information.

## TRANSACTION FEATURES

*This set of final terms may supplement the disclosure in the base prospectus. The series 200[•]-[•] notes will be governed, to the extent not described in this set of final terms, by the applicable provisions of the base prospectus. Unless otherwise indicated, words and expressions defined in the base prospectus shall have the same meanings below.*

<b>[Class/Sub-class] of Notes</b>	<b>Initial Principal Balance</b>	<b>\$ Equivalent Initial Principal Balance</b>	<b>% of Total</b>
[A/B/C] [1/2/3] .....	\$ €£[•]	\$	
[A/B/C] [1/2/3] .....	\$ €£[•]	\$	
[A/B/C] [1/2/3] .....	\$ €£[•]	\$	
		<b>\$</b>	<b>100%</b>

### *Series of Notes Issued*

<b>Series Number:</b>	Series 200[•]-[•]		
<b>[Class/Sub-class] of Notes:</b>	[A/B/C] [1/2/3]	[A/B/C] [1/2/3]	[A/B/C] [1/2/3]
<b>Anticipated Ratings:</b>	[•]	[•]	[•]
<b>Rating Agencies:</b>	[•]	[•]	[•]
<b>Issue Date:</b>	[•]	[•]	[•]
<b>Issue Price:</b>	[•] per cent.	[•] per cent.	[•] per cent.
<b>Proceeds:</b>	[•]	[•]	[•]
<b>Specified Currency:</b>	[Class/Sub-class] [•] notes are to be denominated in [•]	[Class/Sub-class] [•] notes are to be denominated in [•]	[Class/Sub-class] [•] notes are to be denominated in [•]
<b>Specified Denomination:</b>	[•]	[•]	[•]
<b>Calculation Amount:</b>	[•]	[•]	[•]
<b>Fixed or Floating Designation:</b>	[•]	[•]	[•]
<b>Scheduled Redemption Date:</b>	[•]	[•]	[•]
<b>Final Redemption Date:</b>	[•]	[•]	[•]
<b>Initial Rate (if applicable):</b>	[•]	[•]	[•]
<b>Margin:</b>	[•]	[•]	[•]
<b>LIBOR/EURIBOR (in the case of the first interest period):</b>	[•]	[•]	[•]
<b>Day Count Fraction[s]:</b>	[•]	[•]	[•]
<b>Interest Commencement Date:</b>	[•]	[•]	[•]
<b>Floating Rate Commencement Date (if applicable):</b>	[•]	[•]	[•]
<b>Interest Payment Dates:</b>	[•]	[•]	[•]
<b>First Interest Payment Date:</b>	[•]	[•]	[•]
<b>Interest Rate Calculations:</b>	[•]	[•]	[•]
<b>Listing:</b>	[•]	[•]	[•]
<b>Additional Business Centre:</b>	[•]	[•]	[•]
<b>Additional Financial Centre:</b>	[•]	[•]	[•]
<b>Additional Interest Margin:</b>	[•]	[•]	[•]
<b>[Expenses Loan Amount:]</b>	[•]		

[Expenses Loan Interest Rate:] [•]  
 [Loan Note Issuing Entity Expenses Loan Amount:] [•]  
 [Loan Note Issuing Entity Expenses Loan Interest Rate:] [•]  
 Annual Series Issuing Entity Profit Amount: [•]

Internal Credit Support – Subordination: [•]

**Payment Priorities and Allocation of Funds:**

Within series 200[•] - [•], amounts received by the issuing entity from the loan note issuing entity will be applied, pre-enforcement of the trust deed and the relevant trust deed supplement in a manner whereby notes of each class will rank *pari passu* among themselves and rateably without preference or priority among themselves. However, [the class B notes (and every sub-class thereof (if any)) are subordinated in right of payment of interest and principal to the class A notes (and every sub-class thereof (if any)) while] the class C notes (and every sub-class thereof (if any)) are subordinated in right of payment of interest and principal to the class A notes (and every sub-class thereof (if any)) [and the class B notes (and every sub-class thereof (if any))]. [Interest and principal payments to the class B noteholders will not be made until the class A noteholders are paid interest and principal due in full.] Interest and principal payments to the class C noteholders will not be made until the class A noteholders [and the class B noteholders] are paid interest and principal due in full. Each class will rank *pari passu* with a proportion of the trust cash management fee and the servicing fee but senior to all amounts due in respect of the series 200[•]- [•] expense loan drawing. Payments due to swap counterparties will rank *pari passu* with the payments on the class or sub-class of notes that is being hedged (except for certain swap termination amounts). Following enforcement of the trust deed and the relevant trust deed supplement, interest and principal in respect of each class of notes will be paid *pari passu* and pro rata so that the most senior class will have all accrued interest and all principal paid before any subordinated class. Please see the section entitled "*Cashflows of the issuing entity*" on page 138 of the base prospectus and condition 4 (*Status, Security and Priority of Payments*) of the notes.

Clearing and Settlement: [•]  
 Business Day Convention: [•]  
 Call Date: [•]

## LOAN NOTE SUPPORTING SERIES

The series 200[•]–[•] notes will be collateralised by the series 200[•]–[•] loan note (the "**related loan note**") which shall have the following terms as set out in the series 200[•]–[•] loan note supplement.

<b>Designation for the purposes of the security trust deed:</b> .....	Series 200[•]–[•]
<b>Issuance Date:</b> .....	[•]
<b>Initial Principal Amount:</b> .....	[•]
<b>Loan Note First Interest Payment Date:</b> .....	[•]
<b>Loan Note Interest Payment Date:</b> .....	[•]
<b>Loan Note Interest Period:</b> .....	[•]
<b>Required Reserve Amount:</b> .....	[•]
<b>Series Scheduled Redemption Date:</b> .....	[•]
<b>Series Termination Date:</b> .....	[•]
<b>Additional Early Redemption Events:</b> .....	[None]/[•]
<b>Listing:</b> .....	[•]
<b>Initial Investor Interest:</b> .....	[•]
<b>Class A Initial Investor Interest:</b> .....	[•]
<b>[Class B Initial Investor Interest:</b> .....	[•]
<b>Class C Initial Investor Interest:</b> .....	[•]

## SERIES INVESTOR INTEREST SUPPORTING LOAN NOTE

The series 200[•]–[•] loan note will be collateralised by the series 200[•]–[•] investor interest (the "**series investor interest**") which shall have the following terms as set out in the series 200[•]–[•] series supplement.

**Designation for the purposes of the series supplement:** ..... Series 200[•]–[•]

**Issuance Date:** ..... [•]

**Initial Principal Amount:** ..... [•]

**First Distribution Date/Payment Date:** ..... [•]

**Class A LN Rate:** ..... [•]

**[Class B LN Rate:** ..... [•]]

**Class C LN Rate:** ..... [•]

**Series Scheduled Redemption Date:** ..... [•]

**Controlled Deposit Amount:** ..... [•]

**Number of months in Controlled Accumulation Period:** ..... [•]

**Series Termination Date:** ..... [•]

**Additional Early Redemption Events:** ..... [None]/[•]

**Series Initial Investor Interest:** ..... £[•]

GBP LIBOR shall be determined in accordance with the definition of "GBP-LIBOR-BBA" as set out in the ISDA definitions **provided that**, for the purposes of making such a determination in respect of any interest period, the reset date (as defined in the ISDA definitions) shall be the first day of such interest period and the designated maturity (as defined in the ISDA definitions) shall be one month.

The controlled accumulation period commencement date in respect of series 200[•]–[•] investor interest will be the first business day of [•] **provided, however, that** if on [•] the controlled accumulation period length is determined to be less than [•] months, the revolving period may be extended and the start of the controlled accumulation period will be postponed. The controlled accumulation period will, in any event, begin no later than [•].

[There will be no regulated amortisation trigger events for series 200[•]–[•]. All series pay-out events will be rapid amortisation trigger events and initiate the commencement of the rapid amortisation period.]

[There will be no series spread ledger for series 200[•]–[•].]

[The series spread ledger will be funded on the issue date in the amount of £[•] by a drawing under a loan note issuing entity expenses loan facility.]

[The "**spread account percentage**" shall be determined by the amount of quarterly excess spread percentage as set forth below:

<u>Quarterly excess spread percentage on a given date is -</u>	<u>Spread account percentage on same date will be</u>
[•] above [•] per cent. but equal to or below [•] per cent.	[•] per cent.
[•] above [•] per cent. but equal to or below [•] per cent.	[•] per cent.

[•] above [•] per cent. but equal to or below [•] per cent.	[•] per cent.
[•] above [•] per cent. but equal to or below [•] per cent.	[•] per cent.
[•] above [•] per cent. but equal to or below [•] per cent.	[•] per cent.
[•] equal to or below [•] per cent.	[•] per cent.

After the spread account percentage has been increased above [•] per cent. as specified in the table above, the spread account percentage will remain at that percentage until either: (1) it is further increased to a higher required percentage as specified in the table above, or (2) the date on which the quarterly excess spread percentage has increased to a level above that for the then current spread account percentage. The spread account percentage will be decreased to the appropriate percentage as stated above.]

## **PARTIES**

<b>Lead Dealer(s):</b>	[•]
<b>Dealers:</b>	[•]
<b>Sponsor:</b>	The Royal Bank of Scotland plc, acting through its Global Banking & Markets division.
<b>Issuing Entity:</b>	Arran Funding (UK) Plc.
<b>Note Trustee:</b>	Bank of New York Mellon at its specified office in London. The note trustee's address in London is, at the date of this set of final terms, One Canada Square, London E14 5AL.
<b>Principal Paying Agent, Paying Agent and Agent Bank for the Notes:</b>	The Bank of New York Mellon at its specified office in New York and London. The principal paying agent will make payments of interest and principal when due on the notes. The agent bank will calculate the interest rates applicable to each class of notes. The Bank of New York Mellon's address in London is One Canada Square, London E14 5AL and its address in New York is 101 Barclay Street, Floor 21 West, New York, New York 10286. Its telephone number in London is +44 (0)20 7570 1784 and its telephone number in New York is +1 212 495 1784.
<b>Registrar for the Notes:</b>	The Bank of New York (Luxembourg) S.A. The Bank of New York (Luxembourg) S.A.'s address is Aerogolf Center, 1A, Hoehenhof, L-1736 Senningerberg, Luxembourg and its telephone number is + 352 34 20 90 56 30.
<b>Receivables Trustee:</b>	South Gyle Receivables Trustee Limited.
<b>Depositor and Loan Note Issuing Entity:</b>	RBS Cards Securitisation Funding Limited.
<b>Originators and Originator Beneficiaries:</b>	RBS and NatWest.
<b>Servicer:</b>	The Royal Bank of Scotland plc, acting through its Retail Markets Division – Cards Business.
<b>Security Trustee:</b>	The Bank of New York Mellon.
<b>Swap Counterparty:</b>	[•].
<b>Cash Manager:</b>	The Royal Bank of Scotland plc, acting through its Retail Markets Division – Cards Business and Global Banking & Markets division.

## **SWAP AGREEMENTS**

*[Describe name, organisational form and general character of the business of the derivative counterparty.]*

*[Describe operation and material terms of the derivative agreement, including limits on the timing or amounts of payments or any conditions to payments.]*

*[Describe any material provisions regarding substitution of the derivative agreement.]*

## OTHER SERIES ISSUED

### RBS Cards Securitisation Funding Limited

Series	Issuance Date	Tranche Size	Scheduled Redemption Date	Final Redemption Date
[•]	[•]	[•]	[•]	[•]

### Arran Funding Limited

Series and [Class/Sub-class]	Issuance Date	Tranche Size	Scheduled Redemption Date	Final Redemption Date
[•]	[•]	[•]	[•]	[•]

### Arran Funding (UK) Plc

Series and [Class/Sub-class]	Issuance Date	Tranche Size	Scheduled Redemption Date	Final Redemption Date
[•]	[•]	[•]	[•]	[•]



**ADDITIONAL RISK FACTORS**

[NONE]

## BANK PORTFOLIO INFORMATION

### Receivable Yield Considerations

The following table sets forth the gross revenues from finance charges and fees billed to cardholder accounts and from interchange in the bank portfolio for each of the years ended [•], [•] and [•] and for the [•] months ended [•]. Each table has been provided by Cards Business and has not been audited. These revenues vary for each account based on the type and volume of activity for each account. The historical yield figures in these tables are calculated on the basis of amounts billed to cardholders during the periods shown. Collections of receivables included in the South Gyle Receivables Trust will be on a cash basis and may not reflect the historical yield experience in the table. For further detail, please see the base prospectus.

### Bank Portfolio Yield

	[•] Months Ended	Year Ended			
	[•]	[•]	[•]	[•]	[•]
Average Receivables Outstanding <sup>(1)</sup> .....	[•]	[•]	[•]	[•]	[•]
Finance Charges and Fees Billed <sup>(2)</sup> .....	[•]	[•]	[•]	[•]	[•]
Interchange .....	[•]	[•]	[•]	[•]	[•]
Yield from Finance Charges and Fees <sup>(3)</sup> .....	[•]	[•]	[•]	[•]	[•]
Yield from Interchange <sup>(3)</sup> .....	[•]	[•]	[•]	[•]	[•]
Total Yield from Charges, Fees and Interchange <sup>(3)</sup> .....	[•]	[•]	[•]	[•]	[•]

#### Notes:

- (1) Average Receivables Outstanding is the average of the month end balances for the period indicated.
- (2) Finance Charges and Fees are comprised of monthly periodic charges and other credit card fees net of adjustments made pursuant to RBS's normal servicing procedures, including removal of incorrect or disputed monthly periodic finance charges.
- (3) Yield percentages for the [•] months ending [•] are presented on an annualised basis.

[Discussion of information presented in table to follow]

### Delinquency and Loss Experience

The following tables set forth the delinquency and loss experience for each of the periods shown for the bank portfolio of credit card accounts. Each table has been provided by Cards Business and has not been audited. The bank portfolio's delinquency and loss experience is comprised of segments which may, when taken individually, have delinquency and loss characteristics different from those of the overall bank portfolio of credit card accounts. Because the securitised portfolio is only a portion of the bank portfolio, actual delinquency and loss experience with respect to the receivables comprised therein may be different from that set forth below for the bank portfolio. There can be no assurance that the delinquency and loss experience for the securitised portfolio in the future will be similar to the historical experience of the bank portfolio set forth below. For further information, please see the base prospectus.

## Delinquency Experience - Bank Portfolio

	[•]		[•]		[•]		[•]		[•]	
	Receivables	% of Total Receivables	Receivables	% of Total Receivables	Receivables	% of Total Receivables	Receivables	% of Total Receivables	Receivables	% of Total Receivables
Receivables outstanding .....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Receivables delinquent .....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Up to 29 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
30–59 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
60–89 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
90–119 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
120–149 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
150–179 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
180–209 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
210–239 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
240–269 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
270–299 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
300–329 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
330–359 Days.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
Total 30 Days of more Delinquent.....	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Note:

The receivables outstanding on the accounts consist of all amounts due from obligors as posted to the accounts as of the date above.

[Discussion of information presented in table to follow]

**Net Charge-off Experience - Bank Portfolio**  
(all figures in sterling except number of accounts)

	[•] Months Ended	Year Ended			
	[•]	[•]	[•]	[•]	[•]
Average receivables outstanding <sup>(1)</sup> .....	[•]	[•]	[•]	[•]	[•]
Average number of accounts .....	[•]	[•]	[•]	[•]	[•]
Total gross charge-offs <sup>(2)</sup> .....	[•]	[•]	[•]	[•]	[•]
Recoveries <sup>(3)</sup> .....	[•]	[•]	[•]	[•]	[•]
Total net charge-offs .....	[•]	[•]	[•]	[•]	[•]
Total net charge-offs as a percentage of average receivables outstanding .....	[•]	[•]	[•]	[•]	[•]
Accounts experiencing a loss .....	[•]	[•]	[•]	[•]	[•]
Accounts experiencing a loss as a percentage of average accounts outstanding .....	[•]	[•]	[•]	[•]	[•]
Average net loss of accounts with a loss .....	[•]	[•]	[•]	[•]	[•]

Notes:

- (1) Average receivables outstanding is the average of the month end balances during the period indicated.
- (2) Total net charge-offs are total principal and interest charge-offs before recoveries and do not include the amount of any reductions in average receivables outstanding due to fraud, returned goods, customer disputes or other miscellaneous credit adjustments.
- (3) Recoveries are payments received in respect of accounts which have been previously charged-off.
- (4) All percentages shown above are annualised.

[Discussion of information presented in table to follow]

**Maturity Assumptions**

The following table sets forth the highest and lowest cardholder monthly payment rate for the bank portfolio during any month in the periods shown and the average cardholder monthly payment rates for all months during the periods shown, in each case calculated as a percentage of total opening monthly receivables outstanding during the periods shown. Payment rates shown in the table are based on amounts which would be deemed payments of principal receivables and finance charge receivables with respect to the related credit card accounts.

**Cardholder Monthly Payments Rates - Bank Portfolio**

	[•] Months Ended	Year Ended			
	[•]	[•]	[•]	[•]	[•]
Lowest Month .....	[•]	[•]	[•]	[•]	[•]
Highest Month .....	[•]	[•]	[•]	[•]	[•]
Monthly Average .....	[•]	[•]	[•]	[•]	[•]

For further information, please see the base prospectus.

## RECEIVABLES INFORMATION

As at [•]

Although the receivables trust has been in existence since 2000, the composition of the securitised portfolio changed substantially as a result of the transfer of receivables from RBS and NatWest that took place in October 2005. Because of this substantial change, the sponsor believes that information regarding the historic yield and net change of experience of the securitised portfolio for the periods prior to the October 2005 transfers would be misleading.

### Securitised Portfolio Yield

	[•] Months Ended	Year Ended		
	[•]	[•]	[•]	[•]
Average Receivables Outstanding <sup>(1)</sup> .....	[•]	[•]	[•]	[•]
Finance Charges and Fees Billed <sup>(2)</sup> .....	[•]	[•]	[•]	[•]
Interchange .....	[•]	[•]	[•]	[•]
Yield from Finance Charges and Fees <sup>(3)</sup> .....	[•]	[•]	[•]	[•]
Yield from Interchange <sup>(3)</sup> .....	[•]	[•]	[•]	[•]
Total Yield from Charges, Fees and Interchange <sup>(3)</sup> .....	[•]	[•]	[•]	[•]

Notes:

- <sup>(1)</sup> Average Receivables Outstanding is the average of the month end balances for the period indicated.
- <sup>(2)</sup> Finance Charges and Fees are comprised of monthly periodic charges and other credit card fees net of adjustments made pursuant to RBS's normal servicing procedures, including removal of incorrect or disputed monthly periodic finance charges.
- <sup>(3)</sup> Yield percentages for the [•] months ended [•] are presented on an annualised basis.

[Discussion of information presented in table to follow]

### Net Charge-off Experience Securitised Portfolio (all figures in sterling except number of accounts)

	[•] Months Ended	Year Ended		
	[•]	[•]	[•]	[•]
Average receivables outstanding <sup>(1)</sup> .....	[•]	[•]	[•]	[•]
Average number of accounts .....	[•]	[•]	[•]	[•]
Total gross charge-offs <sup>(2)</sup> .....	[•]	[•]	[•]	[•]
Recoveries <sup>(3)</sup> .....	[•]	[•]	[•]	[•]
Total net charge-offs .....	[•]	[•]	[•]	[•]
Total net charge-offs as a percentage of average receivables outstanding .....	[•]	[•]	[•]	[•]
Accounts experiencing a loss .....	[•]	[•]	[•]	[•]
Accounts experiencing a loss as a percentage of average accounts outstanding .....	[•]	[•]	[•]	[•]
Average net loss of accounts with a loss .....	[•]	[•]	[•]	[•]

Notes:

- <sup>(1)</sup> Average receivables outstanding is the average of the month end balances during the period indicated.
- <sup>(2)</sup> Total net charge-offs are total principal and interest charge-offs before recoveries and do not include the amount of any reductions in average receivables outstanding due to fraud, returned goods, customer disputes or other miscellaneous credit adjustments. See "*The Receivables-Reductions in Receivables, Early Collections and Credit Adjustments*" in the base prospectus.
- <sup>(3)</sup> Recoveries are payments received in respect of accounts which have been previously charged-off.
- <sup>(4)</sup> All percentages shown above are annualised.

[Discussion of information presented in table to follow]

The following tables summarise the securitised portfolio by various criteria as of the beginning of the day on [•]. Each table has been provided by Cards Business and has not been audited. Because the future composition of the securitised portfolio may change over time, these tables are not necessarily indicative of the composition of the securitised portfolio at any time subsequent to [•].

Although standardised credit scoring is not used in the UK credit card market, Cards Business uses a credit scoring system developed by Experian. See "*The Credit Card Portfolio—Account Origination*" at page 55 in the base prospectus. For an indication of the credit quality of the cardholders whose receivables are included in the securitised portfolio, investors may refer to the discussion under "*The Credit Card Portfolio—Account Origination*" in the accompanying base prospectus (page 55), and to the historical performance of the securitised portfolio included in this set of final terms. In particular, significant indicatives of the credit quality are the cardholders' payment behaviour summarised in the table "*Composition by Payment Behaviour—Securitised Portfolio*" (page [•]) and the delinquency profile of the securitised portfolio set forth in the tables "*Composition by Period of Delinquency—Securitised Portfolio*" (page [•]) and "*Net Charge-off Experience-Securitised Portfolio*" (page [•]).

#### Composition by Account Balance - Securitised Portfolio

Account Balance Range	Total Number of Accounts	Percentage of Total Number of Accounts	Receivables	Percentage of Total Receivables
Credit Balance .....	[•]	[•]%	£[•]	[•]%
No Balance.....	[•]	[•]%	£[•]	[•]%
£0.01—£5,000.00 .....	[•]	[•]%	£[•]	[•]%
£5,000.01—£ 10,000.00 .....	[•]	[•]%	£[•]	[•]%
£10,000.01—£15,000.00 .....	[•]	[•]%	£[•]	[•]%
£15,000.01—£20,000.00 .....	[•]	[•]%	£[•]	[•]%
£20,000.01—£25,000.00 .....	[•]	[•]%	£[•]	[•]%
£25,000.01 or more.....	[•]	[•]%	£[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>£[•]</b>	<b>100/0%</b>
Average Account Balance .....	[•]			

#### Composition by Credit Limit - Securitised Portfolio

Credit Limit Range	Total Number of Accounts	Percentage of Total Number of Accounts	Receivables	Percentage of Total Receivables
Less than £5,000.01 .....	[•]	[•]%	£[•]	[•]%
£5,000.01—£10,000.00 .....	[•]	[•]%	£[•]	[•]%
£10,000.01—£ 15,000.00 .....	[•]	[•]%	£[•]	[•]%
£15,000.01—£20,000.00 .....	[•]	[•]%	£[•]	[•]%
£20,000.01—£25,000.00 .....	[•]	[•]%	[•]	[•]%
£25,000.01 or more.....	[•]	[•]%	£[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>£[•]</b>	<b>100/0%</b>
Average Account Balance .....	[•]			

#### Composition by Payment Behaviour - Securitised Portfolio

Payment Behaviour	Total Number of Accounts	Percentage of Total Number of Accounts	Receivables	Percentage of Total Receivables
Accounts with minimum payment made.....	[•]	[•]%	£[•]	[•]%
Accounts with full payment made.....	[•]	[•]%	£[•]	[•]%
Accounts with other or no payments made .....	[•]	[•]%	£[•]	[•]%
<b>Total</b> .....	<b>[•]</b>	<b>100.0%</b>	<b>£[•]</b>	<b>100/0%</b>

### Composition by Period of Delinquency - Securitised Portfolio

Period of Delinquency (Days Contractually Delinquent)	Total Number of Accounts	Percentage of Total Number of Accounts	Receivables	Percentage of Total Receivables
Not Delinquent.....	[•]	[•]%	£[•]	[•]%
Up to 29 Days .....	[•]	[•]%	£[•]	[•]%
30 to 59 Days .....	[•]	[•]%	£[•]	[•]%
60 to 89 Days .....	[•]	[•]%	£[•]	[•]%
90–119 Days .....	[•]	[•]%	£[•]	[•]%
120–149 Days .....	[•]	[•]%	£[•]	[•]%
150–179 Days .....	[•]	[•]%	£[•]	[•]%
180–209 Days .....	[•]	[•]%	£[•]	[•]%
210–239 Days .....	[•]	[•]%	£[•]	[•]%
240–269 Days .....	[•]	[•]%	£[•]	[•]%
270–299 Days .....	[•]	[•]%	£[•]	[•]%
300–329 Days .....	[•]	[•]%	£[•]	[•]%
330–359 Days .....	[•]	[•]%	£[•]	[•]%
<b>TOTAL .....</b>	<b>[•]</b>	<b>100.0%</b>	<b>£[•]</b>	<b>100/0%</b>

### Composition by Account Age - Securitised Portfolio

Account Age	Total Number of Accounts	Percentage of Total Number of Accounts	Receivables	Percentage of Total Receivables
Not more than 1 Year .....	[•]	[•]%	£[•]	[•]%
Over 1 to 2 years.....	[•]	[•]%	£[•]	[•]%
Over 2 to 3 years.....	[•]	[•]%	£[•]	[•]%
Over 3 to 4 years.....	[•]	[•]%	£[•]	[•]%
Over 4 to 8 years.....	[•]	[•]%	£[•]	[•]%
Over 8 years.....	[•]	[•]%	£[•]	[•]%
<b>Total .....</b>	<b>[•]</b>	<b>100.0%</b>	<b>£[•]</b>	<b>100/0%</b>

### Geographic Distribution of Accounts - Securitised Portfolio

Region	Total Number of Accounts	Percentage of Total Number of Accounts	Receivables	Percentage of Total Receivables
East Anglia.....	[•]	[•]%	£[•]	[•]%
East Midlands .....	[•]	[•]%	£[•]	[•]%
Greater London .....	[•]	[•]%	£[•]	[•]%
Northern Ireland.....	[•]	[•]%	£[•]	[•]%
North .....	[•]	[•]%	£[•]	[•]%
North West.....	[•]	[•]%	£[•]	[•]%
Scotland .....	[•]	[•]%	£[•]	[•]%
South East Excl London .....	[•]	[•]%	£[•]	[•]%
South West.....	[•]	[•]%	£[•]	[•]%
Wales .....	[•]	[•]%	£[•]	[•]%
West Midlands.....	[•]	[•]%	£[•]	[•]%
Yorks and Humber.....	[•]	[•]%	£[•]	[•]%
Unknown.....	[•]	[•]%	£[•]	[•]%
<b>Total .....</b>	<b>[•]</b>	<b>100.0%</b>	<b>£[•]</b>	<b>100/0%</b>

## PURCHASE AND TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the series 200[•]-[•] notes.

The series 200[•]-[•] notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities or "blue sky " laws or the securities laws of any other jurisdiction and, accordingly, may not be reoffered, resold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to the registration requirement of, the Securities Act.

[Each dealer has agreed that it will not offer, sell or deliver notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the notes comprising the relevant series, as certified by such dealer (or, in the case of a sale of a series of notes to or through more than one dealer, by each of such dealers as to the notes of such series purchased by or through it, in which case the issuing entity shall notify each such dealer when all such dealers have so certified), within the United States or to, or for the account or benefit of, US persons, and such dealer will have sent to each dealer to which it sells notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, US persons.]

In addition, until 40 days after the commencement of the offering of notes comprising any series, any offer or sale of notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each purchaser or transferee of series 200[•]-[•] notes will be deemed to have represented, warranted, acknowledged and agreed that:

- (1) The purchaser is not, and for so long as it holds series 200[•]-[•] notes or any interest therein will not be, (A) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Code or any entity whose underlying assets include (or are deemed for the purposes of ERISA or Section 4975 to include) "plan assets" by reason of such employee benefit plan's or plan's investment in the entity (each of the foregoing, a "**Benefit Plan Investor**"), or (B) it is a governmental or other employee benefit plan, that is not a Benefit Plan Investor, which is subject to any US federal, state or local law or any non-US law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") and the purchaser's purchase and holding of such notes will not constitute or result in a violation of any such substantially Similar Law.
- (2) The purchaser understands that (i) the sale of series 200[•]-[•] notes (or a beneficial interest in a global note certificate representing series 200[•]-[•] notes) to it is being made in reliance on Regulation S, and (ii) series 200[•]-[•] notes (or a beneficial interest in a global note certificate representing series 200[•]-[•] notes) may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND, AS A MATTER OF US LAW, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING OF THE OFFERING (THE "**DISTRIBUTION COMPLIANCE PERIOD**") THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT TO A NON-US PERSON OUTSIDE THE UNITED STATES PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE PURCHASER OF THIS NOTE OR ANY INTEREST IN THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST IN THIS NOTE WILL



NOT BE, (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 TO INCLUDE) "PLAN ASSETS" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (EACH OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**"), OR (II) IT IS A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, THAT IS NOT A BENEFIT PLAN INVESTOR, WHICH IS SUBJECT TO ANY US FEDERAL, STATE OR LOCAL LAW OR ANY NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") AND ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST IN THIS NOTE WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW.

A transferor who transfers a beneficial interest in a series 200[•]-[•] note to a transferee who will hold the interest in the same form is not required to provide any additional written certification.

## PLAN OF DISTRIBUTION

Names of Dealers: [Give details]

Stabilising Dealer (if any): [Give name]

Additional Selling Restrictions: [Give details]

	Class A	[Class B]	Class C
CUSIP: .....	[•]	[•]	[•]
ISIN: .....	[•]	[•]	[•]
Common Code: .....	[•]	[•]	[•]

Subject to the terms and conditions of the dealer agreement as supplemented by the relevant subscription agreement for these Series 200[•]-[•] notes, the issuing entity has agreed to sell to each of the dealers named below, and each of those dealers has severally agreed to purchase, the principal amount of these Series 200[•]-[•] notes set forth opposite its name:

Dealers	Class A	[Class B]	Class C	Aggregate Amount
[•] .....	[•]	[•]	[•]	[•]
[•] .....	[•]	[•]	[•]	[•]
<b>Total</b> .....				<b>\$[•]</b>

The several dealers have agreed, subject to the terms and conditions of the dealer agreement and the applicable subscription agreement, to purchase all \$[•] aggregate principal amount of these series 200[•]-[•] notes.

The dealers have advised the issuing entity that the several dealers propose initially to offer these series 200[•]-[•] notes to the public at the public offering price set forth on the cover page of this set of final terms.

After the public offering, the public offering price and other selling terms may be changed by the dealers.

In connection with the sale of these series 200[•]-[•] notes, the dealers may engage in:

- over-allotments, in which members of the syndicate selling these series 200[•]-[•] notes sell more notes than the issuing entity actually sold to the syndicate, creating a syndicate short position;
- stabilising transactions, in which purchases and sales of these series 200[•]-[•] notes may be made by the members of the selling syndicate at prices that do not exceed a specified maximum; and
- syndicate covering transactions, in which members of the selling syndicate purchase these series 200[•]-[•] notes in the open market after the distribution has been completed in order to cover syndicate short positions.

These stabilising transactions and syndicate covering transactions may cause the price of these series 200[•]-[•] to be higher than it would otherwise be. These transactions, if commenced, may be discontinued at any time.

The issuing entity has agreed to indemnify the dealers against certain liabilities, including liabilities under applicable securities laws.

The gross proceeds of the issue of the notes will be \$[•]. The sum of the fees and commissions payable on the issue of the notes is estimated to be [•]. The fees and commissions payable on the issue of the notes will not be deducted from the gross proceeds of the issue. [The issuing entity will use its reasonable endeavours to make a drawing of at least an amount equal to such fees and commissions under the expenses loan agreement to pay such fees and commissions.] The proceeds of the issue of the notes after exchanging such amounts into sterling pursuant to the relevant swap agreement will be applied by the issuing entity, to purchase the series 200[•]-[•] loan note issued by the loan note issuing entity on the

closing date. The proceeds of the issue of the class A notes will be [•]. [The proceeds of the issue of the class B notes will be [•].] The proceeds of the issue of the class C notes will be [•].

### **LISTING APPLICATION**

This document comprises the final terms required to list the issue of notes described herein pursuant to the Arran Funding (UK) Medium Term Note Programme of the issuing entity.

### **RESPONSIBILITY**

The issuing entity accepts responsibility for the information contained in this set of final terms.

Signed on behalf of the issuing entity:

By: .....  
*duly authorised*

## GENERAL INFORMATION

The admission of the programme to listing on the Official List of the UKLA and to trading on the regulated market of the London Stock Exchange took effect on [•]. The listing of the notes on the regulated market of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Each class of this series of notes intended to be admitted to listing on the Official List of the UKLA and admitted to trading on the regulated market of the London Stock Exchange will be so admitted to listing and trading upon submission to the UKLA and the regulated market of the London Stock Exchange of this set of final terms and any other information required by the UKLA and the regulated market of the London Stock Exchange, subject in each case to the issue of the relevant notes. Prior to official listing, dealings will be permitted by the regulated market of the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, notes may be issued pursuant to the programme which will not be admitted to listing, trading and/or quotation by the UKLA or the regulated market of the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the issuing entity and the relevant dealer(s) may agree.

The issuing entity confirms that the securitised assets backing the issue of this series of notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on this series of notes. However, investors are advised that this confirmation is based on the information available to the issuing entity at the date of the base prospectus and this set of final terms and may be affected by future performance of such securitised assets. Consequently, investors are advised to review carefully the disclosure in the base prospectus together with any amendments or supplements thereto and other documents incorporated by reference in the base prospectus and, in relation to series 200[•]-[•], this set of final terms.

An investment in the notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment. If you are in any doubt about the contents of this set of final terms, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

Save as disclosed in this set of final terms, there has been no significant change and no significant new matter has arisen since publication of the base prospectus.

The issuing entity neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuing entity is aware) which may have or have had during the months since the date of the base prospectus to the date of this set of final terms a significant effect on the issuing entity's financial position or profitability.

Save as disclosed in this set of final terms, there has been no material adverse change in the issuing entity's financial position or prospects since the date of the base prospectus and, since such date, there has been no significant change in the financial or trading position of the issuing entity.

The loan note issuing entity neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the loan note issuing entity is aware) which may have or have had during the months since the date of the base prospectus to the date of this set of final terms a significant effect on the loan note issuing entity's financial position or profitability.

Save as disclosed in this set of final terms, there has been no material adverse change in the loan note issuing entity's financial position or prospects since the date of the base prospectus and, since such date, there has been no significant change in the financial or trading position of the loan note issuing entity.

It should be remembered that the price of securities and the income from them can go down as well as up.

### ***Documents available for inspection***

For so long as the base prospectus is in effect, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the paying agent and from the registered office of the issuing entity, namely:

- (a) the memorandum and articles of association of the issuing entity;
- (b) the memorandum and articles of association of the loan note issuing entity;
- (c) the memorandum and articles of association of the receivables trustee;
- (d) the current listing particulars in relation to the programme, together with any amendments;
- (e) the agency agreement;
- (f) the dealer agreement and the relevant subscription agreement;
- (g) any set of final terms relating to notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant final terms will only be available for inspection by the relevant noteholders);
- (h) the master framework agreement (relating to the documents entered into by the receivables trustee and the loan note issuing entity);
- (i) the receivables securitisation agreement;
- (j) the receivables trust deed and trust cash management agreement and the relevant series supplement;
- (k) the trust section 75 indemnity;
- (l) the beneficiaries deed;
- (m) the beneficiaries servicing agreement and supplemental beneficiaries servicing agreement;
- (n) the expenses loan agreement;
- (o) the loan note issuing entity expenses loan agreements (if any);
- (p) the security trust deed and the relevant loan note supplement;
- (q) the trust deed and the relevant trust deed supplement;
- (r) the master framework agreement (relating to the documents entered into by the issuing entity);
- (s) the corporate services agreement;
- (t) the swap agreements (if any); and
- (u) the various account bank agreements.

## ISSUING ENTITY

### **Arran Funding (UK) Plc**

Eighth Floor  
68 King William Street  
London EC4N 7DZ

## **SPONSOR, ORIGINATOR, SERVICER AND CASH MANAGER**

### **The Royal Bank of Scotland plc**

36 St. Andrew Square  
Edinburgh EH2 2YB  
Scotland

## **ORIGINATOR**

### **National Westminster Bank Plc**

135 Bishopsgate  
London EC2M 3UR

## **LOAN NOTE ISSUING ENTITY**

### **RBS Cards Securitisation Funding Limited**

71 Bath Street  
St. Helier  
Jersey JE4 8PJ  
Channel Islands

## **RECEIVABLES TRUSTEE**

### **South Gyle Receivables Trustee Limited**

22 Grenville Street  
St. Helier  
Jersey JE4 8PX  
Channel Islands

## **NOTE TRUSTEE AND SECURITY TRUSTEE**

### **The Bank of New York Mellon**

One Canada Square  
London E14 5AL  
United Kingdom

## **PRINCIPAL PAYING AGENT**

### **The Bank of New York Mellon**

101 Barclay Street, Floor 21 West  
New York, New York 10286  
United States

## **REGISTRAR**

### **The Bank of New York (Luxembourg) S.A.**

Aerogolf Center, 1A, Hoehenhof  
L-1736 Senningerberg  
Luxembourg

## **LEGAL ADVISERS**

*To the issuing entity, loan note  
issuing entity and receivables  
trustee as to matters of Jersey law*

### **Mourant du Feu & Jeune**

22 Grenville Street  
St Helier  
Jersey JE4 8PX  
Channel Islands

*To the arranger and dealers,  
security trustee and the note  
trustee as to English law*

### **Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom

*To the arranger and dealers as to  
US Law*

### **Clifford Chance US LLP**

31 West 52nd Street  
New York, New York 10019  
United States

*To the issuing entity and  
originators as to English law*

### **Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
United Kingdom

*To the issuing entity and  
originators as to US law*

### **Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
United Kingdom

*To the originators as to Scots law*

### **Dundas & Wilson CS LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EN

## **AUDITORS**

*To the receivables trustee, the loan note issuing entity and the issuing entity*

### **Deloitte LLP**

Saltire Court  
20 Castle Street  
Edinburgh EH1 2DB

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## ISSUING ENTITY

### **Arran Funding (UK) Plc**

Eighth Floor  
68 King William Street  
London EC4N 7DZ

## **SPONSOR, ORIGINATOR, SERVICER AND CASH MANAGER**

### **The Royal Bank of Scotland plc**

36 St. Andrew Square  
Edinburgh EH2 2YB  
Scotland

## **ORIGINATOR**

### **National Westminster Bank Plc**

135 Bishopsgate  
London EC2M 3UR

## **LOAN NOTE ISSUING ENTITY RBS Cards Securitisation Funding Limited**

71 Bath Street  
St. Helier  
Jersey JE4 8PJ  
Channel Islands

## **RECEIVABLES TRUSTEE South Gyle Receivables Trustee Limited**

22 Grenville Street  
St. Helier  
Jersey JE4 8PX  
Channel Islands

## **NOTE TRUSTEE AND SECURITY TRUSTEE**

### **The Bank of New York Mellon**

One Canada Square  
London E14 5AL  
United Kingdom

## **PRINCIPAL PAYING AGENT**

### **The Bank of New York Mellon**

101 Barclay Street, Floor 21 West  
New York, New York 10286  
United States

## **REGISTRAR**

### **The Bank of New York (Luxembourg) S.A.**

Aerogolf Center, 1A, Hoehenhof  
L-1736 Senningerberg  
Luxembourg

## LEGAL ADVISERS

*To the issuing entity, loan note  
issuing entity and receivables  
trustee as to matters of Jersey law*

### **Mourant du Feu & Jeune**

22 Grenville Street  
St Helier  
Jersey JE4 8PX  
Channel Islands

*To the arranger and dealers,  
security trustee and the note  
trustee as to English law*

### **Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom

*To the arranger and dealers as to  
US Law*

### **Clifford Chance US LLP**

31 West 52nd Street  
New York, New York 10019  
United States

*To the issuing entity and  
originators as to English law*

### **Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
United Kingdom

*To the issuing entity and  
originators as to US law*

### **Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
United Kingdom

*To the originators as to Scots law*

### **Dundas & Wilson CS LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EN

## AUDITORS

*To the receivables trustee, the loan note issuing entity and the issuing entity*

### **Deloitte LLP**

Saltire Court  
20 Castle Street  
Edinburgh EH1 2DB