

DATED: 25 SEPTEMBER 2012

Winchester Street plc

*(incorporated with limited liability in England and Wales with registered number
07994466)
(the “Issuer”)*

PROSPECTUS

Series 1

**GBP 16,900,000 Pass-Through Mortgage Backed Notes due
2038**

(the “Notes”)

Deutsche Bank
as Arranger

The attention of investors is drawn to the section headed “Risk Factors” on page 3 of this Prospectus.

This Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive 2003/71/EC (the “**Prospectus Directive**”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the “**Irish Stock Exchange**”) for the Issuer’s Series 1 GBP 16,900,000 Pass-Through Mortgage Backed Notes due 2038 (the “**Notes**”) to be admitted to the Official List and trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

This Prospectus, under which the Notes are issued, incorporates by reference the Base Prospectus issued in relation to the GBP 10,000,000,000 Secured Note Programme (the “**Programme**”) of Winchester Street plc (the “**Issuer**”).

The Base Prospectus is available for viewing at:

http://www.ise.ie/debt_documents/Base%20Prospectus_654c0bcb-fd22-4fd1-b055-68ee41e6df12.PDF

Deutsche Bank AG, London Branch, of Winchester House, 1 Great Winchester Street, London EC2N 2DB (the “**Arranger**”) is the Arranger for the Notes. This Prospectus comprises the “Prospectus” for the Notes for the purposes of the Base Prospectus.

Capitalised terms used herein but not otherwise defined shall have the meanings ascribed to them in the Base Prospectus.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive 2003/71/EC.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Prospectus in any jurisdiction where such action is required.

The Notes will be governed by and construed in accordance with English law.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

In addition to the above, (i) Mortgage Trading (UK) Limited (the “**Seller**”) accepts responsibility for the information contained in the section of this Prospectus headed “The Seller” (the “**Mortgage Trading Information**”), and (ii) Deutsche Bank AG, London Branch in its capacity as calculation agent (the “**Calculation Agent**”), cash manager (the “**Cash Manager**”) and the account bank (the “**Issuer Account Bank**”) accepts responsibility for the information contained in the section of this Prospectus headed “Information concerning the Calculation Agent, the Cash Manager and the Issuer Account Bank” (the “**DB Information**”). To the best of the knowledge and belief of the Seller (which has taken all reasonable care to ensure that such is the case), the Mortgage Trading Information is in accordance with the facts and does not omit anything likely to affect the import of such information. To the best of the knowledge and belief of the Calculation Agent, the Cash Manager and the Issuer Account Bank (which has taken all reasonable care to ensure that such is the case), the DB Information is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make representations other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arranger or either of them. Neither the delivery of this Prospectus nor any sale made in connection

herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

The Nemo Guarantor provides a guarantee in respect of the performance of the obligations of the Legal Title Holder pursuant to the Legal Title Deed and the performance of the obligations of the Administrator pursuant to the Administration Agreement. For the avoidance of doubt, none of the obligations of the Issuer in respect of the Notes (including the repayment of any principal or interest) are the responsibility of, or guaranteed by, Nemo or the Nemo Guarantor. Neither Nemo nor the Nemo Guarantor has any responsibility for the contents of this Prospectus.

The net proceeds of realisation of the Mortgaged Property may be less than the sums due to the Noteholders and the other Secured Parties (the difference being referred to herein as a “**shortfall**”). The shortfall will be borne by the holders of the Notes and the other Secured Parties, in accordance with the Terms and Conditions of the Notes and the applicable Priorities of Payments specified in this Prospectus and the Trust Instrument.

Each holder of the Notes, by subscribing for or purchasing such Notes, will be deemed to accept and acknowledge that it is fully aware that, in the event of a shortfall, (i) the Issuer shall be under no obligation to pay, and the other assets (if any) of the Issuer, including, in particular, assets securing Series of notes or Alternative Investments issued by the Issuer from time to time (other than the Notes) will not be available for payment of, such shortfall, (ii) all claims in respect of such shortfall shall be extinguished and (iii) the Trustee, the holders of the Notes and each other Secured Party shall have no further claim against the Issuer nor against its officer(s), director(s), agent(s), member(s), employee(s), securityholder(s) or incorporator(s) or their respective successors or assigns in respect of such unpaid amounts and will accordingly not be able to petition for the winding up of the Issuer as a consequence of such shortfall. None of the Trustee, the Issuer or the Arranger has any obligation to any holders of the Notes or any Secured Party for payment of any such shortfall amount by the Issuer in respect of the Notes.

Except as specified in this Prospectus, the Issuer does not intend to provide post issuance transaction information regarding the Notes or the Mortgage Portfolio.

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TRANSACTION OVERVIEW

The following summary is qualified in its entirety by the remainder of this Prospectus, the Terms of the Notes and the Trust Instrument. Words and expressions used in the Conditions (as supplemented and/or modified by the Terms) shall have the same meaning herein.

The Notes:

The Notes are expected to be issued by the Issuer on or around the Issue Date.

The Notes are secured, limited recourse obligations of the Issuer ranking *pari passu* and *pro rata* among themselves.

The Notes will accrue interest in accordance with the Terms, which will be payable on each Interest Payment Date in accordance with the applicable Priorities of Payments. The Notes are subject to repayment of principal on each Interest Payment Date in an amount equal to the Available Redemption Amount on such Interest Payment Date. If not otherwise redeemed early, the Notes will be subject to redemption in full at their then Principal Amount Outstanding on the Maturity Date.

All payments of interest and principal in respect of the Notes will be made in accordance with the Pre-enforcement Interest Priority of Payments and the Pre-enforcement Principal Priority of Payments, respectively (together the “**Pre-enforcement Priorities of Payments**”) (prior to any enforcement of the security) or the Post-enforcement Priority of Payments (following any enforcement of the security).

For the estimated average life of the Notes, see “Weighted average life of the Notes”.

The Notes will be issued in Bearer Note form.

Collateral:

The Issuer will apply the net proceeds of the issue of the Notes to purchase from the Seller on the Issue Date a portfolio of second lien or second-ranking Mortgages over residential properties in England and Wales or Scotland, their related Mortgage Loans and other relevant Related Security (the “**Mortgage Portfolio**”) pursuant to a Mortgage Portfolio Sale Agreement dated on or around the Issue Date between the Issuer, the Seller, the Nemo Guarantor and the Trustee (the “**MTUK/Winchester Street Mortgage Portfolio Sale Agreement**”). *For further information relating to the Mortgage Portfolio, see “The Mortgage Portfolio” below.*

In addition to selling the Mortgage Portfolio to the Issuer, the Seller will assign to the Issuer certain of its rights, title, interest and benefit, in, to and under:

(a) the mortgage portfolio sale agreement dated 29 November 2010 (as amended and restated on 17 October 2011) between the Legal Title Holder (as seller), the Seller (as purchaser) and the Nemo Guarantor (the “**First Nemo/MTUK Mortgage Portfolio Sale Agreement**”); and

(b) the mortgage portfolio sale agreement dated 17 October 2011

between the Legal Title Holder (as seller), the Seller (as purchaser) and the Nemo Guarantor (the “**Second Nemo/MTUK Mortgage Portfolio Sale Agreement**” and, together with the First Nemo/MTUK Mortgage Portfolio Sale Agreement, the “**Nemo/MTUK Mortgage Portfolio Sale Agreements**”),

pursuant to which portfolios of second lien or second-ranking Mortgages and their Related Security (including the Mortgages and Related Security comprising the Mortgage Portfolio) were sold by the Legal Title Holder to the Seller, in each case to the extent such rights, title, interest and benefit relate to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio (the “**Seller’s Warranty and Indemnity Rights**”). The Issuer will, therefore, take the benefit of various representations, warranties, covenants and indemnities originally provided by the Legal Title Holder to the Seller in respect of the Mortgage Portfolio.

In addition, the Issuer will enter into a legal title deed with the Legal Title Holder (who has retained legal title to the Mortgage Loans and Related Security comprised in the Mortgage Portfolio), the Nemo Guarantor and the Trustee (the “**Legal Title Deed**”), pursuant to which, among other things, the Legal Title Holder will agree (a) to transfer legal title to the Mortgage Portfolio to the Issuer in certain circumstances and (b) to hold all its residual rights, title, interest and benefit in the Mortgage Portfolio and all amounts paid to it by the borrowers (each, a “**Borrower**”) (or otherwise) pursuant to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio, on trust for the Issuer.

For further information related to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the Nemo/MTUK Mortgage Portfolio Sale Agreements and the Legal Title Deed, see “The Mortgage Portfolio transfer documentation”.

Seller:

The Seller of the Mortgage Portfolio, and the assignor of the Seller’s Warranty and Indemnity Rights under the Nemo/MTUK Mortgage Portfolio Sale Agreements, to the Issuer is Mortgage Trading (UK) Limited (the “**Seller**”). The Seller will provide certain representations and warranties in respect of the Mortgage Portfolio to the Issuer pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement.

For further information related to Mortgage Trading (UK) Limited, see “The Seller” below.

Legal Title Holder:

The seller of the Mortgage Portfolio to the Seller pursuant to the Nemo/MTUK Mortgage Portfolio Sale Agreements and the present holder of legal title to the Mortgage Portfolio is Nemo Personal Finance Limited (the “**Legal Title Holder**”). The Issuer will be assigned, by the Seller, the benefit of the Seller’s Warranty and Indemnity Rights, which comprise, among other things, certain representations, warranties, covenants and indemnities provided by the Legal Title Holder in respect of the Mortgage Portfolio pursuant to the Nemo/MTUK Mortgage

Portfolio Sale Agreements.

For further information related to Nemo Personal Finance Limited, see “The Legal Title Holder and the Administrator” below.

Administration of the Mortgage Portfolio:

The Issuer will appoint Nemo Personal Finance Limited as administrator (the “**Administrator**”) pursuant to the administration agreement to be entered into on or around the Issue Date between the Issuer, the Administrator, the Nemo Guarantor, the Cash Manager and the Trustee (the “**Administration Agreement**”). The Administrator will be responsible for the servicing of the Mortgage Portfolio, including, among other things, the collection of payments from the relevant obligors, the transfer of collections from the Collection Account to the applicable Issuer Bank Account, monitoring and recovering arrears and carrying out enforcement proceedings, determining and setting any discretionary rates and margins, the preparation of reports and assisting the Cash Manager in the preparation of Investor Reports, in each case in accordance with the terms of the Administration Agreement.

The appointment of the Administrator will be subject to certain termination events.

For further information relating to the Administrator, see “The Legal Title Holder and the Administrator”. For further information relating to the Administration Agreement and the administration of the Mortgage Portfolio, see “Administration of the Mortgage Portfolio”.

Nemo Guarantor:

The obligations of Nemo Personal Finance Limited, (a) in its capacity as Legal Title Holder pursuant to the Legal Title Deed, (b) in respect of the Seller’s Warranty and Indemnity Rights assigned to the Issuer by the Seller pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, and (c) in its capacity as Administrator pursuant to the Administration Agreement, are guaranteed by Principality Building Society (the “**Nemo Guarantor**”).

The Seller’s Warranty and Indemnity Rights assigned to the Issuer by the Seller will be assigned with the benefit of the guarantee by the Nemo Guarantor.

For the avoidance of doubt, none of the Issuer’s obligations in respect of the Notes are guaranteed by the Nemo Guarantor.

For further information related to the Nemo Guarantor, see “The Nemo Guarantor”.

Issuer Bank Accounts and Issuer Account Bank:

Deutsche Bank AG, London Branch will be appointed as Issuer Account Bank in respect of the Notes pursuant to an Issuer bank account agreement dated on or around the Issue Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Trustee (the “**Issuer Bank Account Agreement**”).

Pursuant to the Issuer Bank Account Agreement, the Issuer

Account Bank will establish the following segregated accounts in the name of the Issuer (the details in respect of which are set out in the Terms):

- (1) Available Principal Account;
- (2) Available Interest Account; and
- (3) Issuer Retained Profit Account.

Amounts received by the Issuer in respect of the Notes and the Mortgage Portfolio will be kept segregated from and will not be commingled with any amounts received in respect of any other Series of notes or Alternative Investments issued by the Issuer from time to time.

The appointment of the Issuer Account Bank will be subject to certain termination events.

For further information relating to the Issuer Account Bank, see “The Issuer Account Bank”. For further information relating to the Issuer Bank Account Agreement, see “The Issuer Bank Account Agreement”.

Collection Account:

Prior to perfection of the Issuer’s title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio, all payments made by the underlying obligors in respect of such Mortgage Loans will be paid into the segregated Collection Account (the “**Collection Account**”) maintained by the Legal Title Holder in respect of the Mortgage Portfolio. Amounts held in the Collection Account will be transferred to the relevant Issuer Bank Account on Monday of each week (or the next business day if such Monday is not a business day) in accordance with the Administration Agreement. Prior to any such transfer all such amounts will be held on trust for the Issuer pursuant to the Legal Title Deed.

Cash Manager and Ledgers:

The Issuer will appoint Deutsche Bank AG, London Branch as Cash Manager in respect of the Notes pursuant to a cash management agreement dated on or around the Issue Date between the Issuer, the Cash Manager, the Administrator and the Trustee (the “**Cash Management Agreement**”). The Cash Manager will provide certain cash management services to the Issuer in respect of the Notes including, without limitation, ensuring the segregation of funds in respect of the Notes, administering the Pre-enforcement Priorities of Payments and calculating amounts payable by the Issuer thereunder, preparing Investor Reports, procuring or monitoring, as applicable, payments into, and out of, the Issuer Bank Accounts and establishing and maintaining the Principal Deficiency Ledger in the accounts of the Issuer.

The appointment of the Cash Manager will be subject to certain termination events.

For further information relating to the Cash Manager, see “The Cash Manager”. For further information relating to cash

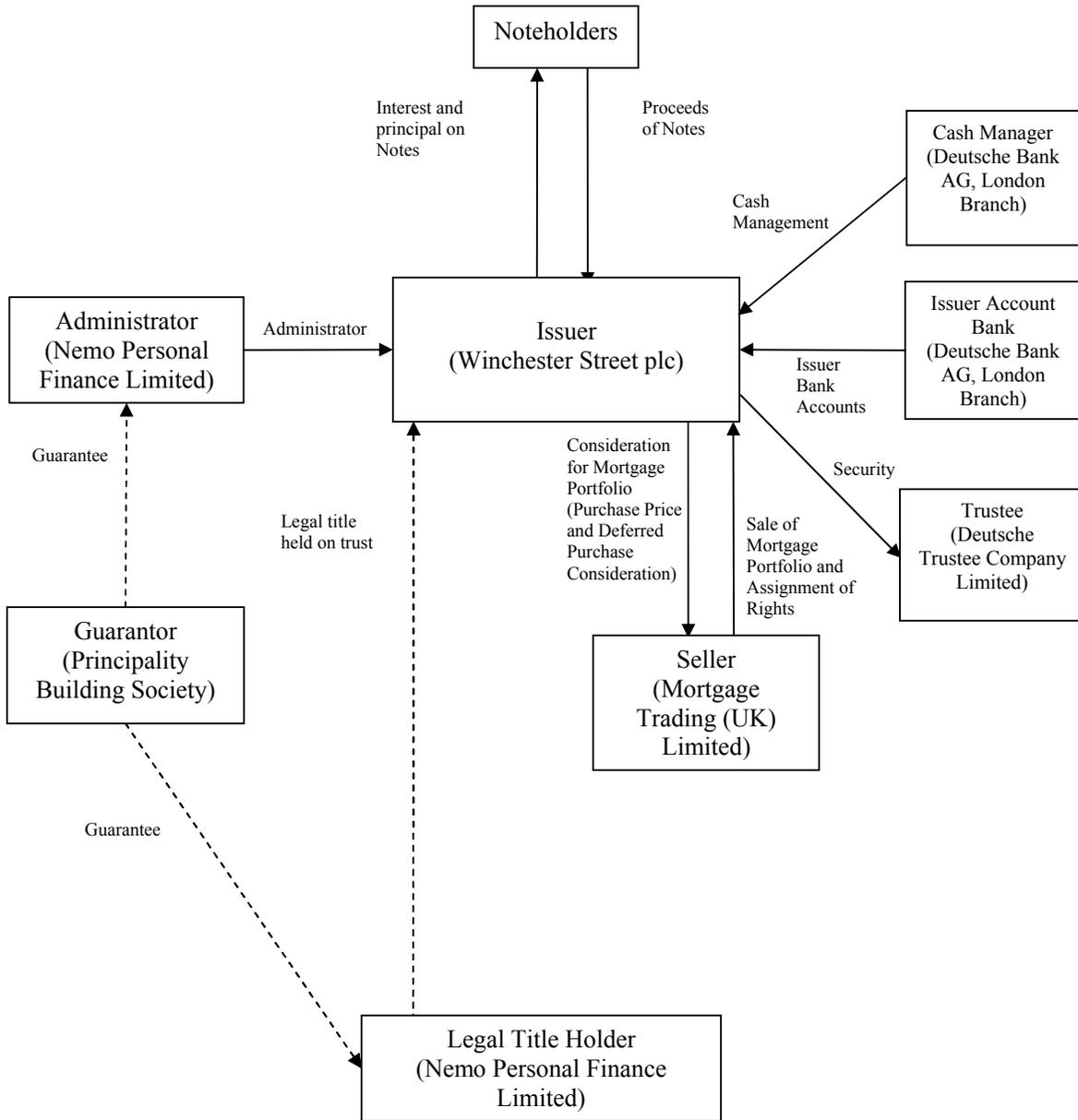
management in respect of the Notes, see “Cash Management and Cash Flows”.

Principal Deficiency Ledger:

Where in the case of any Mortgage Loan forming part of the Mortgage Portfolio, after completion of the enforcement procedures in respect of such Mortgage Loan and after all amounts have been received under any applicable assurance or insurance policies or under any guarantee, the Administrator confirms to the Issuer, the Trustee and the Cash Manager that an amount of principal remains outstanding in respect of such Mortgage Loan, the Cash Manager shall debit such amount of principal to the Principal Deficiency Ledger.

The Cash Manager shall credit to the Principal Deficiency Ledger amounts retained by the Issuer for credit to the Principal Deficiency Ledger pursuant to the Pre-enforcement Interest Priority of Payments in order to restore the Principal Deficiency Ledger to zero (or reduce any negative balance). Amounts credited to the Principal Deficiency Ledger in accordance with the Pre-enforcement Interest Priority of Payments are deemed to be receipts of principal for the purposes of the definition of Available Redemption Funds and will be credited to the Available Principal Account.

Structure diagram:



RISK FACTORS

Purchasers of Notes should conduct such independent investigation and analysis regarding the Issuer, the Collateral (in particular the Mortgage Loans and their Related Security comprising the Mortgage Portfolio) and the obligor(s) in respect thereof, the security arrangements, the Notes, the Legal Title Holder, the Seller, the Administrator, the Nemo Guarantor, the Cash Manager, the Issuer Account Bank, each other Transaction Party and all other relevant persons and market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. The Issuer and the Arranger disclaim any responsibility to advise purchasers of Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time thereafter. However, as part of such independent investigation and analysis, prospective purchasers of Notes should consider all the information set forth in the base prospectus dated 10 September 2012 (the “**Base Prospectus**”) and this Prospectus, including but not limited to the considerations set forth below.

Investment in the Notes is only suitable for investors who:

- (1) have the requisite knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in the Base Prospectus and this Prospectus and the merits and risks of an investment in the Notes in the context of such investors’ financial position and circumstances;
- (2) are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time;
- (3) recognise that it may not be possible to make any transfer of the Notes for a substantial period of time, if at all; and
- (4) are banks, investment banks, pension funds, insurance companies, securities firms, investment institutions, central governments, large international or supranational organisations or other entities, including, *inter alia*, treasuries and finance companies of large enterprises that are active on a regular and professional basis in the financial markets for their own account.

Further, each prospective purchaser of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary’s) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines, regulatory requirements and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. None of the Issuer, the Arranger, the Trustee, any other Transaction Party or any other person has or will make any representation or statement as to the suitability of the Notes for investors. Investors should obtain all required independent professional advice before purchasing the Notes.

Investors should further note that if the net proceeds of the realisation of the security created pursuant to the Trust Instrument are not sufficient to make all payments due in respect of the Notes and for the Issuer to meet its obligations in respect of all other Secured Parties then the obligations of the Issuer in respect of the Notes and to such Secured Parties will be limited to such net proceeds, and the other assets of the Issuer will not be available for payment of any such shortfall which shall be borne by the Noteholders and the other relevant Secured Parties according to the applicable Priorities of Payments specified in the Trust Instrument and in this Prospectus.

The Notes are secured, limited recourse obligations of the Issuer, ranking *pari passu* without any preference secured in the manner described in Condition 4.2. Recourse in respect of the Notes will be limited to the Mortgaged Property relating to the Notes. Claims of Noteholders in respect of the Notes and any other persons entitled to the benefit of the security for such Series shall rank in accordance with the applicable Priorities of Payments specified in the Trust Instrument and in this Prospectus.

Potential conflicts of interest

The Legal Title Holder and the Administrator will be, as at the Issue Date, the same legal entity. This may give rise to potential conflicts of interest in certain circumstances including, without limitation, where the Administrator is required to take action against the Legal Title Holder in accordance with its contractual duties to the Issuer under the terms of the Administration Agreement.

In addition, the Calculation Agent, the Agent, the Transfer Agent, the Issuer Account Bank, the Cash Manager and the Purchaser are the same corporate entity, although performing different functions with respect to the Notes. Certain of these roles provide such entity with discretionary powers, which may have a material impact on the value and performance of the Notes. Such discretions may create conflicts of interest due to the capacities in which such entities are acting and these discretions may be exercised (or not be exercised) in a way that could adversely affect the holders of the Notes.

Ability to appoint substitute Administrator

No Back-Up Administrator will be appointed in respect of the Notes. Consequently, if the appointment of the Administrator is terminated, or the Administrator resigns (including voluntarily on 12 months' notice) in accordance with the terms of the Administration Agreement, there can be no assurance that a substitute Administrator with sufficient experience of servicing mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans comprising the Mortgage Portfolio on the terms of the Administration Agreement. The ability of any entity acting as a substitute Administrator to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute Administrator will affect payments on the Mortgage Loans in the Mortgage Portfolio and hence the Issuer's ability to make payments when due on the Notes.

The Administrator has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

Threshold test and limitation period for breach of Seller's Warranty Claims or Indemnity Claims

Pursuant to the Seller's Warranty and Indemnity Rights, granted to the Seller by the Legal Title Holder pursuant to the Nemo/MTUK Mortgage Portfolio Sale Agreement and subsequently assigned by the Seller to the Issuer, the Legal Title Holder is required to repurchase Mortgage Loans and their Related Security comprised in the Mortgage Portfolio that are the subject of a breach of Legal Title Holder's Warranty or an Indemnity Claim (provided that the relevant procedure set out in the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement is complied with). *For further information relating to breaches of Legal Title Holder's Warranties, Indemnity Claims and the Legal Title Holder's repurchase obligations, see "The Mortgage Portfolio Transfer Documentation".*

It should be noted, however, that the Legal Title Holder is not required to repurchase any Mortgage Loan comprised in the Mortgage Portfolio, until the aggregate of all Warranty Claims and Indemnity Claims under the Nemo/MTUK Mortgage Portfolio Sale Agreements, a further mortgage portfolio sale agreement dated 30 March 2012 between the Legal Title Holder (as seller), the Seller (as purchaser) and the Nemo Guarantor (the "**Third Nemo/MTUK Mortgage Portfolio Sale Agreement**") and any further mortgage portfolio sale agreement entered into by the same parties from time to time, exceeds £175,000. Once the relevant sum of £175,000 has been reached, the Issuer will be entitled to claim for the full amount of any Warranty Claim and/or Indemnity Claim made by it and not just the excess of any such Warranty Claim and/or Indemnity Claim over £175,000. However, if, by the Maturity Date (or on any earlier date on which the Notes are required to be redeemed in full), valid Warranty Claims and Indemnity Claims have been made, but such Warranty Claims and Indemnity Claims are in an aggregate amount of less than £175,000, the Issuer will not be able to recover such amount from the Legal Title Holder. This may result in insufficient amounts being available to the Issuer to repay the Notes in full. In addition, under the terms of the Nemo/MTUK Mortgage Portfolio Sale Agreements, the Legal Title Holder will have no liability to the Issuer for any breach of any Legal Title Holder's Warranty or any liability for an Indemnity Claim unless the Issuer has given to the Legal Title Holder a Purchaser's Initial Notice on or before the date which is 60

months from the date of Completion (as defined in the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement. In accordance with the terms of the Cash Management Agreement, the Cash Manager is required to serve a Purchaser's Initial Notice in respect of any alleged breach of any Seller's Warranty Claim or Indemnity Claim within three Business Days of being notified of such breach or claim. There can, however, be no assurance that any breach of Legal Title Holder's Warranty Claim or Indemnity Claim will come to the notice of the Issuer or the Cash Manager within the relevant time period.

Liability of the Seller

The liability of the Seller in respect of the Mortgage Portfolio is limited, reflecting that it is not the originator of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio and the limited period that it has held the Mortgage Portfolio. In particular, the Seller has given only limited representations and warranties to the Issuer in respect of the Mortgage Portfolio and will only be obligated to buy back affected Mortgage Loans and their Related Security if the Seller breaches the Seller's Repurchase Warranty (as to which, see "The Mortgage Portfolio Transfer Documentation" below). The primary remedy of the Issuer in respect of any defect in any Mortgage Loan or its Related Security comprising the Mortgage Portfolio will be a Warranty Claim or Indemnity Claim against the Legal Title Holder pursuant to the Seller's Warranty and Indemnity Rights.

Liability of the Administrator

The liability of the Administrator pursuant to the Administration Agreement in each contract year, whether arising from breach of contract, tort, delict, negligence or otherwise, is purported to be capped at 15 per cent. of the aggregate of the Current Balances outstanding in respect of the Mortgage Portfolio on the first day of such contract year (being a period of 365 days which commences on the Issue Date and each anniversary of this date). This applies to any "Capped Event" – being an act or omission of the Administrator giving rise to liability, or a series of acts and omissions which are related and give rise to liability. If a Capped Event commences in one contract year and continues into one or more further contract years, the Capped Event is deemed to occur in the contract year in which it started.

In the event that the Issuer was to incur a loss in any contract year of more than 15 per cent. of the aggregate of the Current Balances of the Mortgage Portfolio, for which the Administrator was liable, the Issuer would be left with a shortfall in the amounts available to it to fund the repayment of the Notes.

Regulatory charges

Pursuant to the terms of the Legal Title Deed, in the event that the regulatory capital requirements or any fees, costs and/or other amounts that are imposed on the Legal Title Holder or the Nemo Guarantor as a result of the Legal Title Holder holding legal title to the Mortgage Portfolio under Applicable Law at the Completion Date (the "**Base Regulatory Charges**") are increased at any time after the Completion Date and prior to the Portfolio Transfer Date as a result of a change in Applicable Law while the Issuer holds the beneficial title to any part of the Mortgage Portfolio, the Legal Title Holder and/or the Nemo Guarantor is entitled to require the Issuer to reimburse to the Legal Title Holder or the Nemo Guarantor, as applicable, such increased Base Regulatory Charges, subject to the Issuer having sufficient amounts available pursuant to the applicable Priorities of Payments. There are no Base Regulatory Charges as at the date of this Prospectus but there can be no guarantee that regulatory changes will not result in Base Regulatory Charges being imposed on the Legal Title Holder or the Nemo Guarantor which must be reimbursed by the Issuer. Any such charge would reduce the amount available to the Issuer for payment of interest and/or principal on the Notes.

In the event of any Base Regulatory Charges being payable by the Legal Title Holder or the Nemo Guarantor, the Issuer will be entitled to declare a Perfection Event pursuant to the terms of the Legal Title Deed, requiring the Legal Title Holder to transfer legal title to the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio to the Issuer.

Further advances

The Legal Title Holder's Warranties include a representation and warranty that each Mortgage Loan has been fully advanced, released and disbursed to or to the order of the relevant Borrower and the relevant Mortgage Loan Agreement does not contain an obligation on the part of the Legal Title Holder to make any further advance or pay or repay any amount (including, without limitation, in relation to cashback payments, interest, fees, charges and refunds) to any Borrower. However, the Administrator retains discretion to agree, in accordance with the terms of the Administration Agreement, the provision of further advances to Borrowers, if such further advances are requested by a Borrower on an unsolicited basis and the provision of such further advance is pursuant to the origination of a new Mortgage Loan Agreement (a "**Permitted Further Advance New Mortgage Loan Agreement**"), part of which is applied in redemption of an existing Mortgage Loan Agreement comprised in the Mortgage Portfolio and part of which is used to provide the relevant further advance. In such circumstances the existing Mortgage Loan Agreement will be redeemed at its Current Balance outstanding at the date of redemption and such redemption proceeds will be paid to the Issuer in full for application in accordance with the Pre-enforcement Principal Priority of Payments on the following Interest Payment Date. This may result in the Notes being redeemed at a faster rate than previously anticipated.

The Issuer will have no interest in any Permitted Further Advance New Mortgage Loan Agreement which will be legally and beneficially owned by the Legal Title Holder.

Taxation

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes, assessment or charges that may be applicable to any payment to it in respect of the Notes. The Issuer will not pay any additional amounts to Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer, although the imposition of such tax, assessment or charge may in some circumstances lead to an early redemption of the Notes.

Purchasers of Notes should conduct such independent investigation and analysis regarding the tax treatment of the Notes and the Transaction Documents as they deem appropriate to evaluate the merits and risks of an investment in the Notes. Tax risks include, without limitation, a change in any applicable law, treaty, rule or regulation or the interpretation thereof by any relevant authority which may adversely affect payments or deliveries in respect of the Notes and/or the Transaction Documents.

No principal protection

The Notes are not principal protected and future returns are not guaranteed. Accordingly, a Noteholder may lose a substantial amount or potentially all of its investment in the Notes.

Priority of Claims

Any shortfall from the proceeds of realisation of the Mortgaged Property will be borne by the Noteholders and the other Secured Parties in accordance with the relevant Priorities of Payments and each such party's right to be paid will be subordinated to all higher ranking claims. Prospective investors should be aware that certain Secured Parties rank ahead of the Noteholders in the Priorities of Payments.

A Noteholder, by purchasing Notes, will be deemed to accept and acknowledge that it is fully aware that, in the event of a shortfall, (a) the Issuer shall be under no obligation to pay, and the other assets (if any) of the Issuer including, in particular, assets securing Series of notes or Alternative Investments issued by the Issuer from time to time (other than the Notes) will not be available for payment of such shortfall, (b) all claims in respect of such shortfall shall be extinguished and (c) the Trustee, the Noteholders and the other Secured Parties shall have no further claim against the Issuer in respect of such unpaid amounts.

Trustee Fees and Expenses

The Trustee has a right to recover from the Mortgaged Property all liabilities and expenses properly incurred by it including, without limitation, fees and extraordinary or unanticipated expenses and it shall be entitled to be indemnified out of the Mortgaged Property in respect of the execution of any of its powers, authorities or discretions. In the event that the Trustee exercises this right, in respect of any such liabilities or expenses which are not otherwise met, this will result in a reduction of the amounts (if any) available for distribution to the holders of the Notes.

Where the security constituted by or created pursuant to the Trust Instrument over the Mortgaged Property becomes enforceable the Trustee shall not be obliged to act on the direction of the holders of the requisite percentage of outstanding Notes unless it has been indemnified and/or secured and/or prefunded to its satisfaction against any loss, liability cost, claim, action, demand or expense which may be incurred or made against it.

Second lien and second-ranking Mortgages

The Mortgage Loans comprising the Mortgage Portfolio in respect of the Notes are secured by second lien or second ranking Mortgages. The consent of the first (or any other senior) mortgagee may (except in the case of Scottish Mortgages) be required in order to sell or transfer the relevant Property and any proceeds of enforcement of a second lien or second-ranking Mortgage over the relevant Property will (in all cases) be applied first in satisfying any prior ranking existing mortgages or standard securities. Only once prior ranking mortgages or standard securities have been paid in full will the proceeds be applied in discharging the second lien or second-ranking Mortgage. Any shortfall in the enforcement proceeds in respect of any Property will therefore be borne by the holder of the second Mortgage with the Issuer having an unsecured claim against the Borrower for the relevant excess. This may result in the Issuer having less amounts available for the repayment of the Notes than expected.

In addition, where a prior ranking mortgagee or security holder enforces its security over a Property in accordance with the terms of its mortgage or standard security, an automatic default will occur under the second lien or second-ranking Mortgage and the prior mortgagee or security holder will be entitled to recover the costs of the enforcement from the proceeds realised. This may also reduce funds available to the Issuer to meet its obligations under the Notes and, where both the prior ranking mortgagee or security holder and the Issuer are entitled to take enforcement proceedings, neither the Issuer nor the Administrator will have any control over the enforcement proceedings if the prior ranking mortgagee or security holder takes action with a view to enforcing its security.

The Issuer will not have legal title to the Mortgages

The sale to the Issuer of the English Mortgage Loans and their Related Security comprised in the Mortgage Portfolio will take effect by way of an equitable assignment. The sale by the Seller to the Issuer of Scottish Mortgage Loans and their Related Security will be given effect by way of Scottish Declarations of Trust under which the beneficial interest in the Scottish Mortgage Loans and their Related Security will be transferred to the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England and Wales, as described in the paragraph below. Legal title to the English Mortgage Loans and Scottish Mortgage Loans, together with, in each case, their Related Security, remains vested in the Legal Title Holder (having never been transferred to the Seller pursuant to the terms of the Nemo/MTUK Mortgage Portfolio Sale Agreements). The Issuer will, however, have the right to demand that legal title to the Mortgage Loans and the Related Security be transferred to it following the occurrence of a Perfection Event (as defined in “*The Mortgage Portfolio Transfer Documentation*” below) and until such time the Legal Title Holder will hold legal title in the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio on trust for the Issuer pursuant to the Legal Title Deed (which trust, in relation to Scottish Mortgage Loans and their Related Security, will be constituted by the relevant Scottish Declaration of Trust). Until the occurrence of a Perfection Event the Issuer will not give notice of the sale of the Mortgage Loans and their Related Security to any Borrower or apply to the Land Registry or the Central Land Charges Registry (in relation to the English Mortgage Loans) to register or record its equitable interest in the English Mortgage Loans and their

Related Security or take any steps to perfect its title to the Scottish Mortgage Loans and their Related Security (which would involve executing assignments of the relevant Scottish Mortgage Loans and Scottish Mortgages, notifying Borrowers of the assignment and registering or recording the assignments at the Registers of Scotland).

Since the Issuer will not obtain legal title to the Mortgage Loans or their Related Security until the occurrence of a Perfection Event and will not protect its interest in any English Mortgage Loans and their Related Security by registration of a notice at the Land Registry, or take any action to perfect its title to the Scottish Mortgage Loans and their Related Security as noted in the paragraph above, the following risks exist:

- first, if the Legal Title Holder sells a Mortgage Loan and its Related Security, which has already been assigned or transferred to or held in trust for the Issuer, to another person and that person acts in good faith and does not have notice of the interests of the Issuer in the Mortgage Loan and its Related Security, then such person might obtain good title to the Mortgage Loan and its Related Security, free from the interests of the Issuer. If this occurred, then the Issuer would not have good title to the affected Mortgage Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Mortgage Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer would be likely to be limited to circumstances arising from a breach by the Legal Title Holder of its contractual obligations or fraud, negligence or mistake on the part of the Legal Title Holder or the Issuer or their respective personnel or agents;
- second, the rights of the Issuer may be subject to the rights of the Borrowers against the Legal Title Holder, such as rights of set-off (and references herein to “set-off” shall include references to analogous rights in jurisdictions other than England and Wales), which occur in relation to transactions between Borrowers and the Legal Title Holder, and the rights of Borrowers to redeem their Mortgages by repaying the Mortgage Loans directly to the Legal Title Holder; and
- third, unless the Issuer has perfected the assignment, assignment and transfer of the Mortgage Loans (which it is only entitled to do in certain circumstances), the Issuer would not be able itself to enforce any Borrower’s obligations under a Mortgage Loan or Mortgage itself but would have to join the Legal Title Holder as a party to any legal proceedings.

If any of the events described in the first two bullet points above were to occur, then the realisable value of any affected Mortgage Loan may be affected.

Once notice has been given to the Borrowers of the assignment, assignment or transfer of the Mortgage Loans and their Related Security to the Issuer, independent set-off rights which a Borrower has against the Legal Title Holder will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice.

Estimation of Purchase Price

The Purchase Price payable by the Issuer in respect of the Mortgage Loans comprising the Mortgage Portfolio will be the aggregate Current Balance of such Mortgage Loans as at the Completion Date (the “**Actual Purchase Price**”). For the purposes of the issue of the Notes, the Purchase Price has been estimated based on the aggregate Current Balance of the Mortgage Loans comprising the Mortgage Portfolio as at the close of business on 20 September 2012 (the “**Estimated Purchase Price**”). There can be no guarantee that the Actual Purchase Price will be equal to the Estimated Purchase Price. The Estimated Purchase Price has been calculated to ensure that it will not be less than the Actual Purchase Price. In the event that the Estimated Purchase Price is greater than the Actual Purchase Price, excess note proceeds will be held by the Issuer as Available Principal Funds and returned to the Noteholders as repayment of Note principal on the first Interest Payment Date.

General

Special purpose vehicle

The Issuer is a special purpose vehicle whose business is the raising of money by issuing Series of notes and entering into Alternative Investments for the purposes of purchasing assets and entering into related derivatives and other contracts.

THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES. THE ATTENTION OF INVESTORS IS ALSO DRAWN TO THE SECTIONS HEADED “RISK FACTORS” IN THE BASE PROSPECTUS.

TERMS AND CONDITIONS OF THE NOTES

Terms of Series 1 GBP 16,900,000 Pass-Through Mortgage Backed Notes due 2038 (the “Notes”)

The Notes designated as above shall have the following “Terms” which shall complete, modify and amend the Conditions set out in the Trust Instrument to be dated on or around 26 September 2012 (the “**Trust Instrument**”) which shall apply to the Notes as so completed, modified and amended. Unless the context otherwise requires, expressions used herein and not otherwise defined shall have the meanings respectively ascribed to them in the Trust Instrument. References in the Terms to “paragraphs” and “sub-paragraphs” are to the paragraphs and sub-paragraphs of the Terms, unless the context requires otherwise.

1. Issuer: Winchester Street plc
2. Arranger: Deutsche Bank AG, London Branch, acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB.
3. Series No: 1
4. Relevant Currency: GBP
5. Initial Principal Amount: 16,900,000
6. Form of the Notes: Bearer
7. Status: Secured and limited recourse obligations of the Issuer, secured as provided below. The Notes will rank pari passu without any preference among themselves.

The Notes will rank as to payment of interest and principal as set out in the applicable Priorities of Payments.
8. Denomination: GBP 100,000.
9. Issue Price: 100.97 per cent.
10. Issue Date: 26 September 2012
11. Maturity Date: 20 December 2038, subject to the Modified Following Business Day Convention
12. Interest:
 - (A) Interest Rate Basis: The Interest Basis in respect of the Notes is Pass-Through.
 - (B) Interest Amount: On each Interest Payment Date falling prior to any enforcement of the Security and in respect of each Note, the Issuer shall pay to each Noteholder by way of interest in arrears in respect of the immediately preceding Interest Period an amount equal to (a) all Available Interest Funds standing to the credit of the Available Interest Account on the last day of the immediately preceding Collection Period, as determined on the Determination Date immediately preceding such Interest Payment Date less all amounts payable under paragraphs (A) to (F) of the Pre-enforcement Interest Priority of Payments on such Interest Payment Date, divided by (b) the number of Notes outstanding on such Interest Payment Date, rounded down to the nearest unit of GBP and subject to a minimum of zero.

- (C) Interest Rate: Not applicable.
- (D) Margin: Not applicable.
- (E) Relevant Rate: Not applicable.
- (F) Relevant Time: Not applicable.
- (G) Primary Source: Not applicable.
- (H) Interest Commencement Date: The Issue Date.
- (I) Interest Payment Dates: The 20th day of each month in each year commencing from, and including, November 2012 to, and including, the Maturity Date, subject to the Modified Following Business Day Convention.
- (J) Determination Dates: The date falling two Business Days prior to each Interest Payment Date.
- (K) Collection Dates: The Issue Date, 31 October 2012 and thereafter the last day of each month in each year to and including, the Maturity Date.
- (L) Collection Periods: Each period from (but excluding) a Collection Date (or, in the case of the first such period, the period from (and including) the Issue Date) to (and including) the next following Collection Date.
- (M) Deferral of Interest (Condition 7.10): Condition 7.10 shall not apply.
- (N) Day Count Fraction: Not applicable.
- (O) Calculation Agent: Deutsche Bank AG, London Branch.
- All decisions and calculations required to be made by the Calculation Agent will be made in its sole and absolute discretion.
13. Redemption:
- (A) Redemption Amount: Unless previously redeemed or purchased in accordance with the Conditions and these Terms, the Redemption Amount for each Note payable on the Maturity Date shall be the Principal Amount Outstanding of such Note on the Maturity Date.
- (B) Mandatory Redemption in part from Available Redemption Funds (Condition 8.2): Condition 8.2 will apply to the Notes.
- (C) Mandatory Redemption (Condition 8.3): Condition 8.3 will not apply to the Notes.
- (D) Redemption for taxation and other reasons (Condition 8.4): The Notes will be subject to mandatory redemption pursuant to Condition 8.4. If the Notes become subject to redemption pursuant to Condition 8.4, notwithstanding any provisions to the contrary, the Redemption Amount of each Note shall be its then Principal Amount Outstanding.
- For the avoidance of doubt, Condition 8.4(B), (C), (D) and (F) will not apply to the Notes.
- (E) Purchases (Condition 8.6): Condition 8.6 will not apply to the Notes.

- (F) Redemption at the Option of the Issuer (Condition 8.8): Condition 8.8 will not apply to the Notes.
- (G) Redemption at the Option of Noteholders (Condition 8.9): Condition 8.9 will not apply to the Notes.
14. Unmatured Coupons to become void upon early redemption: Yes.
15. Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity for each Talon (Bearer Notes): Yes.
16. Business Day Jurisdictions for Condition 9.8 (jurisdictions required to be open for payment): London
17. Exchange:
- (A) Notes to be represented on issue by: Temporary Global Note held by a Common Safekeeper, for Euroclear and Clearstream, Luxembourg.
- (B) Applicable TEFRA exemption: D Rules
- (C) Temporary Global Note exchangeable for Permanent Global/Definitive Bearer/Registered Notes: Yes - exchangeable for interests in the Permanent Global Note held by a Common Safekeeper for Euroclear and Clearstream, Luxembourg on or after 40 days from the Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of the Temporary Global Note) upon certification as to non-U.S. beneficial ownership.
- (D) Permanent Global Note exchangeable for Definitive Bearer/Registered Notes at the request of the holder: Yes, in the limited circumstances set out in the Trust Instrument.
18. Security: Collateral charged to Trustee; provided that Condition 4.2(A)(4) shall be deleted.
19. Collateral: (1) In these Terms and Conditions:
“**Collateral**” means the portfolio of second lien or second-ranking mortgage loans (each a “**Mortgage Loan**” and, in respect of a Mortgage Loan where the Related Security secures a property located in England and Wales, an “**English Mortgage Loan**”, and in respect of a Mortgage Loan where the Related Security secures a property located in Scotland, a “**Scottish Mortgage Loan**”), together with the security for the repayment of each such mortgage loan and any other ancillary rights connected thereto (including the relevant mortgage or (in Scotland) standard security, the “**Related Security**”), agreed to be sold to the Issuer on the Issue Date pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the particulars of which are set out in the applicable annex to the MTUK/Winchester Street _____

Mortgage Portfolio Sale Agreement.

“**Mortgage Portfolio**” means the Mortgage Loans and their Related Security comprising the Collateral from time to time.

- (2) Conditions 4.5(A) and 4.5(B) (Replacement and/or Substitution of Collateral) shall not apply to the Notes.
- (3) The Trust Instrument provides that the Trustee shall release from the security created by or pursuant to the Trust Instrument:
 - (i) the Collateral or cash subject to such security (or, as the case may be, the relevant part thereof) to the extent required, inter alia, to make payments by the Issuer to the Noteholders and/or to the other Secured Parties, in each case in accordance with the Terms and Conditions of the Notes, the Transaction Documents and the Priorities of Payments; and
 - (ii) in order to sell any Mortgage Loan and its Related Security to the Legal Title Holder, pursuant to the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement following any Warranty Claim or Indemnity Claim in respect of such Mortgage Loan against the Legal Title Holder or to the Seller pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, following any breach of the Seller’s Repurchase Warranty in respect of such Mortgage Loan.
- (4) The Trustee shall apply all moneys received by it under the Trust Instrument in connection with the realisation or enforcement of the security constituted by or pursuant to the Trust Instrument on the basis of “**Other Priority**” which shall mean:
 - (i) first, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts incurred by or payable to the Trustee or any receiver under or pursuant to the Trust Instrument (including, without limitation, any taxes to be paid, the costs of realising any security and the remuneration of the Trustee and any receiver);
 - (ii) secondly, in payment or satisfaction *pro rata* and *pari passu* of the fees and expenses of and other amounts incurred by or payable to the Corporate Services Provider, the Agents, the Administrator, the Legal Title Holder, the Cash Manager and the Issuer Account Bank under the Trust Instrument;
 - (iii) thirdly, in or towards satisfaction of any payment to the Seller in respect of Deferred Purchase Consideration (as defined in the Trust Instrument);

- (iv) fourthly, *pari passu* and *pro rata* in payment of any amounts owing to the holders of the Notes by way of principal or interest; and
- (v) fifthly, in payment of the balance (if any) to the Issuer as retained profit.

20. Transaction Documents, Transaction Parties and Secured Parties:

For the purposes of these Terms and Conditions:

“**Transaction Documents**” means the Trust Instrument, the Agency Agreement, the Purchase Agreement, the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the Nemo/MTUK Mortgage Portfolio Sale Agreements, the Seller Assignment Deed, the Administration Agreement, the Legal Title Deed, the Cash Management Agreement, the Issuer Account Bank Agreement, each Scottish Declaration of Trust and each Scottish Supplemental Charge.

“**Transaction Parties**” means the Issuer, the Agents, the Purchaser, the Administrator, the Legal Title Holder, the Cash Manager, the Seller, the Issuer Account Bank and the Trustee.

“**Secured Parties**” means the Noteholders and each Transaction Party.

- (A) Trustee: The entity appointed as Trustee in respect of the Notes will be Deutsche Trustee Company Limited or any other person subsequently appointed as Trustee pursuant to the Trust Instrument.
- (B) Agent: The Agent appointed pursuant to the Agency Agreement will be Deutsche Bank AG, London Branch or any other person subsequently appointed as Agent pursuant to the Agency Agreement.
- (C) Calculation Agent: The Calculation Agent for the Notes will be Deutsche Bank AG, London Branch or any other person subsequently appointed as Calculation Agent pursuant to the Agency Agreement. Any determination by the Calculation Agent shall be conclusive and binding on the Issuer, the Trustee, the Noteholders, the Agent and all other persons save in the case of manifest error and no liability shall attach to the Calculation Agent in respect thereof.
- (D) Registrar and Transfer Agent: None.
- (E) Custody: Not applicable.
- (F) Selling Agent: None.
- (G) Credit Support Document: Not applicable.
- (H) Credit Support Provider: None.
- (I) Swap Agreement: Not applicable.
- (J) Swap Counterparty: None.

- (K) Collateral Sale Agreement: Not applicable.
- (L) Seller: Mortgage Trading (UK) Limited (the “**Seller**”) pursuant to a Mortgage Portfolio Sale Agreement (the “**MTUK/Winchester Street Mortgage Portfolio Sale Agreement**”) dated on or around the Issue Date between the Issuer, the Seller and the Trustee, pursuant to which the Seller has agreed to sell the Collateral and assigned certain of its rights, title, interest and benefit under the Nemo/MTUK Mortgage Portfolio Sale Agreements, to the extent they relate to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio (the “**Seller’s Warranty and Indemnity Rights**”), to the Issuer.
- (M) Administration Agreement: Applicable. The Issuer, the Administrator, the Cash Manager, the Nemo Guarantor and the Trustee will enter into an administration agreement on the Issue Date (the “**Administration Agreement**”) pursuant to which the Administrator will agree to administer the Collateral on behalf of the Issuer with the care, skill and diligence expected from a competent service provider within the residential mortgage outsourcing services industry. The obligations of the Administrator pursuant to the Administration Agreement are guaranteed by the Nemo Guarantor.
- (N) Administrator: The entity appointed as Administrator in respect of the Notes will be Nemo Personal Finance Limited (the “**Administrator**”) or any other person subsequently appointed as Administrator pursuant to the Administration Agreement.
- (O) Back-up Administrator Agreement: Not applicable.
- (P) Back-up Administrator: None.
- (Q) Cash Management Agreement and applicable Ledgers: Applicable. The Issuer, the Cash Manager and the Trustee will enter into a cash management agreement on the Issue Date (the “**Cash Management Agreement**”) pursuant to which the Cash Manager will agree to provide certain cash management services to the Issuer in respect of the Notes.
- The following Ledgers will be applicable in respect of the Notes and shall be established and maintained by the Cash Manager in the accounts of the Issuer in accordance with the Cash Management Agreement:
- (1) the Principal Deficiency Ledger.
- (R) Issuer Expenses Reserve Required Amount: Not applicable.
- (S) Initial Reserve Account Required Amount: Not applicable.
- (T) Cash Manager: The entity appointed as Cash Manager in respect of the Notes will be Deutsche Bank AG, London Branch or any other person subsequently appointed as Cash Manager pursuant to the Cash Management Agreement.

- (U) Back-up Cash Manager Agreement: Not applicable.
- (V) Back-up Cash Manager: None.
- (W) Issuer Bank Account Agreement: Applicable. The Issuer, the Issuer Account Bank, the Cash Manager and the Trustee will enter into an Issuer bank account agreement on the Issue Date (the “**Issuer Bank Account Agreement**”).

The following Issuer Bank Accounts will be established in the name of the Issuer by the Issuer Account Bank on or prior to the Issue Date and payments to and from such accounts will be procured and/or monitored, as applicable, by the Cash Manager pursuant to the terms of the Cash Management Agreement:

- (1) Available Principal Account as follows:

IBAN: GB61DEUT40508116253500

- (2) Available Interest Account as follows:

IBAN: GB61DEUT40508116253501

- (3) Issuer Retained Profit Account as follows:

IBAN: GB61DEUT40508116253502

- (X) Issuer Account Bank: The entity appointed as Issuer Account Bank in respect of the Notes will be Deutsche Bank AG, London Branch or any other person subsequently appointed as Issuer Account Bank pursuant to the Issuer Bank Account Agreement.
- (Y) Repurchase Agreement: Not applicable.
- (Z) Repurchase Counterparty: None.
- (AA) Other Transaction Documents: The Issuer will enter into the following additional documents in respect of the Notes:
- (i) a legal title deed dated the Issue Date (the “**Legal Title Deed**”) between the Issuer, Nemo Personal Finance Limited in its capacity as legal title holder of the Mortgage Loans and Related Security comprising the Mortgage Portfolio (the “**Legal Title Holder**”), Principality Building Society in its capacity as guarantor of the obligations of the Legal Title Holder (the “**Nemo Guarantor**”) and the Trustee pursuant to which the Legal Title Holder will agree to transfer legal title to the Collateral to the Issuer in certain circumstances and will agree to hold all its residual right, title and interest in the Mortgage Portfolio and all amounts paid to it by Borrowers or otherwise under or in connection with the Mortgage Portfolio, on trust for the Issuer (which will be constituted, in relation to any Mortgage Loan and/or Related Security that is governed by Scots law, by a Scots law governed declaration of trust entered into by the Legal Title Holder in favour of the Issuer in respect

of such Mortgage Loans and/or Related Security (each a “**Scottish Declaration of Trust**”));

- (ii) an assignment deed dated the Issue Date (the “**Seller Assignment Deed**”) between the Issuer, the Seller and the Trustee pursuant to which the Seller has agreed to assign the Seller’s Warranty and Indemnity Rights pursuant to the Nemo/MTUK Mortgage Portfolio Sale Agreement to the Issuer. By virtue of the assignment of the Seller’s Warranty and Indemnity Rights, the Issuer will obtain certain rights of the Seller under the mortgage portfolio sale agreement dated 29 November 2010 as amended and restated on 17 October 2011 between the Legal Title Holder (as seller), the Seller (as purchaser) and the Nemo Guarantor (the “**First Nemo/MTUK Mortgage Portfolio Sale Agreement**”) and the mortgage portfolio sale agreement dated 17 October 2011 between the Legal Title Holder (as seller), the Seller (as purchaser) and the Nemo Guarantor (the “**Second/MTUK Mortgage Portfolio Sale Agreement**” and together with the First Nemo/MTUK Mortgage Portfolio Sale Agreement, the “**Nemo/MTUK Mortgage Portfolio Sale Agreements**”); and
- (iii) on each date on which a Scottish Declaration of Trust is entered into, an assignation in security, supplemental to the Trust Instrument, by the Issuer in favour of the Trustee of the Issuer’s interest under such Scottish Declaration of Trust (each a “**Scottish Supplemental Charge**”).

- 21. Permitted Investments: Not applicable
- 22. Listing: Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. No assurance can be given that such an application will be granted.
- 23. The Notes have been accepted in Euroclear and Clearstream, Luxembourg and have the following security codes:
 - (A) Common Code: 082548696
 - (B) ISIN Code: XS0825486961
 - (C) SEDOL number: B820N93
- 24. Rating: None
- 25. Initial Expenses: The Initial Expenses of the Issuer are expected to be GBP 85,584.17 and will be paid out of the proceeds of the Notes.
- 26. NGN form: Applicable.
- 27. Intended to be held in a manner which would allow Eurosystem Yes

eligibility: Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

28. Additional provisions: The final paragraph of Condition 13.1 will be deleted and replaced with the following:

“In respect of any meeting for Noteholders to consider the removal or replacement of the Trustee, any Note held by a member of the DB Group shall be deemed not to be outstanding for the purposes of such vote unless members of the DB Group hold, in aggregate, more than 50 per cent. of the principal amount outstanding of the Notes. “**DB Group**” for these purposes, means Deutsche Bank AG and any of its subsidiary undertakings, parent undertakings, and any subsidiary undertakings of such parent undertakings, in each case as the terms “subsidiary undertaking” and “parent undertaking” are defined in Section 1162 of the Companies Act 2006.

THE MORTGAGE PORTFOLIO

The Mortgage Portfolio to be acquired by the Issuer pursuant to the Winchester Street/MTUK Mortgage Portfolio Sale Agreement will comprise the Mortgage Loans and their Related Security acquired by MTUK pursuant to the Nemo/MTUK Mortgage Portfolio Sale Agreements, other than such Mortgage Loans which (a) have been repaid, (b) have been re-transferred to the Legal Title Holder pursuant to the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement, (c) MTUK believes would be required to be repurchased for breach of the Seller's Repurchase Warranty if sold to the Issuer or (d) which have been otherwise disposed of by MTUK prior to the Issue Date (the "**Initial Mortgage Portfolio**").

The Initial Mortgage Portfolio consists of Mortgage Loans and their Related Security originated on or prior to 24 December 2010 with an aggregate Principal Balance of £18,234,187.88. The Initial Mortgage Portfolio has the general characteristics set out in "*Characteristics of the Initial Mortgage Portfolio*" below.

All of the Mortgage Loans in the Initial Mortgage Portfolio are regulated by the CCA (as described under "*Regulation of the UK Residential Mortgage Market – Consumer Credit Act 1974*" below).

Prior to the Closing Date, repayments and prepayments may have occurred in relation to Mortgage Loans which will be included in the Initial Mortgage Portfolio.

Types of Mortgage Loans

Mortgage Loans comprised in the Mortgage Portfolio from time to time will consist of Mortgage Loans originated by the Legal Title Holder, which are intended for Borrowers' general personal use, secured by a second ranking mortgage in England and Wales or (in Scotland) by a second ranking standard security on the relevant Property where a single lender holds all prior ranking mortgages, or as the case may be, standard securities in respect of the relevant Property.

All Mortgage Loans in the Mortgage Portfolio are "Capital and Interest Loans", under the terms of which monthly repayments covering both interest and principal are payable until the Mortgage Loan is fully repaid by its maturity.

Lending Criteria

The Legal Title Holder applied the following criteria (the "**Lending Criteria**") as of the date of origination of the Mortgage Loans comprising the Initial Mortgage Portfolio:

(a) *Mortgage Loan – amount*

the principal amount of the Mortgage Loan at the time of completion of the Mortgage Loan must be at least £10,000. The Mortgage Loan will not exceed £100,000 at any time during the life of the Mortgage Loan;

(b) *Mortgage Loan – loan to value ratio ("LTV")*

the LTV is calculated by dividing (i) the sum of the initial principal amount advanced at the completion of the Mortgage Loan (including broker fees) and the original principal amount outstanding secured by the prior mortgage or standard security, by (ii) the valuation of the Property, and expressing the result as a percentage;

at the date of the initial advance of each Mortgage Loan, the LTV must not be more than 80 per cent.;

(c) *Mortgage Loan – term*

each Mortgage Loan must have an initial term of between 5 years and 25 years;

(d) *Mortgage Loan – Right to Buy legislation*

no Mortgage Loan Agreement is a right to buy Mortgage Loan Agreement and no Property is subject to any statutory charge or (in the case of a Scottish Mortgage) standard security created by, in the case of an English Mortgage, the Housing Act 1985 or, in the case of a Scottish Mortgage, the Housing (Scotland) Act 1987;

(e) *Property – private residence*

the Properties will constitute the private residences of the relevant Borrowers, a Mortgage Loan will not be granted in relation to Property which is used for commercial purposes, inclusive of Buy-to-Let;

(f) *Property – title – investigation*

subject to completion of any registration or recording which may be pending at the Land Registry of England and Wales or the Registers of Scotland, each Mortgage Loan constitutes a legal mortgage or charge or standard security over the relevant Property and (i) a single lender holds all prior ranking mortgages or standard securities in respect of the relevant Property and (ii) the Legal Title Holder has notified, or procured notification to, such lender holding the prior ranking mortgages or standard securities of the making of such Mortgage Loan and its Related Security;

(g) *Property – Borrower’s title*

in relation to each Mortgage over a Property in England or Wales the Borrower has in the relevant Property a good and marketable title and it has been registered with title absolute (if freehold) or absolute or good leasehold title of the requisite term (if leasehold). In relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable title to the relevant Property which has been or will be registered or (as applicable) recorded in the Registers of Scotland with (in the case of registered titles) no exclusion of indemnity. Without limiting the foregoing, in the case of a leasehold Property:

- i) the lease cannot be forfeited or irritated on the bankruptcy or sequestration of the tenant;
- ii) any requisite consent of the landlord or any head lessor to the creation of the relevant Mortgage has been obtained or given;
- iii) written notice of the creation of the Mortgage was given to the landlord if required by the terms of the relevant lease;
- iv) a copy of the consent or notice has been or will be placed with the Title Deeds relating to the relevant Mortgage;
- v) at the time of completion of the Mortgage the leasehold interest was in full force and effect;
- vi) the lease had a minimum unexpired term of 40 years at the date of origination of the relevant Mortgage Loan Agreement;
- vii) the lease does not contain any option for early termination; and
- viii) the lease reserves no more than a nominal or ground rent.

(h) *Property – location*

each Property on which a Mortgage Loan is secured is situated in England, Wales or mainland Scotland;

(i) *Property – Mortgage characteristics*

each Mortgage Loan must be secured by a legal mortgage over an English Property or secured by a standard security over a Scottish Property;

(j) *Property – leasehold term*

leasehold properties must have an unexpired term of 40 years at the end of the Mortgage Loan;

(k) *Property – valuation*

each Property offered as security for a Mortgage Loan must have been subject to: (x) a valuation; (y) a drive-by valuation, in each case, by a RICS or equivalent qualified surveyor whose firm, when instructed was chosen from a panel of valuation firms approved by the Finance Industry Standards Association (FISA) (replaced by the Principality Building Society's panel from September 2010) or (z) utilising an automated valuation model;

- i) the minimum value of any Property, regardless of area, is £80,000 and the maximum is £1,000,000;
- ii) automated valuation model use is subject to a maximum 60% LTV and a minimum confidence level of 5, a minimum property value of £100,000 and maximum property value of £350,000. It may not be used where the Property was purchased within the previous six months and is not acceptable for flats (converted or purpose built);
- iii) the valuer's office must be within a fifteen mile radius of the property being surveyed;
- iv) valuations remain valid for up to three months;
- v) if risk of flooding is highlighted on the report, sight of buildings insurance is required, which must include flood cover;
- vi) mining reports are not required;

(l) *Property – construction*

the property must be of traditional construction (as defined by the valuer), in a satisfactory condition and of a suitable type, for use wholly as a principal place of residence;

(m) *Property – types*

- i) each Property constitutes a separate dwelling unit and is either detached, semi-detached or terraced and either a house, flat, bungalow or maisonette, is either freehold, leasehold, or (in Scotland) heritable or long lease title and does not otherwise comprise a property outside this Lending Criteria; and
- ii) none of the properties are any of the following:
 - A) Freehold flats and maisonettes in England and Wales;
 - B) Leasehold flats in Scotland;
 - C) Ex Local Authority flats and maisonettes in England, Wales and mainland Scotland;
 - D) Shared ownership properties;

- E) Steel construction or timber framed without traditional brick outer leaf;
- F) Properties used for business or commercial purposes;
- G) Flats directly above or attached to commercial premises;
- H) Properties that contravene the Housing Defects Act 1984 and Housing Act 1985, which do not possess a valid Pre-fabricated Re-enforced Concrete (PRC) certificate;
- I) Any flat roof properties

(n) *Property – occupiers*

applicants who are married or are joint owners of the property must become joint Borrowers. Applicants who are cohabiting but who are not joint owners do not necessarily need to be party to the Mortgage Loan. If the income of the non owning co-habitee is not required, they are not party to the direct debit mandate, and their credit is not being consolidated then a single application is permitted;

each Borrower must disclose the details of every person who, at the date upon which the Mortgage Loan is entered into has attained the age of 18 and is in or about to be in actual occupation of the relevant Property, disclaimers for these residents are not required;

(o) *Borrower – capacity and status*

- i) all of the Borrowers are individuals and were at least 21 years of age, at the time the relevant Mortgage Loan was completed.
- ii) the Borrowers were aged below 60 at the time the application was received and will not be older than age 70 at the expiry of the Mortgage Loan, where their income is being used. Any Borrower whose income was not used will not be older than age 75 at the expiry of the Mortgage Loan.
- iii) any Borrower who will be over the age of 65 before expiry of the Mortgage Loan must have confirmed in writing how they can maintain their Mortgage Loan repayments after this time;

(p) *Borrower – connected persons*

no Borrower is an employee or Director of the Legal Title Holder at the time of origination;

(q) *Borrower – number*

a maximum number of 2 Borrowers are allowed to be parties to the loan;

(r) *Borrower – proof of residence*

three years history of residence is required for all Borrowers;

- i) providing the last twenty-four months residence can be proved, consideration will be given on an individual basis to waive proof for the first twelve months;
- ii) for all non EU Nationals, an original passport is required plus evidence of their permanent right to reside in the UK;

(s) *Borrower – credit history*

the Borrower's credit and employment history may be assessed with the aid of one or more of the following:

- i) electoral register or other proof of occupancy;
- ii) full credit search for the previous 3 years supplied by a credit reference agency;
- iii) credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data;
- iv) copy of the most recent pay slips, P60s, personal and/or business bank statements, employment contracts and/or confirmation of salary details from employer;
- v) historical business accounts (for example if self-employed and or an owner of a limited company), audited by qualified accountants where applicable. However, in respect of the Mortgage Portfolio, the Legal Title Holder has warranted that no Borrower is categorised as self-employed; and
- vi) previous mortgage statements;

(t) *Borrower – County Court Judgements etc.*

a unit of adverse credit is defined as a county court judgement (or the Scottish equivalent) (“CCJ”), default or an arrangement. Where a CCJ or default relating to a Borrower has been revealed it may be disregarded if it meets any of the following criteria:

- i) The CCJ/default amount is less than £100;
- ii) The CCJ/default amount is less than £1,500, has been satisfied and was registered more than 12 months previously; or
- iii) The CCJ/default amount is less than £1,500 and was registered more than 3 years previously;

any CCJ or default over £1,500 will constitute a unit, regardless of age;

(u) *Borrower – mortgage arrears*

- i) mortgage history must be for a minimum of six months and can include any previous mortgage as long as proof is obtained, providing the first mortgage is with a status lender;
- ii) if the first mortgage is in arrears a satisfactory explanation will be required confirming the problem that caused the arrears has been resolved. This also applies to any existing second charge. Any outstanding mortgage arrears must be cleared from the loan proceeds;
- iii) one full month's first/second mortgage arrears, if in the last six months with a status lender or 12 months with a non-status lender, is a unit. Any account currently two months or more in arrears will be classed as one unit, as will any current arrangement;
- iv) first mortgages such as GE Money, Kensington Mortgage Company, GMAC-RFC Mortgages, Future Mortgages and Platform Homeloans are acceptable, providing there is a clear 12 month mortgage payment history without arrears;

- v) the Legal Title Holder would not accept a charge following a finance house, such as Blemain, Lancashire Mortgage Corporation, LMC, Preferred Mortgages, Pepper, Oakwood Homeloans, Southern Pacific, Swift Advances, Advantage, Central Trust, Cheshire Mortgage Corporation, DB Mortgages, Edeus, Unity Homeloans, Victoria Mortgages, Godiva, Salt and Wave;
- vi) where the existing first mortgage company has registered a restriction at the Land Registry in respect of a Property in England and Wales, an unqualified consent in favour of the Legal Title Holder must be obtained prior to Mortgage Loan payout;

(v) *Borrower - discharge of bankruptcy order*

applications from discharged or undischarged bankrupts or IVAs are not permitted;

(w) *Borrower – income and affordability*

- i) All loans are underwritten on an affordability principle and verified by reference to appropriate documentation. Affordability is calculated by reference to gross income and long term commitments, loans, credit cards etc;
- ii) the minimum time in employment is six months with a maximum of three jobs within the last two years. One monthly payslip, or two consecutive weekly payslips with cumulative figures, are required i.e. self-certification is not permitted. All payslips must be original and show taxable earnings year to date. Manually produced payslips (handwritten, typed, word processed, spreadsheet, sage etc.) must be supported by a P60, providing it is not manually produced. Failing this an employer's reference is required;
- iii) the maximum debt to income ratio (“**DTI**”) is 50% (note this was reduced to 45% with effect from November 2009). To determine DTI eligibility the total qualifying monthly income is multiplied by the maximum DTI. The resultant figure must be sufficient to service the mortgage payment, credit that is to remain, and the Mortgage Loan instalment;
- iv) the maximum loan to income Ratio (“**LTI**”) is 6.0. To determine LTI the first mortgage balance is added to the Mortgage Loan (including the broker fee and any unused drawdown facility) and the resultant figure is divided by the acceptable income;
- v) the minimum permitted monthly disposable income is £1,200. To determine the disposable income the first mortgage payment, Mortgage Loan instalment and any outstanding credit instalments are deducted from the gross income;
- vi) the minimum qualifying annual income is £17,500 for a joint application, and £15,000 for a single applicant;
- vii) income such as Child Allowance, Working Family Tax Credit, second jobs, maintenance and investment income is not taken into account;
- viii) the maximum amount of monthly/annual bonus that can be used is 30% of the previous year's amount. Proof is required;

Underwriting exception

On a case-by-case basis the Legal Title Holder may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low LTV ratio, overall affordability position and track record. Any such exceptions would have been approved by a mandated underwriter or a senior management level employee of the Legal Title Holder.

Second Loans

If the Borrower defaults in relation to obligations under a prior mortgage, a prior mortgagee or (in Scotland) heritable creditor (and references in this Prospectus to a “mortgagee” or “mortgagees” shall be deemed to include references to a heritable creditor or heritable creditors, as applicable) will be able to enforce its security by selling the relevant Property to repay the monies which it is owed, without reference to the subsequent mortgagee. The sale proceeds of the Property would be applied both towards the costs associated with the sale and the outstanding balance (including interest) owing to any prior mortgagee, in each case in priority to monies owing in respect of the subsequent mortgage. There can be no guarantee that the remaining balance would be sufficient to cover the amount outstanding under the related Mortgage Loan. The same considerations apply where the subsequent mortgagee takes action to enforce its Mortgage Loan following default by a Borrower. Further, it will generally only be possible for the subsequent mortgagee itself to realise the value of the security if no prior mortgagee takes steps to enforce its security. Where a subsequent mortgagee is disposing of a property, any prior mortgagee would need to release its mortgage or mortgages or standard security or standard securities on completion of the disposal of the relevant Property when the proceeds of sale are disbursed, according to priority. The subsequent mortgagee will not generally be able to exercise its remedies (save for its contractual remedies) while a prior mortgagee is exercising the same remedies.

Prior to origination of each Mortgage Loan, the Legal Title Holder put certain procedures in place to ascertain the principal amount of any prior mortgage in order to minimise the risk of its suffering a loss in the event of a forced sale following a default. However, the following should be noted:

- a) a subsequent mortgagee has no actual control over the amount owing under a prior mortgage and will not necessarily know of a default or the extent to which arrears have accrued until informed by the prior mortgagees. Accruals and any disposal and other costs incurred by any prior mortgagee on enforcement will not have been taken into account when any Mortgage Loan is made;
- b) a subsequent mortgagee will not have control over the timing of a forced sale following a default. Save in limited circumstances, a prior mortgagee owes no duty to a Borrower or subsequent mortgagee to delay a sale in the event of a depressed market or otherwise to take account of market conditions generally; and
- c) a prior mortgagee owes a duty to obtain a fair market price and, in order to discharge such a duty, would normally be expected to conduct the sale in a certain way (for example, to advertise at given times in a widely read newspaper). A fair market price means a fair market price at the time a prior mortgagee decides to sell. It will also take account of the fact that potential buyers will be aware that the sale is a forced sale. A fair market price is therefore not likely to be the best possible price, nor will it necessarily be as high as the latest market valuation or the valuation relied on by the subsequent mortgagee in originally deciding whether to advance the relevant Mortgage Loan.

A second or subsequent mortgagee may also be exposed to other risks as a result of the rights of a prior mortgagee. Further advances made by the prior mortgagee before it receives notice (actual, constructive or imputed in the case of unregistered land in England and Wales or any land in Scotland or deemed notice in the case of registered land in England and Wales) of the later mortgage or standard security will have priority over advances made under the later mortgage or secured by the later standard security. The Legal Title Holder’s procedure involves giving notice to the prior mortgagee on completion of its mortgage, which will prevent the “tacking” of further advances under prior mortgages of registered and unregistered land in England and Wales or the priority of any such further advance secured by a prior ranking standard security in Scotland. The Legal Title Holder also mitigates this risk in relation to Properties in England and Wales by virtue of its solicitor registering an official search with priority at the Land Registry (no such priority system being available in Scotland). This means that for a period of 30 days the Legal Title Holder’s interest has priority over any other applications to change the register, e.g. a prior mortgagee’s further advance.

Where the prior mortgage contains an obligation on the part of the prior mortgagee to make further advances, the question of notice is irrelevant and, subject in the case of registered land in England and

Wales to an appropriate note being made on the register (no such procedure being required in Scotland), further advances made pursuant to such an obligation will have priority whenever they are made. In this instance the Legal Title Holder's procedure is to require one of the following:

- 1) confirmation in writing from the prior mortgagee of the maximum sum it is obliged to lend, (which will form the basis of the LTV calculation);
- 2) a completed deed of postponement or (in Scotland) ranking agreement; or
- 3) confirmation in writing that any further advances the prior mortgagee may consider will rank behind the relevant Mortgage Loan.

A further risk for the subsequent mortgagee is that a prior mortgagee who has the benefit of more than one mortgage created by the same Borrower (whether or not over the same property) may (except in the case of a Scottish Property) be entitled to exercise a right of consolidation. This would entitle it to insist that either none or all of the mortgages in its favour be redeemed at the same time and in priority to the rights of the subsequent mortgagee. This risk is mitigated by the fact that the Legal Title Holder's criterion generally restricts lending where Borrowers have more than one buy-to-let property.

Characteristics of the Initial Mortgage Portfolio

The Initial Mortgage Portfolio had the characteristics indicated in Tables 1 to 19 below as at 30 June 2012¹.

Table 1: High Level Initial Mortgage Portfolio Summary

<i>Pool Characteristic</i>	
Pool Cut-Off Date	30/06/2012
Total Current Principal Balance (£)	18,234,187.88
Number of Mortgage Loans	687
Weighted Average Loan Seasoning (Months)	26
Weighted Average Remaining Term To Maturity (Months)	143
Average Mortgage Current Principal Balance (£)	26,541.76
Smallest Mortgage Current Principal Balance (£)	2,756.35
Largest Mortgage Current Principal Balance (£)	93,088.92
Weighted Average Current Interest Rate (%)	10.60
Weighted Average Original Loan To Value (%)	66.58
Weighted Average Indexed Loan To Value (%) (Origination - May2012)	65.68
Weighted Average Current Un-Indexed LTV (%)	64.63
% Mortgage Loans Self Certified Income at Origination	0.00

¹ Sums may not equal 100 percent due to rounding

Table 2: Distribution of Mortgage Loans by Original Loan to Value Ratio on the Origination Date

<i>Original LTV (%)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than 45.00	59	8.59	1,203,216.04	6.60
45.00 - Less than 50.00	34	4.95	1,014,233.62	5.56
50.00 - Less than 55.00	22	3.20	540,626.18	2.96
55.00 - Less than 60.00	54	7.86	1,409,069.96	7.73
60.00 - Less than 65.00	77	11.21	1,840,924.29	10.10
65.00 - Less than 70.00	112	16.30	3,008,175.98	16.50
70.00 - Less than 75.00	192	27.95	5,320,439.76	29.18
75.00 - Less than 80.00	135	19.65	3,861,349.79	21.18
80.00	2	0.29	36,152.26	0.20
Total:	687	100.00	18,234,187.88	100.00

The weighted average Original Loan to Value Ratio on the origination date of the Mortgage Loans in the Initial Mortgage Portfolio is 66.58 percent. There has been no revaluation of any of the Properties for the purposes of the issue of the Notes. Valuation information in this document in respect of the Properties is based upon valuations made for the purposes of and around the time of origination of the relevant Mortgage Loan.

Table 3: Distribution of Mortgage Loans by Current Un-Indexed Loan to Value Ratio on the 30th June 2012

<i>Current Un-Indexed LTV (%)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than 45.00	75	10.92	1,661,627.86	9.11
45.00 - Less than 50.00	31	4.51	899,415.40	4.93
50.00 - Less than 55.00	36	5.24	904,343.08	4.96
55.00 - Less than 60.00	65	9.46	1,596,024.57	8.75
60.00 - Less than 65.00	85	12.37	2,106,359.02	11.55
65.00 - Less than 70.00	113	16.45	3,276,255.06	17.97
70.00 - Less than 75.00	174	25.33	4,692,933.62	25.74
Greater than, or equal to 75.00	108	15.72	3,097,229.27	16.99
Total:	687	100.00	18,234,187.88	100.00

The weighted average Current Un-Indexed Loan to Value Ratio of the Mortgage Loans in the Initial Mortgage Portfolio is 64.63 percent.

Table 4: Distribution of Mortgage Loans by Current Indexed Loan to Value Ratio on the 30th June 2012

<i>Current Indexed LTV (%) (Halifax Regional HPI to May-12)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than 45.00	72	10.48	1,613,243.92	8.85
45.00 - Less than 50.00	29	4.22	818,212.69	4.49
50.00 - Less than 55.00	39	5.68	1,027,916.91	5.64
55.00 - Less than 60.00	54	7.86	1,345,385.59	7.38
60.00 - Less than 65.00	79	11.50	1,957,614.55	10.74
65.00 - Less than 70.00	115	16.74	3,164,483.18	17.35
70.00 - Less than 75.00	145	21.11	4,057,502.98	22.25
75.00 - Less than 80.00	106	15.43	2,866,549.73	15.72
Greater than, or equal to 80.00	48	6.99	1,383,278.33	7.59
Total:	687	100.00	18,234,187.88	100.00

The weighted average Current Indexed Loan to Value ratio of the Mortgage Loans in the Initial Mortgage Portfolio is 65.68 percent. The quarterly Halifax regional House Price Index, weighted by the UK overall monthly Halifax HPI, was used to create monthly indexation information from Origination to May 2012.

Table 5: Distribution of Mortgage Loans by Current Principal Balance on the 30th June 2012

<i>Range of Current Principal Balances (£)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than £10,000	45	6.55	358,817.89	1.97
£10,000 - Less than £15,000	98	14.26	1,214,950.94	6.66
£15,000 - Less than £20,000	138	20.09	2,449,610.65	13.43
£20,000 - Less than £25,000	109	15.87	2,385,330.80	13.08
£25,000 - Less than £30,000	80	11.64	2,155,192.95	11.82
£30,000 - Less than £35,000	56	8.15	1,814,937.19	9.95
£35,000 - Less than £40,000	46	6.70	1,723,083.56	9.45
£40,000 - Less than £45,000	31	4.51	1,314,443.64	7.21
£45,000 - Less than £50,000	19	2.77	910,045.54	4.99
Greater than, or equal to £50,000	65	9.46	3,907,774.72	21.43
Total:	687	100.00	18,234,187.88	100.00

The average current principal balance of the Mortgage Loans in the Initial Mortgage Portfolio is £26,542.

Table 6: Distribution of Mortgage Loans by Original Balance on the Origination Date

<i>Range of Original Balances (£)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than £15,000	75	10.92	736,837.31	4.04
£15,000 - Less than £20,000	115	16.74	1,682,381.53	9.23
£20,000 - Less than £25,000	128	18.63	2,461,951.79	13.50
£25,000 - Less than £30,000	104	15.14	2,421,095.97	13.28
£30,000 - Less than £35,000	60	8.73	1,713,895.48	9.40
£35,000 - Less than £40,000	51	7.42	1,720,383.26	9.43
£40,000 - Less than £45,000	43	6.26	1,613,741.69	8.85
£45,000 - Less than £50,000	21	3.06	883,197.12	4.84
£50,000 - Less than £55,000	27	3.93	1,238,496.83	6.79
Greater than, or equal to £55,000	63	9.17	3,762,206.90	20.63
Total:	687	100.00	18,234,187.88	100.00

The average original balance of the Mortgage Loans in the Initial Mortgage Portfolio is £30,332.

Table 7: Distribution of Mortgage Loans by the 1st Charge Balance amount on the Origination Date

<i>1st Charge Mortgage Balance at Origination (£)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than £50,000	111	16.16	3,027,084.36	16.60
£ 50,000 - Less than £ 75,000	109	15.87	2,494,829.13	13.68
£ 75,000 - Less than £100,000	124	18.05	2,922,558.51	16.03
£100,000 - Less than £125,000	116	16.89	2,858,193.17	15.67
£125,000 - Less than £150,000	74	10.77	1,910,421.74	10.48
£150,000 - Less than £175,000	45	6.55	1,210,980.29	6.64
£175,000 - Less than £200,000	32	4.66	998,322.69	5.48
Greater than, or equal to £200,000	76	11.06	2,811,797.99	15.42
Total:	687	100.00	18,234,187.88	100.00

The weighted average 1st charge mortgage balance of the Mortgage Loans in the Initial Mortgage Portfolio is £129,938.

Table 8: Distribution of Mortgage Loans by Current Interest Rate on the 30th June 2012

<i>Current Interest Rate (%)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Less than 8.5	20	2.91	632,552.26	3.47
8.5 - Less than 9.5	22	3.20	762,627.89	4.18
9.5 - Less than 10.5	358	52.11	9,814,497.42	53.82
10.5 - Less than 11.5	194	28.24	5,558,646.88	30.48
11.5 - Less than 12.5	25	3.64	515,458.72	2.83
Greater than, or equal to 12.5	68	9.90	950,404.71	5.21
Total:	687	100.00	18,234,187.88	100.00

The weighted average Current Interest Rate of the Mortgage Loans in the Initial Mortgage Portfolio is 10.60%

Table 9: Distribution of Mortgage Loans by Current Repayment Type on the 30th June 2012

<i>Repayment Type</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Repayment (Capital & Interest)	687	100.00	18,234,187.88	100.00
Interest Only	0	0.00	0.00	0.00
Total:	687	100.00	18,234,187.88	100.00

Table 10: Distribution of Mortgage Loans by Original Term to Maturity at Origination

<i>Original Term To Maturity (Months)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
13 - 60	57	8.30	790,392.04	4.33
61 - 120	283	41.19	6,320,430.41	34.66
120 - 180	179	26.06	5,446,629.88	29.87
181 - 240	103	14.99	3,395,138.47	18.62
241 - 300	65	9.46	2,281,597.08	12.51
Total:	687	100.00	18,234,187.88	100.00

The weighted average Original Term to Maturity of the Mortgage Loans in the Initial Mortgage Portfolio is 169 months.

Table 11: Distribution of Mortgage Loans by Months Seasoned on the 30th June 2012

<i>Seasoning (Months)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
13-24	333	48.47	8,673,025.76	47.56
25-36	354	51.53	9,561,162.12	52.44
Total:	687	100.00	18,234,187.88	100.00

The weighted average months seasoned of the Mortgage Loans in the Initial Mortgage Portfolio is 26 months.

Table 12: Distribution of Mortgage Loans by Remaining Term to Maturity on the 30th June 2012

<i>Remaining Term To Maturity (Months)</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
13 - 60	94	13.68	1,467,603.98	8.05
61 - 120	283	41.19	6,843,053.85	37.53
120 - 180	155	22.56	4,724,356.62	25.91
181 - 240	97	14.12	3,131,471.45	17.17
241 - 300	58	8.44	2,067,701.98	11.34
Total:	687	100.00	18,234,187.88	100.00

The weighted average Remaining Term to Maturity of the Mortgage Loans in the Initial Mortgage Portfolio is 143 months.

Table 13: Distribution of Mortgage Loans by Geographic Region

<i>Geographic Region</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
East Anglia	58	8.44	1,485,164.78	8.14
East Midlands	33	4.80	883,007.95	4.84
Greater London	38	5.53	1,398,805.54	7.67
North	33	4.80	1,026,924.32	5.63
Northwest	70	10.19	1,755,540.29	9.63
Scotland	64	9.32	1,519,139.53	8.33
South East	171	24.89	4,985,114.25	27.34
South West	77	11.21	1,856,486.04	10.18
Wales	42	6.11	978,059.92	5.36
West Midlands	38	5.53	965,381.43	5.29
Yorkshire/Humberside	63	9.17	1,380,563.83	7.57
Total:	687	100.00	18,234,187.88	100.00

Table 14: Distribution of Mortgage Loans by Property Type

<i>Property Type</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Bungalow	30	4.37	764,799.00	4.19
Detached House	199	28.97	5,756,919.44	31.57
Flat	14	2.04	339,013.26	1.86
Maisonette	2	0.29	65,059.41	0.36
Semi-Detached House	258	37.55	6,630,378.14	36.36
Terraced House	184	26.78	4,678,018.63	25.66
Total:	687	100.00	18,234,187.88	100.00

Table 15: Distribution of Mortgage Loans by Original Valuation Type at Origination

<i>Original Valuation Type at 2nd Charge Origination</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Drive By	268	39.01	6,988,464.27	38.33
Internal	419	60.99	11,245,723.61	61.67
Total:	687	100.00	18,234,187.88	100.00

Table 16: Distribution of Mortgage Loans by Self Certification of Income at Origination

<i>Borrower Self-Certification of Income</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
No	687	100.00	18,234,187.88	100.00
Yes	0	0.00	0.00	0.00
Total:	687	100.00	18,234,187.88	100.00

Table 17: Distribution of Mortgage Loans by Borrowers Employment Status at Origination

<i>Borrowers Employment Status at Origination</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Employed	687	100.00	18,234,187.88	100.00
Total:	687	100.00	18,234,187.88	100.00

Table 18: Distribution of Mortgage Loans by Borrowers Contractual Payment Method as at 30th June 2012

<i>Borrower Method</i>	<i>Contractual Payment</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Cash		14	2.04	388,083.79	2.13
Direct Debit		673	97.96	17,846,104.09	97.87
Total:		687	100.00	18,234,187.88	100.00

Table 19: Distribution of Mortgage Loans by Distribution Channel at Origination

<i>Distribution Channel</i>	<i>Number of Mortgage Loans</i>	<i>% of Initial Mortgage Portfolio Loans</i>	<i>Aggregate Current Principal Balance (£)</i>	<i>% of Initial Mortgage Portfolio Balance</i>
Broker	606	88.21	15,935,079.11	87.39
Retail	81	11.79	2,299,108.77	12.61
Total:	687	100.00	18,234,187.88	100.00

Distribution channel details the method in which Nemo received the loan application – either through Broker introduced business or through a typical retail origination method.

THE MORTGAGE PORTFOLIO TRANSFER DOCUMENTATION

MTUK/Winchester Street Mortgage Portfolio Sale Agreement

Pursuant to the terms of the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the Seller will agree to sell all of its rights, title, interest and benefit, in, to and under the Mortgage Loans and their Related Security comprising the Mortgage Portfolio to the Issuer. In addition, pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and the Seller Assignment Deed, the Seller will agree to sell and assign the Seller's Warranty and Indemnity Rights under the Nemo/MTUK Mortgage Portfolio Sale Agreements to the Issuer. A summary of the primary terms of the Seller Assignment Deed and the Seller's Warranty and Indemnity Rights is set out below.

Sale of Mortgage Portfolio

The consideration payable by the Issuer to the Seller pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement in respect of the Mortgage Portfolio is the aggregate of:

- (a) the Purchase Price; and
- (b) the Deferred Purchase Consideration.

The Purchase Price is payable by the Issuer on the Issue Date and will be paid using the net proceeds of the Notes. The Purchase Price is based on the Current Balance of the Mortgage Loans comprising the Mortgage Portfolio as of the Issue Date, which is the effective date for transfer of the risk and reward in respect of the Mortgage Portfolio to the Issuer.

The Deferred Purchase Consideration is payable on each Deferred Purchase Consideration Payment Date and will be paid by the Issuer in accordance with the Pre-Enforcement Interest Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

Representations and warranties of the Seller

In connection with the sale of the Mortgage Portfolio to the Issuer, the Seller will provide the following representations and warranties as at the Issue Date in respect of the period for which it has been beneficial owner of the Mortgage Loans and Related Security comprising the Mortgage Portfolio (together, the "**Seller's Warranties**"):

1. The Seller is an entity validly incorporated and existing under the laws of England and Wales and with power to enter into the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and to exercise its rights and perform its obligations thereunder and all corporate and other action required to authorise the execution of the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and its performance of its obligations thereunder has been duly taken.
2. The obligations expressed to be assumed by the Seller in the MTUK/Winchester Street Mortgage Portfolio Sale Agreement are legal and valid obligations binding and enforceable on it in accordance with the terms thereof subject to equitable principles and applicable insolvency law.
3. The Seller has not taken any corporate action nor, to its knowledge, have any other steps been taken or legal proceedings been started against it for its winding-up, dissolution, administration or re-organisation or for the appointment of a receiver, administrator or administrative receiver or liquidator of it or of any or all of its assets or revenues.
4. All formal approvals, consents and other steps required to be taken by the Seller to permit a transfer of the Mortgage Loan Agreements and the related Mortgages to be sold pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and to permit the Seller to enter into and perform its obligations under the MTUK/Winchester Street Mortgage Portfolio Sale Agreement

and to render the MTUK/Winchester Street Mortgage Portfolio Sale Agreement legal, valid, binding, enforceable and admissible in evidence have been obtained or taken.

5. The Seller's centre of main interest for the purposes of Council Regulation (EC) No. 1346/2000 of 29 May 2000 on insolvency procedures is in England and Wales and it does not have an establishment for the purposes of such Council Regulation outside England and Wales.
6. The Seller's corporate certificate is true, correct and up-to-date and is in full force and effect.
7. Other than in relation to the particulars set out in annexure 2 and schedule 3 to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the Originator has not made Jamie Payne and/or Rupert Pitt aware through the provision of written information of any act or thing occurring since the date that any Mortgage Loan was acquired by the Seller under the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement to make any of the Legal Title Holder's Warranties (other than that contained in paragraph 3.1 of schedule 1 to each of the Nemo/MTUK Mortgage Portfolio Sale Agreements) if repeated on the Issue Date, untrue or inaccurate. This Seller's Warranty is referred to as the "**Seller's Repurchase Warranty**".
8. The particulars set out in annexure 2 and schedule 3 to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement are, at the relevant date on which such particulars and information are compiled (such date being, in relation to the particulars set out in such annexure 2, the relevant date referred to in annexure 2 to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement), true, complete and accurate in all respects in respect of the data fields described in that annexure (other than where such particulars have been supplied by Valuers or Borrowers).
9. No Mortgage Loan in the Mortgage Portfolio has an Arrears Multiple of greater than 1.

The Issuer's sole remedy for any breach of any Seller's Warranty (other than the Seller's Repurchase Warranty) is damages.

In respect of any breach of the Seller's Repurchase Warranty in relation to any Mortgage Loan or its Related Security comprised in the Mortgage Portfolio, the Seller will be required to repurchase the affected Mortgage Loan for an amount equal to the Seller's Repurchase Price, provided always that the Issuer (or the Cash Manager on its behalf) complies with the procedure in respect of any such claim set out in the MTUK/Winchester Mortgage Portfolio Sale Agreement. The Seller will not be liable in respect of any breach of the Seller's Repurchase Warranty if after the Portfolio Transfer Date:

- (A) the Issuer has, without the prior written approval of the Seller (not to be unreasonably withheld or delayed), varied (save pursuant to a change in legislation or regulation applying equally to the Seller and the Issuer) the Mortgage Loan Agreement and Related Security and, for these purposes, neither any increase or decrease in the tariff of charges after Completion by the Issuer nor any change in the direct debit form nor modifying a Mortgage Loan Agreement by entry into a new Mortgage Loan Agreement will constitute such a variation of the Mortgage Loan Agreement. Each of the Seller and the Issuer have agreed that the application of the Seller's or any servicer's arrears and possessions policy to include, but not limited to, capitalising arrears, extending the term of years of a Mortgage Loan Agreement (by a term of which is not more than the period from the date of the original Advance to the date of the extension rounded up to the nearest whole year) and making an offer (provided that such offer has lapsed and cannot be accepted) to a Borrower permitting such Borrower to redeem the relevant Mortgage Loan Agreement at a redemption price lower than the then Current Balance) and converting a Mortgage Loan Agreement to an interest only Mortgage Loan Agreement will not constitute such a variation of the Mortgage Loan Agreement for the purposes of this paragraph (A);
- (B) the Issuer has, without the prior written approval of the Seller (not to be unreasonably withheld or delayed), done or omitted to do any act or thing in respect of such Mortgage Loan Agreement which would materially and adversely prejudice the Seller if it were the mortgagee (or, in Scotland,

heritable creditor) thereunder and which a prudent mortgage lender would not have done or omitted to do;

- (C) the Mortgage Loan Agreement has been converted to another type of mortgage product (but so that this will not preclude a change in any reference to the base rate, reversionary index or to the standard variable mortgage rate); or
- (D) the Issuer has made any further advance to the Borrower secured by the Mortgage or any other security.

In addition, the Seller will not be liable for any breach of the Seller's Repurchase Warranty in respect of any Mortgage Loan where the Legal Title Holder is liable to repurchase such Mortgage Loan pursuant to the terms of the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement pursuant to which such Mortgage Loan was sold by the Legal Title Holder to the Seller (the Seller's rights in respect of which should have been sold to the Issuer as a Seller's Warranty and Indemnity Right).

Nemo/MTUK Mortgage Portfolio Sale Agreements

Sale and purchase

Pursuant to the terms of the Nemo/MTUK Mortgage Portfolio Sale Agreements, the Legal Title Holder sold its interest in portfolios of residential mortgage loans and their related security and all moneys derived therefrom from time to time thereafter, to the Seller. The Seller subsequently sold a portion (comprising approximately half) of these mortgage loans and their related security, randomly selected, to a third party. The remaining mortgage loans and their related security, excluding mortgage loans which have an Arrears Multiple of greater than one on the Issue Date, comprise the Mortgage Portfolio agreed to be sold by the Seller to the Issuer pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement.

Seller's Warranty and Indemnity Rights

Pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and the Seller Assignment Deed, the Seller has agreed to assign certain of its rights provided by the Legal Title Holder and the Nemo Guarantor pursuant to the Nemo/MTUK Mortgage Portfolio Sale Agreements, insofar as they relate to the Mortgage Loans and Related Security comprised in the Mortgage Portfolio, to the Issuer. These rights include the representations and warranties provided by the Legal Title Holder and the Nemo Guarantor to the Seller and the right to make Indemnity Claims. Collectively, they comprise the Seller's Warranty and Indemnity Rights.

If any of the Legal Title Holder's Warranties in respect of a Mortgage Loan or its Related Security comprised in the Mortgage Portfolio was breached as at the date it was given, a warranty claim will arise (each a "**Warranty Claim**") and, subject to certain conditions, the Issuer may require (by virtue of the assignment of the Seller's Warranty and Indemnity Rights to the Issuer) such Mortgage Loan to be repurchased or substituted by the Legal Title Holder in accordance with the provisions of the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement. (See "Repurchase by the Legal Title Holder" below for more details.)

The representations and warranties given by the Legal Title Holder and the Nemo Guarantor (the "**Legal Title Holder's Warranties**") include, among others, the following:

1. Prior to the making of the original advance in respect of each Mortgage Loan, the requirements of the relevant Lending Criteria were satisfied in all respects and where discretion was permitted or referred to therein, such discretion was exercised in accordance with the Legal Title Holder's internal policies and, for the purposes of the Lending Criteria, the requirements will be treated as having been satisfied if the Legal Title Holder relied without further enquiry on any matter contained in any valuation, report on title or the results of search reports, where a Prudent Mortgage Lender would not have made further enquiry.

2. Each Mortgage Loan Agreement has been constituted and originated in compliance with the terms of the Legal Title Holder's appropriate mortgage origination procedures for the relevant type of Mortgage Loan Agreement (so far as applicable) as indicated in the Lending Criteria.
3. At the date of origination, in relation to each Mortgage Loan Agreement:
 - (a) a valuation of the relevant Property was undertaken on behalf of the Legal Title Holder by a Valuer and a valuation was obtained by the Legal Title Holder and the signed original valuation is included in the Mortgage Loan file and the contents of such valuation was such as to be acceptable to an underwriter of the Legal Title Holder acting prudently and reasonably. Such valuation is dated not more than six months prior to the origination date of the relevant Mortgage Loan Agreement; and
 - (c) the benefit of each Report on Title and each valuation is vested in the Legal Title Holder and, in the case of each Report on Title, is freely transferable or assignable by the Legal Title Holder.
4. The Legal Title Holder has not, in writing, waived or agreed to waive any of its rights against any Valuer, Solicitor, insurer or other professional who has provided information, carried out any work or service or given advice in connection with any Mortgage Loan Agreement or Related Security and is not aware of any causes or rights of action which have accrued against any such person.
5. The Legal Title Holder is not aware of any causes or rights of action which have accrued to it against any person (including, without limitation, any Valuer or any Solicitor in connection with any report, valuation, legal opinion, certificate, consent or other statement of fact given in connection with any Mortgage Loan Agreement. No action has been taken by any Borrower or any other person against the Legal Title Holder in respect of any representation, breach of condition, misrepresentation or otherwise or any action or omission by the Legal Title Holder in relation to any Mortgage Loan Agreement).
6. No right of action is vested in any Borrower or any other person against the Legal Title Holder in respect of any representation, breach of condition, misrepresentation or otherwise or any action or omission by the mortgagee or heritable creditor in relation to a Mortgage Loan Agreement.
7. The Legal Title Holder is, and has been since the date of the relevant Mortgage Loan Agreement, the absolute legal owner and has the full legal interest in such Mortgage Loan Agreement and the Legal Title Holder has since the date of the relevant Mortgage Loan Agreement the full beneficial title in, or is heritable creditor of, each of the Mortgage Loan Agreements, Mortgages and their Related Security and the other property sold to and/or assigned to the Legal Title Holder on the relevant Completion Date free from all security interests including in each case free from any mortgages, standard securities, securities, charges, liens, financial encumbrances and equities (but subject to the relevant Borrower's equity of redemption).
8. The Legal Title Holder has not at any time transferred (whether by absolute assignment or by way of security only), charged or otherwise disposed of or declared a trust in respect of or otherwise dealt with the benefit of any Mortgage Loan Agreement or Related Security or any other rights or property rights relating thereto or any other interests, or benefits to be sold or assigned pursuant to this agreement.
9. Neither the entry of the Legal Title Holder into this agreement nor any transfer, assignment, assignation or declaration of trust contemplated by the Legal Title Holder contemplated by the agreement in relation to all of any part of the Mortgage Loan Agreements or Related Security (including, without limitation, the legal, equitable and beneficial transfer of the Mortgage Loan Agreements or Related Security to the Seller):
 - (a) has breached or will breach any term or condition applying to that Mortgage Loan Agreement or Related Security; and/or

- (b) requires the approval or consent of the Borrower or any other person.
10. The whole of each Mortgage Loan Agreement and any interest, costs, mortgage administration charges, fees and expenses which are now or become in the future due or payable under a Mortgage Loan Agreement constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower enforceable in accordance with its terms and the amount outstanding under each Mortgage Loan Agreement is a valid debt to the Legal Title Holder from the Borrower, except that enforceability may be limited by bankruptcy or insolvency affecting the enforcement of creditors' rights generally or the court's discretion in relation to equitable remedies.
11. Each Mortgage constitutes a legal, binding, enforceable, non-cancellable, valid and subsisting second legal charge by way of legal mortgage or second legal charge or standard security over the relevant Property with the Legal Title Holder having priority as second ranking mortgagee or heritable creditor and secured as such for the full amount of all liabilities, Mortgage Loans, advances, interest, costs and expenses which are, or may become, payable, outstanding or owing by such Borrower to the relevant mortgagee or heritable creditor in relation to that Mortgage Loan Agreement by the Borrower under the Mortgage Loan Agreement and Related Security, and there is no subsequent ranking charge or other security interest affecting the title of the relevant Property except in relation to any Property which:
- (a) is subject to a charging order; or
- (b) is subject to a subsequent ranking charge, where the aggregate Current Balance of such Mortgage Loans subject to a subsequent ranking charge as at the Completion Date does not exceed 5% of the aggregate Current Balance of the Mortgage Portfolio as at the Completion Date.
12. Each Mortgage Loan Agreement was originated and funded by the Legal Title Holder for its own account in the ordinary course of its business.
13. There are no offers made by the Legal Title Holder to a Borrower to re-finance a Mortgage Loan Agreement which are outstanding at the date of this agreement.
14. Each Mortgage Loan Agreement and Related Security is freely transferable or assignable by the Legal Title Holder and its respective successors in title.
15. No Mortgage Loan Agreement is a right to buy Mortgage Loan Agreement and no Property is subject to any statutory charge or (in the case of a Scottish Mortgage) standard security created by, in the case of an English Mortgage, the Housing Act 1985 or, in the case of a Scottish Mortgage, the Housing (Scotland) Act 1987.
16. No Mortgage Loan Agreement is a Mortgage Loan Agreement where the relevant Property is a buy to let Property.
17. In relation to each Mortgage over a Property in England or Wales the Borrower has in the relevant Property a good and marketable title and it has been registered with title absolute (if freehold) or absolute or good leasehold title of the requisite term (if leasehold). In relation to each Scottish Mortgage, the Borrower has a valid and marketable heritable title to the relevant Property which has been or will be registered or (as applicable) recorded in the Registers of Scotland with (in the case of registered titles) no exclusion of indemnity.
18. There is no restriction on the lender or the mortgagee or heritable creditor in respect of a Mortgage Loan Agreement or their successors or assigns and the Legal Title Holder has not entered into any arrangement with any Borrower the effect of which would restrict the ability of the Legal Title Holder to determine the rates of interest in relation to any Mortgage Loan in accordance with the Mortgage Loan Agreement (other than in accordance with the Product Specifications) or restrict the ability of the Legal Title Holder to enforce the terms of any Mortgage Loan Agreement and Related

Security. No payment of interest or principal due at any time after Completion has been waived by the Legal Title Holder.

19. Since origination of each Mortgage Loan Agreement, there has been no variation of the Mortgage Loan Agreement such that a Borrower is entitled to a discharge in respect of such Mortgage Loan Agreement unless, among other things, such Borrower pays, repays or prepays an amount equal to or greater than the then Current Balance, all accrued but unpaid interest and all other amounts then outstanding in respect of such applicable Mortgage Loan Agreement.
20. Each Borrower is a natural person, acting in a non-business capacity in relation to the relevant Mortgage Loan Agreement, was over 18 years of age at the date he or she submitted the relevant mortgage application and no Borrower is or has been within 12 months preceding the date of this agreement, an employee or director of either the Legal Title Holder or the Nemo Guarantor or any member of the Legal Title Holder's group or Nemo Guarantor's Group.
21. The Legal Title Holder has not served written notice accelerating any Mortgage Loan Agreement as a result of any breach of a Borrower's obligation in respect of a Mortgage Loan Agreement or Mortgage which is currently outstanding and is subject to enforcement by the Legal Title Holder.
22. Each Mortgage Loan Agreement was originated in, is denominated in and all amounts in respect of such Mortgage Loan Agreement are payable only in sterling and may not be changed by the relevant Borrower to any other currency.
23. So far as the Legal Title Holder is aware, no Property has been destroyed or materially damaged, the Legal Title Holder has not received from any insurance company notice of any insurance claim in relation to any of the Properties and the Legal Title Holder has not received notice that any Property is not insured.
24. Each Mortgage Loan was granted on the basis that it was secured on a residential Property, situated in England, Wales or Scotland.
25. The Mortgage Loan Files for each Mortgage Loan Agreement are held by the Legal Title Holder and the title deeds for each Mortgage Loan Agreement are held by or the Mortgage Loan Files and Title Deeds for each Mortgage Loan Agreement are held (on undertakings which would be acceptable to a Prudent Mortgage Lender) to the order of the Legal Title Holder.
26. No Property is subject to any tenancy agreement or letting or right of occupancy which is binding on the Legal Title Holder. No person is able to assert that he/ she has any interest, whether or not such interest is an overriding interest, by occupation adverse to the rights of the mortgagee or heritable creditor for the time being under the relevant Mortgage or any statutory right of occupancy.
27. In relation to each Mortgage Loan Agreement, each of the mortgagors together own the full legal or heritable estate in the relevant Property or in relation to a Scottish Mortgage Loan the grantor (or grantors of the relevant Scottish Mortgage is (or are) the only heritable proprietor of the whole of the Property, and each such mortgagor or grantor is a Borrower in respect of the relevant Mortgage Loan Agreement and no other person is a Borrower in respect of any such Mortgage Loan Agreement.
28. Each Scottish Property is a residential property held on a heritable title located in Scotland.
29. The Legal Title Holder holds a licence authorising the Legal Title Holder to carry on consumer credit business (as defined in section 189 (1) of the CCA) under all names used by the Legal Title Holder and held such a licence at the time of entry into each Mortgage Loan Agreement comprised in the Mortgage Portfolio.

30. No Mortgage Loan Agreement has been entered into by the Legal Title Holder as a result of an introduction from a broker other than a Specified Broker.
31. Each Mortgage Loan Agreement is a regulated agreement (as defined in section 8 of the CCA).
32. No Mortgage Loan Agreement or Related Security is improperly executed for the purposes of any provision of the CCA.
33. No Mortgage Loan Agreement comprised in the Mortgage Portfolio is unenforceable as a result of a failure by the Legal Title Holder to comply with sections 77A, 86B, 86E or 97 of the CCA and no circumstances have arisen which would require the Legal Title Holder to serve a notice under sections 86B, 86E of the CCA or to give a Borrower a statement under section 97 of the CCA.
34. No Mortgage Loan Agreement finances the purchase of the Property or is a bridging loan for the purchase of any land.
35. The Legal Title Holder has not entered into any modifying agreement (as defined in section 82 (2) of the CCA) in respect of any Mortgage Loan Agreement comprised in the Mortgage Portfolio.
36. The Legal Title Holder has not provided credit under any Mortgage Loan Agreement for the purpose of financing the purchase of a payment protection insurance premium and no Mortgage Loan Agreement is a debtor-creditor-supplier agreement (as defined in section 12 of the CCA).
37. No relationship between the Legal Title Holder and any Borrower is unfair for the purposes of section 140A of the CCA.
38. None of the terms of any Mortgage Loan Agreement or Related Security are unfair terms within the meaning of the Unfair Terms in Consumer Contract Regulations 1999, and/or the Unfair Contract Terms Act 1977, and, in relation to the redemption fees and other fees and charges set out by the Legal Title Holder, these are not considered to be unfair within Unfair Terms in Consumer Contract Regulations 1999, and/or the Unfair Contract Terms Act 1977.
39. The Legal Title Holder has complied with all guidance published by the OFT which is applicable to the Mortgage Loan Agreements comprised in the Mortgage Portfolio including the guidelines on non-status lending (revised November 1997), second charge lending (July 2009) and irresponsible lending (March 2010) where the relevant guideline was in force at the time of origination of the relevant Mortgage Loan Agreement.
40. No Mortgage Loan Agreement comprised in the Mortgage Portfolio is cancellable under the Financial Services (Distance Marketing) Regulations 2004.
41. The Legal Title Holder is registered as a data controller under the Data Protection Act 1998 ("DPA") and is entitled to disclose information relating to each Borrower to the Seller without contravening the DPA.
42. The Legal Title Holder has not received any complaint specifically addressed to it from the Director General of Fair Trading or any qualifying body that any term of any Mortgage Loan Agreement originated by the Legal Title Holder is unfair within the meaning of the Unfair Terms in Consumer Contracts Regulations 1999.
43. The Legal Title Holder or its agent has in connection with each Mortgage Loan Agreement carried out the identification and other procedures required under the Money Laundering Regulations 2007 and the Guidance for the UK financial sector issued by the Joint Money Laundering Steering Group.
44. The identity of each Borrower was verified by the Legal Title Holder at origination in accordance with its standard procedures.

45. All commission paid by the Legal Title Holder to a broker or by a broker to a sub-broker in connection with the introduction of a Borrower to the Legal Title Holder which has resulted in the entry into a Mortgage Loan Agreement comprised in the Mortgage Portfolio has been fully disclosed to the Borrower who gave full and informed consent to such payment before entry into such Mortgage Loan Agreement.
46. The Legal Title Holder has complied with the Finance and Leasing Association code of practice in relation to each Mortgage Loan Agreement comprised in the Mortgage Portfolio.
47. There are no complaints of any kind which have been made by any person including any Borrower to the Legal Title Holder in relation to a Mortgage Loan Agreement or Related Security which have not been satisfactorily resolved.
48. The Legal Title Holder has entered into an agreement with each Specified Broker pursuant to which each Specified Broker is obliged to obtain all relevant consents from each data subject under the DPA to permit the Legal Title Holder to transfer the data and allow the Legal Title Holder to process personal data in respect of an application for a loan in accordance with the Legal Title Holder's loan origination procedures.
49. No security interest, lien or right of set-off, compensation, counterclaim defence or claim for rescission has been created or arisen or now exists between the Legal Title Holder and any Borrower which would entitle such Borrower to reduce the amount payable or repayable under the Mortgage Loan Agreements.
50. None of the liabilities, Mortgage Loans, advances, interest, costs and expenses which are outstanding or owing by any Borrower to the Legal Title Holder in relation to the Mortgage Loan Agreements are subject to any limited recourse or reduction or extinction of obligation provisions which would apply at or prior to or in relation to the repayment and payment of the full amount thereof.
51. No Borrower's obligations under any of the Mortgage Loan Agreements were required to be guaranteed by any third party.
52. The Legal Title Holder has not, in writing, waived or acquiesced in any breach of any of its rights in respect of a Mortgage Loan Agreement or Related Security.
53. The Legal Title Holder has not entered into any arrangement with any Borrower the effect of which would be to restrict the ability of the Seller to enforce the terms of the Mortgage Loan Agreement.
54. The Legal Title Holder has not received notice of the bankruptcy sequestration or death of any Borrower.
55. Since the making of each Mortgage Loan Agreement:
 - (a) such Mortgage Loan Agreement has been serviced in accordance with standards of care acceptable to a Prudent Mortgage Lender and the exercise of each discretion and the origination and collection practices used in relation to each Mortgage Loan Agreement by or on behalf of the Legal Title Holder are and have been at all times legal and acceptable to a Prudent Mortgage Lender; and
 - (b) the Legal Title Holder has observed and performed its obligations and has discharged its liabilities under each of the Mortgage Loan Agreements.
56. All steps necessary to perfect the Legal Title Holder's title to each Mortgage Loan Agreement, together with its related Mortgages and Related Security, were duly taken at the appropriate time or are in the process of being taken with all due diligence including, for the avoidance of doubt, within

the applicable priority periods or time limits for registration and stamping of all documents that may be needed to enforce any Mortgage Loan Agreement, its related Mortgage or Related Security.

Indemnity Claims

The Seller's Warranty and Indemnity Rights assigned to the Issuer include agreements by the Legal Title Holder and the Nemo Guarantor to jointly and severally indemnify against all losses suffered or incurred by the Seller (now assigned to the Issuer) arising out of or in connection with:

- (a) any Mortgage Loan comprised in the Mortgage Portfolio being entered into as a result of an introduction by a broker or sub broker (other than a Specified Broker) not holding a licence authorising such broker or sub-broker to carry on credit brokerage business (as defined in section 145 (2) of the Consumer Credit Act 1974 (the "CCA")) under all names used by such broker or sub-broker;
- (b) any Mortgage Loan comprised in the Mortgage Portfolio being improperly executed for the purposes of any provision of the CCA;
- (c) any Mortgage Loan comprised in the Mortgage Portfolio being unenforceable as at Completion as a result of a failure by the Seller to comply with sections 77A, 86B, 86E or 97 of the CCA;
- (d) the Legal Title Holder having entered into any modifying agreement (as defined in section 82 (2) of the CCA) in respect of any Mortgage Loan comprised in the Mortgage Portfolio;
- (e) a failure to fully and fairly disclose to each Borrower any commission payable to any broker or sub-broker which introduced such Borrower to the Legal Title Holder or in the case of a sub-broker to a broker before such Borrower entered into a Mortgage Loan comprised in the Mortgage Portfolio;
- (f) any Mortgage Loan comprised in the Mortgage Portfolio not having been validly executed as a deed by the relevant Borrower;
- (g) any Mortgage Loan comprised in the Mortgage Portfolio made with joint Borrowers having been advanced to one Borrower only; and
- (h) any Mortgage Loan comprised in the Mortgage Portfolio being cancellable under the Financial Services (Distance Marketing) Regulations 2004.

If any of the circumstances giving rise to an indemnity claim occur (each an "**Indemnity Claim**") in respect of a Mortgage Loan and its Related Security, subject to certain conditions, such Mortgage Loan and its Related Security will be repurchased or substituted by the Legal Title Holder (or the Nemo Guarantor) in accordance with the provisions of the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement. (See "Repurchase by the Legal Title Holder" below for more details).

Repurchase by the Legal Title Holder

The Legal Title Holder has agreed in each Nemo/MTUK Mortgage Portfolio Sale Agreement to repurchase any of the Mortgage Loans together with their Related Security comprised in the Mortgage Portfolio from the Issuer (by virtue of the assignment of the Seller's Warranty and Indemnity Rights by the Seller to the Issuer pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and the Seller Assignment Deed) in the circumstances described below.

If and so often as there is an alleged breach of a Legal Title Holder's Warranty or an alleged Indemnity Claim for which the Legal Title Holder and/or the Nemo Guarantor has a liability to the Issuer in accordance with the provisions of the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement, the Issuer may at any time after it becomes aware of the relevant facts or circumstances give notice of such alleged breach or alleged Indemnity Claim to the Legal Title Holder (the "**Purchaser's Initial Notice**"). In

accordance with the terms of the Cash Management Agreement, the Cash Manager is required to serve such notice on behalf of the Issuer.

In respect of any alleged breach of a Legal Title Holder's Warranty or an alleged Indemnity Claim, the Legal Title Holder must at any time on or before the seventh Business Day after the date of the Purchaser's Initial Notice give notice to the Issuer in response to the Purchaser's Initial Notice (the "**Legal Title Holder's Counter-Notice**").

If the Legal Title Holder states (acting reasonably) in the Legal Title Holder's Counter-Notice that it considers that the breach of Legal Title Holder's Warranty or the circumstances giving rise to the Indemnity Claim are capable of remedy, the Legal Title Holder will be entitled to remedy the breach or the circumstances at any time within the immediately following 45 days. Where there has been a breach of a Legal Title Holder's Warranty in relation to a Mortgage Loan Agreement and/or circumstances giving rise to an Indemnity Claim and if:

- (a) such breach and/or the circumstances giving rise to an Indemnity Claim have not been remedied within the above mentioned 45 days from the date of the Purchaser's Initial Notice (or such other period as may be agreed by the Issuer); or
- (b) such breach and/or relevant circumstances in relation to an Indemnity Claim are incapable of remedy (or stated to be so in the Legal Title Holder's Counter-Notice); or
- (c) no Legal Title Holder's Counter-Notice is given within the prescribed time period,

the Legal Title Holder will not later than seven days after the date of the Purchaser's Initial Notice (or 45 days in the case of a breach of a Legal Title Holder's Warranty and/or circumstances giving rise to an Indemnity Claim which has not been remedied in accordance with paragraph (a) above) complete the repurchase from the Issuer of the relevant Mortgage Loan and its Related Security specified in the Purchaser's Initial Notice.

The consideration (the "**Repurchase Price**") payable by the Legal Title Holder on any repurchase of any Mortgage Loan and its Related Security following any breach of a Legal Title Holder's Warranty or an Indemnity Claim will be the aggregate (without duplication of amounts) of the following:

- (a) the aggregate Current Balance and Accrued Interest of that Mortgage Loan Agreement as at the close of business on the date immediately preceding the date of repurchase;
- (b) an amount equal to the Premium Percentage (as defined in the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement) multiplied by the Current Balance of such Mortgage Loan Agreement (less the aggregate of the Accrued Interest, to the extent it forms part of the Current Balance on the day immediately preceding the Completion Date);
- (c) an amount equal to any deferred purchase amount paid to the Legal Title Holder in respect of such Mortgage Loan Agreement pursuant to the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement; and
- (d) an amount equal to the third party costs and expenses of the Issuer reasonably incurred or payable in connection with the investigation of the relevant breach of any Legal Title Holder's Warranty (including any Warranty Claim properly brought by the Issuer under the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement in connection with that breach).

The Issuer is not entitled to make any Warranty Claim or Indemnity Claim until the aggregate of all Warranty Claims and Indemnity Claims under (i) the Nemo/MTUK Mortgage Portfolio Sale Agreements (whether by the Issuer or otherwise), (ii) a further mortgage portfolio sale agreement dated 30 March 2012 between the Seller (as purchaser), the Legal Title Holder (as seller) and the Nemo Guarantor and (iii) any other mortgage portfolio sale agreement entered into by such parties from time to time, exceeds £175,000. Once the sum of £175,000 has been reached, the Issuer will be entitled to claim for the full amount of any

Warranty Claims or Indemnity Claims it has made and not just the excess of any such Warranty Claim and/or Indemnity Claim. In addition, the Legal Title Holder will have no liability to the Issuer for any breach of any Legal Title Holder's Warranty or any liability for an Indemnity Claim unless the Issuer (or the Cash Manager on its behalf) has given to the Legal Title Holder a Purchaser's Initial Notice on or before the date which is 60 months from the date of Completion (as defined in the relevant Nemo/MTUK Mortgage Portfolio Sale Agreement).

The Legal Title Holder must, pursuant to terms of each Nemo/MTUK Mortgage Portfolio Sale Agreement, notify the Issuer and the Trustee of any breach of a Legal Title Holder's Warranty or of the circumstances giving rise to an Indemnity Claim as soon as the Legal Title Holder becomes aware of such breach.

In the event that the Legal Title Holder fails to meet any Warranty Claim or Indemnity Claim by the Issuer in respect of any Mortgage Loan or its Related Security comprised in the Mortgage Portfolio, the Nemo Guarantor will be required to meet such claim in accordance with the terms of the guarantee of the obligations of the Legal Title Holder provided by the Nemo Guarantor under the terms of each Nemo/MTUK Mortgage Portfolio Sale Agreement, the rights in respect of which have been assigned to the Issuer as part of the Seller's Warranty and Indemnity Rights.

Legal Title Deed

Legal title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio remains with the Legal Title Holder and notice of the sale of the Mortgage Portfolio (first by the Legal Title Holder to the Seller and then by the Seller to the Issuer) has not been given to any Borrower (except as stated below).

Pursuant to the terms of the Legal Title Deed to be entered into by the Issuer, the Legal Title Holder, the Nemo Guarantor and the Trustee on or around the Issue Date, the Legal Title Holder will hold legal title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio, together with all amounts paid by Borrowers, the proceeds of enforcement of Related Security, any other amounts received by the Legal Title Holder under or in connection with the Mortgage Portfolio and any amounts received by the Legal Title Holder in respect of any Individual Buildings Policy related to any Mortgage Loan in the Mortgage Portfolio, on trust for the Issuer (which trust, in the case of Mortgage Loans and Related Security governed by Scots law, shall be constituted by one or more Scottish Declarations of Trust) until the Legal Title Holder completes legal assignment of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio to the Issuer in accordance with the provisions of the Legal Title Deed.

Legal assignment of the Mortgage Portfolio to the Issuer (including, where applicable, the registration or recording in the relevant property register of the title of the Issuer in respect of each Mortgage Loan and its Related Security comprising the Mortgage Portfolio) will be completed in accordance with the terms of the Legal Title Deed as soon as reasonably practicable after the earliest to occur of any of the following (each a "**Perfection Event**"):

- (a) the expiry of at least 6 months' notice from the Issuer to the Legal Title Holder requiring the Legal Title Holder to transfer the Mortgage Loans and their Related Security comprising the Mortgage Portfolio to the Issuer or as directed by the Issuer;
- (b) termination of the Administration Agreement;
- (c) the occurrence of an Insolvency Termination Event (as defined in the Legal Title Deed) in relation to the Legal Title Holder;
- (d) the expiry of not less than 30 Business Days notice from either of the Issuer or the Legal Title Holder to the other, if provision of the Legal Title Holder Services by the Legal Title Holder contravenes any Applicable Law;

- (e) a transfer of the legal title to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio is required under Applicable Law or by an order or decree of a court of competent jurisdiction;
- (f) the expiry of 30 Business Days' notice given by either of the Issuer or the Legal Title Holder to the other under clause 5.4 of the Legal Title Deed or the expiry of 30 Business Day's notice by the Issuer to the Legal Title Holder under clause 5.5 of the Legal Title Deed;
- (g) the expiry of 30 Business Day's notice given by the Legal Title Holder to the Issuer following a breach by the Issuer of any of its obligations under clause 5.2 of the Legal Title Deed.

The title information documents and customer files relating to the Mortgage Portfolio are currently held by or to the order of the Legal Title Holder. On perfection of the assignments contemplated by the Legal Title Deed, the Legal Title Holder has agreed pursuant to the Legal Title Deed that all the title information documents and customer files relating to the Mortgage Portfolio will be delivered to (or to the direction of) the Issuer.

Neither the Trustee nor the Issuer has made or will make or has caused to be made or will cause to be made on its behalf any enquiries, searches or investigations in relation to the Mortgage Portfolio, and each is relying entirely on the representations and warranties to be given by the Seller in the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and by the Legal Title Holder and the Nemo Guarantor contained in each Nemo/MTUK Mortgage Portfolio Sale Agreement, as assigned to the Issuer as part of the Seller's Warranty and Indemnity Rights pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and the Seller Assignment Deed.

Guarantee

The payment and performance of all payments and obligations of the Legal Title Holder under each Nemo/MTUK Mortgage Portfolio Sale Agreement and the Legal Title Deed are unconditionally and irrevocably guaranteed by the Nemo Guarantor. This guarantee will remain in full force and effect until all such payments and obligations of the Legal Title Holder have been irrevocably paid and discharged in full. For the avoidance of doubt, the performance of none of the Issuer's obligations in respect of the Notes (including the payment of any principal or interest) are guaranteed by the Nemo Guarantor.

For further information relating to the Nemo Guarantor, see "The Nemo Guarantor".

Definitions

For the purposes of each Nemo/MTUK Mortgage Portfolio Sale Agreement, the MTUK/Winchester Street Mortgage Portfolio Sale Agreement and the Legal Title Deed:

"Accrued Interest" means, in relation to a Mortgage Loan, as at any given date, the aggregate amount of interest accrued or charged from and including the immediately preceding Monthly Payment Date but not yet paid (or the date which the relevant Mortgage Loan was advanced) relative to that Mortgage Loan to, but excluding, that given date;

"Advance" means all of the monies advanced by the Originator to a Borrower;

"Applicable Law" means all laws (including the Consumer Credit Act 1974), regulations, regulatory policies and guidelines, government or regulatory approved codes of practice or orders or any rules or guidelines issued by any Regulator (as defined in the Administration Agreement) and all similar or analogous requirements that are from time to time applicable:

- (a) to the business of the Issuer;
- (b) to the business of the Administrator; and

- (c) to the Services (as defined in the Administration Agreement) in any jurisdiction in which the Services are provided;

“**Arrears Balance**” means, in relation to a Mortgage Loan, as at any given date, the aggregate amount of any of the sums which are due and payable but have not been paid by the relevant Borrower in accordance with the terms of the Mortgage Loan as at that given date including any:

- (a) arrears of interest; and
(b) arrears of any repayment of capital,

but excluding any unpaid mortgage administration fees which have been debited to the relevant mortgage account;

“**Arrears Multiple**” means the amount produced by the application of the following fraction:

$$\frac{A}{B}$$

where:

A = Arrears Balance; and

B = the amount of the relevant Contractual Monthly Payment payable or paid in the period immediately before the date of the relevant calculation;

“**Basic Deferred Purchase Consideration**” means in relation to any Deferred Purchase Consideration Payment Date:

$$((A/365) \times B) \times C$$

Where:

A= 0.02;

B = the aggregate of the Current Balances of all the Mortgage Loans in the Mortgage Portfolio (other than Mortgage Loans with an Arrears Multiple which is greater than one) as at the Calculation Date immediately preceding the Deferred Purchase Consideration Payment Date; and

C = the number of days in the Calculation Period expiring immediately before the Calculation Date referred to in B above;

“**Calculation Date**” means the last day of each month from and including October 2012 to and including the month in which the aggregate Current Balance of all Mortgage Loans in the Mortgage Portfolio (other than Mortgage Loans with an Arrears Multiple which is greater than one) is reduced to zero;

“**Calculation Period**” means the number of days from and including the Completion Date to but excluding the first Calculation Date and then from one Calculation Date to but excluding the next Calculation Date;

“**CCA**” means the Consumer Credit Act 1974;

“**Completion**” means, in respect of the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement or MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the completion of the sale of the applicable portfolio of Mortgage Loans and their Related Security, sold under such agreement;

“**Completion Date**” means 26 September 2012 or, if the conditions specified in the MTUK/Winchester Street Mortgage Portfolio Sale Agreement have not been satisfied by such date, such later date (if any) as may be agreed between the Seller, the Issuer and the Trustee;

“**Contractual Monthly Payment**” means, in relation to any Mortgage Loan, the amount in the ordinary course of administration of that Mortgage Loan due to be paid by the relevant Borrower on each Monthly Payment Date from time to time, comprising interest and contractual repayments of principal and other sums each month on the Monthly Payment Date (as determined in accordance with the terms and conditions of that Mortgage Loan);

“**Current Balance**” means, in relation to any applicable Mortgage Loan as at any date, all sums owing by the relevant Borrower to the Legal Title Holder under such Mortgage Loan and secured or intended to be secured by the relevant Mortgage as at such date including (where relevant) Accrued Interest in respect of the period up to, but not beyond, that date;

“**Deferred Purchase Consideration**” means, in respect of any Deferred Purchase Consideration Payment Date, the aggregate of:

- (a) the Basic Deferred Purchase Consideration; and
- (b) the Super Deferred Purchase Consideration,

in each case relating to that Deferred Purchase Consideration Payment Date.

“**Deferred Purchase Consideration Payment Date**” means the 20th day of each month in each year commencing on, and including 20 November 2012 to and including the month in which the aggregate of the Current Balances of all the Mortgage Loans in the Mortgage Portfolio (other than the Mortgage Loans with an Arrears Multiple which is greater than one) is reduced to zero, or if any such day is not a Business Day, the next following Business Day;

“**Individual Buildings Policy**” means, in relation to each Property:

- (a) any buildings insurance policy taken out by a Borrower; or
- (b) (in the case of leasehold Property or, in Scotland, a long lease Property) any buildings insurance policy taken out by a Borrower, the landlord of a Borrower, a superior landlord or a management company under the lease of such Property;

and, in each case, any other insurance contracts in replacement, addition or substitution therefor from time to time (including, in each case, any endorsements or extensions thereto as issued from time to time) (but which, for the avoidance of doubt, in each such case, excludes any building insurance policy and any contingency insurance policy maintained by or on behalf of the Seller);

“**Monthly Payment Date**” means, in relation to any Mortgage Loan, the day in the month when the Contractual Monthly Payment falls due;

“**Mortgage**” means (i) in the case of land situated in England and Wales, a charge by way of legal mortgage or (ii) in the case of land situated in Scotland, a standard security over a Scottish Property and, in each case, securing a Mortgage Loan Agreement comprised in the Mortgage Portfolio and all principal sums, interests, costs and other amounts secured or intended to be secured by that mortgage or standard security;

“**Mortgage Loan Agreement**” means a loan agreement in one of the forms included in the Standard Documentation (as defined in the Nemo/Winchester Street Mortgage Portfolio Sale Agreement);

“**Property**” means, in relation to a Mortgage Loan Agreement and its related Mortgage, the freehold or leasehold property situated in England or Wales or the Scottish Property charged as security for the obligations of the Borrower under such Mortgage Loan Agreement;

“**Portfolio Transfer Date**” means the date on which the legal title and interest in and to the Mortgage Loans and their Related Security comprising the Mortgage Portfolio at the relevant time are required to be transferred to the Issuer or any other person under the Legal Title Deed;

“**Prudent Mortgage Lender**” means a reasonable, prudent second lien/security lender lending to borrowers in England, Wales and Scotland who include the self-employed, independent contractors, temporary employees, borrowers who self certify their income and/or those who may have experienced previous credit problems including borrowers who generally may not satisfy the lending criteria of traditional residential mortgage lenders according to lending standards, lending criteria and procedures as ought to have been applied in relation to the Mortgage Portfolio or, if the relevant context relates to a specific Mortgage, as ought to have been applied in relation to such Mortgage;

“**Purchase Price**” means the aggregate of the Current Balances of the Mortgage Loans comprised in the Mortgage Portfolio as at close of business on the Completion Date;

“**Scottish Mortgage**” means a standard security over a Scottish Property securing a Scottish Mortgage Loan Agreement comprised in the Portfolio;

“**Scottish Mortgage Loan Agreement**” means a Mortgage Loan Agreement secured by a Scottish Mortgage;

“**Scottish Property**” means, in relation to a Scottish Mortgage Loan Agreement and its related Scottish Mortgage, the heritable or long lease property in Scotland mortgaged, charged or secured as security for the obligations of the Borrower under such Scottish Mortgage Loan Agreement;

“**Seller’s Repurchase Price**” means, in respect of any Mortgage Loan and its Related Security to be repurchased by the Seller, the aggregate (without duplication of amounts) of the following:

- (a) the aggregate Current Balance and Accrued Interest of that Mortgage Loan as at the close of business on the date immediately preceding the date of repurchase; and
- (b) an amount equal to the third party costs and expenses of the Issuer and/or the Trustee, as applicable, reasonably incurred or payable in connection with the investigation of the relevant breach of the Seller's Repurchase Warranty;

“**Specified Broker**” means, in respect of any Nemo/MTUK Mortgage Portfolio Sale Agreement, any broker listed in annexure 4 of such Nemo/MTUK Mortgage Portfolio Sale Agreement;

“**Super Deferred Purchase Consideration**” means in respect of any Deferred Purchase Consideration Payment Date:

$$((A/365) \times B) \times C,$$

subject to an aggregate maximum of 2.5% of the Purchase Price.

Where:

$$A = 0.02;$$

B = the aggregate of the Current Balances of all the Mortgage Loans in the Mortgage Portfolio (other than Mortgage Loans with an Arrears Multiple which is greater than one) as at the Calculation Date immediately preceding the Deferred Purchase Consideration Payment Date; and

C = the number of days in the Calculation Period expiring immediately before the Calculation Date referred to in B above; and

“**Valuer**” means an independent valuer (being a fellow or associate of the Royal Institution of Chartered Surveyors).

Governing Law

The Nemo/MTUK Mortgage Portfolio Sale Agreements, and any contractual or non-contractual obligations arising out of or in connection with them, are governed by English law (except to the extent that any terms of such agreements are particular to the laws of Scotland, in which event such terms are construed in accordance with Scots law). The MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the Seller Assignment Deed and the Legal Title Deed, and any contractual or non-contractual obligations arising out of or in connection with any of them, will be governed by English law (except (i) to the extent that any terms of such agreements are particular to the laws of Scotland, in which event such terms will be construed in accordance with Scots law and (ii) that each Scottish Declaration of Trust will be governed by Scots law).

THE LEGAL TITLE HOLDER AND ADMINISTRATOR

Nemo Personal Finance Limited ("**Nemo**") was incorporated in England and Wales as a private limited liability company under the Companies Act 1985 as Ever 2426 Limited on 23 July 2004 and changed its name to Nemo Personal Finance Limited on 18 November 2004 (registered number 5188059). Nemo has its registered office at c/o Principality Building Society, PO Box 89, Principality Buildings, Queen Street, Cardiff CF10 1UA. Nemo is regulated by the Office of Fair Trading and the Financial Services Authority and is a wholly-owned subsidiary of Principality Building Society.

Nemo is a personal secured lending business operating in the broker and retail markets. It provides personal loans secured by second charges over residential properties owned by the borrowers.

THE NEMO GUARANTOR

Principality Building Society (the "**Society**") was established in England and Wales under the Building Societies Act 1874 as the Principality Benefit Building Society on 11 March 1876 and adopted its present name in 1913. It operates under the Building Societies Act 1986 (as amended) (the "**Building Societies Act**") and the Memorandum and Rules of the Society. The Society is registered (registered number 155998) as an authorised building society with, and supervised by, the FSA.

The Society has its registered office and customer support centre located at Principality Buildings, Queen Street, Cardiff CF10 1UA.

As prescribed by the Building Societies Act, the Society's core business is the making of mortgage advances to members secured on residential property, and is funded out of shares and deposits subscribed to by members and supplemented by funds raised in the wholesale and debt capital markets. Nemo Personal Finance Limited is a subsidiary of the Society.

THE SELLER

Mortgage Trading (UK) Limited is a limited company incorporated in England and Wales under the Companies Act 2006 on 18 November 2010 (registration number 7443508).

Mortgage Trading (UK) Limited's primary business is the purchase and sale of residential mortgages in the UK. Mortgage Trading (UK) Limited is a subsidiary of an affiliate of Deutsche Bank AG, London Branch, the Arranger. However, such affiliate may consider offers in respect of its interest from time to time and may not continue to hold its interest for the duration of the life of the Notes.

Mortgage Trading (UK) Limited's registered office and principal place of business is at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

THE ISSUER

The information set out in the section of the Base Prospectus entitled "**Description of the Issuer**" is hereby incorporated by reference into this Prospectus in accordance with Article 11.1 of the Prospectus Directive.

The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 7 September 2012.

As at the date of this Prospectus, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had from the date of incorporation to the date hereof a significant effect on the Issuer's financial position.

The Issuer has not produced any financial statements as at the date of this Prospectus.

ADMINISTRATION OF THE MORTGAGE PORTFOLIO

The Administration Agreement

Pursuant to the Administration Agreement to be entered into on or around the Issue Date between the Issuer, the Administrator, the Cash Manager, the Nemo Guarantor and the Trustee, the Administrator has agreed to provide certain administration and management services in respect of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio.

The Administrator will provide administration and management services in respect of the Mortgage Portfolio:

- (a) with the care, skill and diligence expected from a competent service provider within the residential mortgage outsourcing services industry;
- (b) in an efficient, professional and timely manner, and within any defined reporting period or date required by the Issuer or the Trustee under the Administration Agreement or by any regulator;
- (c) using appropriately experienced, qualified, competent, trained and efficient personnel;
- (d) in accordance with Good Industry Practice and Applicable Law;
- (e) in accordance with the Policies, as updated from time to time;
- (f) in accordance with its own documented practices and procedures; and
- (g) in a manner intended to prevent any actual or potential exposure to financial loss or damage to reputation of the Issuer or the Trustee.

For these purposes:

“**Good Industry Practice**” means generally accepted good practices in the residential mortgaging outsourcing services industry as applicable to second charge mortgages, using that degree of skill, care, diligence, prudence, foresight, efficiency and practice which would be expected from a competent service provider within that industry;

“**Policies**” means the policies of the Administrator set out in Schedules 6 and 7 to the Administration Agreement; and

“**Services**” means the functions, responsibilities and obligations of the Administrator set out in Schedule 2 to the Administration Agreement.

Powers

Subject to the Policies, the Administrator will, as agent for the Issuer, have full power and authority to do or cause to be done any and all things that the Administrator may, acting reasonably and in accordance with Applicable Law and Good Industry Practice, deem necessary or desirable in respect of the provision of the Services including in relation to the administration and management of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio. The Issuer acknowledges and agrees in the Administration Agreement that it has no authority or control over the policies or procedures established by the Administrator in connection with its exercise of, or the manner in which the Administrator exercises such rights and powers or implements such policies and procedures, provided always that the Administrator does not exceed the scope of its authority set out in the Administration Agreement.

Administration Procedures

The administration and management services to be provided by the Administrator in respect of the Mortgage Portfolio are set out in Schedule 2 to the Administration Agreement. The Administrator is required to use its best endeavours to remain abreast of and proactively monitor changes in Good Industry Practice and Applicable Law, and shall make such changes to the Services as to ensure compliance with Good Industry Practice and Applicable Law. As at the Issue Date, the Services include the following in respect of the Mortgage Loans and their Related Security comprised in the Mortgage Portfolio:

- (1) day to day administration of accounts including all payment processing, providing early settlement quotations, direct debit administration, account settlement, term extension and redemptions;
- (2) all ancillary customer service, including management of customer queries or complaints received by telephone or mail, changes to customer details, changes to security details and annual statement production;
- (3) management of arrears including litigation and recoveries;
- (4) working within and adhering to appropriate regulatory and statutory requirements;
- (5) collecting and distributing title deeds and any supporting documents as well as storage of deeds;
- (6) processing transfers of titles, notices of death, forfeitures of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices; and
- (7) notifying Borrowers of changes to interest rates applicable to the Mortgage Loans.

Payment of Interest and Principal

Pursuant to the terms and conditions of the Mortgage Loans, Borrowers must pay the monthly amount required under the terms and conditions of the Mortgage Loans on or before each monthly instalment due date within the month they are due. Interest accrues in accordance with the terms and conditions of each Mortgage Loan and is collected from Borrowers monthly.

Collections

Prior to the transfer of legal title in respect of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio to the Issuer pursuant to the Legal Title Deed, payments by Borrowers in respect of amounts due under the Mortgage Loans will be paid to the Collection Account of the Legal Title Holder. Amounts received by the Legal Title Holder in respect of the Mortgage Loans will be identified by the Administrator on a daily basis and transferred to the relevant Issuer Bank Account on Monday of each week (or if such Monday is a public holiday, the next following working day), in accordance with the terms of the Administration Agreement.

Borrowers are required to make payments by direct debit or cheque unless otherwise agreed. However, direct debits may be returned unpaid after the due date for payment and, under the Direct Debit Indemnity Scheme, a Borrower may make a claim at any time to his or her bank for a refund of direct debit payments. Similarly, cheques may be returned unpaid by the Borrower's bank. In each case, the Administrator will be permitted to reclaim from the Collection Account the corresponding amounts previously credited. If a direct debit is returned unpaid in these circumstances, the usual arrears procedures, described in "Arrears and Default Procedures" below, will be taken.

Arrears and Default Procedures

The Administrator's collections and litigation (arrears management) teams will manage all early and serious arrears cases with the Administrator's policy being to return accounts which are in arrears back to a nil arrears state in a timely manner while retaining the goodwill of its customers.

The process will vary dependent upon the number of days the payment is late and individual customers' circumstances. If a customer is not able to make the agreed contractual payment then the aim is to establish contact and jointly agree a course of action which will minimise the risk of loss to the Issuer while ensuring that the customer is treated fairly at all times. The Administrator's arrears management department will negotiate appropriate payment arrangements with the customer whilst taking into account the customer's current individual circumstances.

The Administrator's Arrears Management Department will apply the following principles in dealing with customers who have fallen into arrears:

- (a) Establish and record the reason for non-payment;
- (b) Explain payment options and work with the customer to establish the most appropriate method in their circumstances;
- (c) Options include debit or credit card payments, third party payments, payment into bank, deferred PDQ payments or arrangements to pay. Whilst customers should ideally pay by direct debit, where this requirement is unable to be met, a payment arrangement may be accepted. The relevant process for PDQ's, Credit card payments and deferred PDQ's are given in section 7 (Arrangements to Pay) of Schedule 6 to the Administration Agreement;
- (d) After establishing the reason for non-payment, the arrears management team consider the set of collections tools available to help alleviate the customer's financial difficulties;
- (e) Arrangements are set in place specifically taking into account the customer's current individual circumstances;
- (f) Where satisfactory arrangements cannot be made, the customer may be referred to the Pre-Litigation team who will work with the customer to find a solution. They will talk the customer through all available options, in some cases this may include taking possession of the mortgaged property; and
- (g) In line with the principle of Treating Customers Fairly, OFT guidance on irresponsible lending and the Civil Justice Council Pre-action protocols, repossession will only be considered where all other reasonable attempts to resolve the position have failed.

Compensation of the Administrator

The Administrator will receive a fee for providing the administration and management services in respect of the Mortgage Loans and Related Security, in accordance with the Administration Agreement (the "**Administration Fee**"). In addition, the Administrator is entitled to recover from the Issuer certain charges made to Borrowers in performing the Services (the "**Charges**"). The Administration Fee and any Charges are payable monthly in arrears on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Enforcement Interest Priority of Payments.

Removal or Resignation of an Administrator

Termination of Administrator appointment for cause

The Issuer or the Trustee may terminate the Administration Agreement with immediate effect at any time after the relevant event has occurred by notifying the Administrator in writing:

- (A) if the Administrator has committed a material Default which is irremediable;
- (B) if the Administrator has committed a material Default which is capable of remedy and it has failed to remedy the breach to the reasonable satisfaction of the Issuer and the Trustee within 15 Business Days of receiving a written notice from the Issuer or the Trustee to do so;
- (C) if a Regulatory Event has occurred; or
- (D) the Administrator ceases to carry on the whole or any material part of its residential mortgage lending business or itself to administer its Retained Mortgage Portfolio.:

For these purposes, a material Default includes the following:

- (1) a breach by the Administrator of Applicable Law or a breach of the Administration Agreement causing the Issuer or the Trustee to be in breach of Applicable Law;
- (2) a failure by the Administrator to perform all its obligations under the Administration Agreement in a manner to prevent any actual or potential exposure to financial loss or damage to reputation of the Issuer or the Trustee;
- (3) a breach by the Administrator, in its capacity as Legal Title Holder, of Clauses 2 or 6.1 of the Legal Title Deed;
- (4) the Administrator fails to comply with the Service Levels on more than three occasions in any period of six months (and, to avoid doubt, if the Issuer or the Trustee has requested the Administrator to remedy a failure to comply with a Service Level and the Administrator has failed to remedy such failure to the reasonable satisfaction of the Issuer or the Trustee, as applicable, within 15 Business Days of receiving the request, both the original failure and the failure to remedy the same shall constitute separate and irremediable Defaults for which no further remedy period is available).

In addition, the Issuer or the Trustee may terminate this Agreement with immediate effect by notifying the Administrator in writing if the Administrator commits a series of breaches of the Administration Agreement which are notified in writing to it by the Issuer or the Trustee, and in each case, the Administrator fails to remedy the breach within 10 Business Days of receiving notice to do so from the Issuer or the Trustee, and collectively the unremedied breaches constitute a material Default of the Administration Agreement.

Termination by Administrator for cause

The Administrator may terminate the Administration Agreement with immediate effect by notifying the Issuer and the Trustee in writing if:

- (A) the Issuer is in breach of its obligation to pay undisputed Charges;
- (B) the Administrator has issued at least two previous notices to the Issuer and the Trustee (at intervals of at least 20 Business Days), detailing the overdue undisputed Charges or other undisputed amount payable under the Administration Agreement, the second of which must state that unless they are paid, the Administrator intends to exercise its rights to terminate the Administration Agreement; and
- (C) the Issuer has failed to remedy the breach within ten Business Days of receipt of the Administrator's second notice under (B) above.

Termination without cause

The Issuer or the Trustee may terminate the Administration Agreement without cause by:

- (A) giving at least 6 months' notice to the Administrator; or
- (B) giving less than 6 months' notice accompanied by tender of payment of the Charges payable in respect of the Notice Period Shortfall.

Where “**Notice Period Shortfall**” means the number of months by which the notice given under (B) falls short of 6 months and the Charges payable in respect of each month of the Notice Period Shortfall shall be those applicable to the month immediately preceding the month in which termination takes effect.

During the Term, the Administrator may terminate this Agreement without cause by giving not less than 12 months' notice at any time from the date falling three years after the Completion Date to the Issuer and the Trustee.

Termination for insolvency

Each of the Issuer, the Trustee and the Administrator may terminate the Administration Agreement with immediate effect by notifying the other parties if any of the following events occurs in relation to the Issuer, the Administrator or the Nemo Guarantor (the relevant “**Affected Party**”):

- (A) any corporate action, legal proceedings or formal step is taken in relation to:
 - (1) the suspension of undisputed payments, winding up, dissolution, administration, receivership or insolvent reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Affected Party; or
 - (2) the appointment of a liquidator, receiver, administrative receiver or administrator,

save that this sub-paragraph (A) shall not apply to a petition for winding-up presented by a creditor which is being contested in good faith and with due diligence and is discharged or struck out within 30 days from the date of service of the petition on the Affected Party;

- (B) a distress, attachment, execution, expropriation, sequestration or other legal process is levied, enforced or sued out on or against any material asset of the Affected Party and is not discharged or stayed within 30 days;
- (C) the Affected Party is, or is deemed under section 123(1) of the Insolvency Act 1986 to be, unable to pay its debts as they fall due or it suspends or announces an intention to suspend making payments with respect to all or any class of its undisputed debts;
- (D) the Affected Party proposes or makes any composition or arrangement with, or any assignment for the benefit of, its creditors;
- (E) the Affected Party discloses an intention to take any action, steps, or proceedings or proposals referred to in (A) or (D) above or the other party has reasonable grounds for believing that any such action, steps, or proceedings or proposals will be taken in relation to the Affected Party;
- (F) the Affected Party becomes subject in any respect to the special resolution regime established by the Banking Act 2009 or any analogous provision; or
- (G) anything analogous to any of the events described in sub-paragraphs (A) to (F), inclusive, occurs under the laws of any applicable foreign jurisdiction in which the Affected Party carries on business or has material assets.

Termination for Change of Control

The Administrator shall give notice to the Issuer and the Trustee of:

- (A) any acquisition by any person of an equity interest in it granting such person the ability to Control its affairs; or
- (B) any acquisition of all or substantially all of its assets,

(each a “**Change of Control**”), as soon as practicable following, and in any event within 20 Business Days after, the completion of the Change of Control.

The Issuer may terminate this Agreement at any time within 6 months of becoming aware of any Change of Control by the Administrator by giving at least six months’ notice to the Administrator.

Termination following a Force Majeure Event

The Issuer or the Trustee may terminate the Administration Agreement with immediate effect by notifying the Administrator if a Force Majeure Event (as defined in the Administration Agreement) continues for a period of at least 20 Business Days.

For these purposes, “**Force Majeure Event**” means an event beyond the reasonable control of the affected party which does not relate to its fault or negligence, including flood, fire, explosion, the elements, epidemic, disease, war, civil commotion, terrorist activity, shortage of raw materials, power or fuel (provided the party prevented from performing has taken all possible steps to procure the same), orders or regulations of Governments and decisions or directives of the European Commission, but excluding:

- (a) the failure by the Administrator to perform its obligations under Schedule 9 (Business Continuity Plan & Disaster Recovery Plan) to the Administration Agreement;
- (b) the wilful act or negligence of or failure to take reasonable precautions by the Administrator, its sub-contractors, servants, agents or Administrator personnel;
- (c) strikes, any work-to-rule, stoppages or other industrial action by Administrator personnel;
- (d) failure by any sub-contractor or supplier of the Administrator to perform, unless that sub-contractor or supplier is itself prevented from performing its obligations to the Administrator as a result of a Force Majeure Event; or
- (e) failure of any software owned or licensed, or hardware owned or leased, by the Administrator, unless the failure occurs as a direct result of any event of Force Majeure;

Termination for Regulatory Change

If there is a Regulatory Change which makes it contrary to Applicable Law for the Administrator to provide:

- (A) all of the Services, then the Issuer or the Trustee may terminate this Agreement in whole; or
- (B) a particular Service, then the Issuer or the Trustee may terminate this Agreement insofar as it relates to that Service,

in each case, with immediate effect by notifying the Administrator.

If the Issuer and the Trustee acting reasonably consider that the implementation of any Regulatory Change would have a material adverse affect on the provision of the Services or that the provision of the Services by the Administrator following such Regulatory Change would have a material adverse effect on the Issuer, the Issuer and the Trustee shall be entitled to terminate this Agreement with immediate effect by notifying the Administrator.

For these purposes, “**Regulatory Change**” means a change in Applicable Law.

Right of delegation by the Administrator

Other than as expressly provided below, the Administrator is not permitted to sub-contract or delegate the performance of any of its obligations under the Administration Agreement without the prior written consent of the Issuer (which consent shall not be unreasonably withheld) and the Trustee.

The Administrator is permitted to engage any solicitor, licensed or qualified conveyancer, valuer, surveyor, accountant, enforcement agent, estate agent or other professional adviser in connection with the performance by the Administrator of any of its obligations under the Administration Agreement, provided that the relevant person is engaged only on a mortgage by mortgage basis and not generally for all or a substantial portion of the Mortgage Loans and their Related Security comprising the Mortgage Portfolio.

In addition, subject to the following paragraph, the Administrator may sub-contract or delegate the performance of some (but not all) of its obligations under the Administration Agreement, provided that:

- (A) where the arrangements involve or may involve the receipt by the sub-contractor or delegate of moneys which, in accordance with the provisions of the Cash Management Agreement, are to be credited to any Issuer Bank Account, the sub-contractor or delegate acknowledges that any such moneys held by it or to its order are held on trust for the Issuer subject to the Trust Instrument and will be paid forthwith to the Administrator for credit to the relevant Issuer Bank Account; and
- (B) neither the Issuer nor the Trustee shall have any liability for any costs, charges or expenses payable to or incurred by such sub-contractor or delegate or arising from the termination of any such arrangement in addition to the liability which either the Issuer or the Trustee would have to the Administrator under the Administration Agreement if no such sub-contracting or delegation had occurred.

To the extent that any valuer, surveyor, enforcement agent, estate agent or other professional adviser is required to perform some of the obligations of the Administrator under the Administration Agreement, subparagraphs (A) and/or (as the case may be) (B) above shall not apply to the engagement of such valuer, surveyor, enforcement agent, estate agent or other professional adviser, provided that the performance by such person of any of the obligations of the Administrator is ancillary only to the services to be provided by such person to the Administrator and/or the Issuer or the Trustee. Either the Trustee or the Issuer may require the Administrator to assign to the Trustee and the Issuer any rights which the Administrator may have against any such person arising from the performance of services by such person in connection with any matter contemplated by the Administration Agreement.

Notwithstanding any sub-contract or delegation of the performance of its obligations under the Administration Agreement, the Administrator is not thereby released or discharged from any liability thereunder and remains responsible for the performance of the obligations of the Administrator under the Administration Agreement and the performance or non-performance or the manner of performance of any sub-contractor or delegate of any of the Services shall not affect the Administrator's obligations under the Administration Agreement provided that the Administrator is not liable for the negligence of any solicitor, valuer or other professional adviser instructed by it in accordance with the Administration Agreement to prepare any report on title, valuation or other professional advice in respect of any Property.

Liability of the Administrator

The aggregate liability of each party to the other party in respect of loss or damage arising out of or in connection with the Administration Agreement in any contract year, whether arising from breach of contract, tort, negligence or otherwise, will not exceed 15% of the aggregate of the Current Balances outstanding in respect of the Mortgage Portfolio on the first day of the contract year in which the Capped Event occurred. If a Capped Event commenced in one contract year and continues into one or more further contract years, the Capped Event shall be deemed to have occurred in the Contract Year in which it started.

For these purposes, “**Capped Event**” means an act or omission giving rise to liability, or a series of acts or omissions which are related and give rise to liability; and “**contract year**” means a period of 365 days which commences on the Issue Date and on each anniversary of this date.

Subject to the above, the Administrator has agreed to indemnify each of the Issuer and the Trustee against all losses, liabilities, claims, expenses or damages incurred as a result of:

- (a) any breach of the Administrator's obligations under Schedule 14 (Borrower Payments) of the Administration Agreement;
- (b) any breach of the Administrator's obligations under clause 4.6 of the Administration Agreement;
- (c) claims by Borrowers and other third parties relating to the administration or management services provided by the Administrator to the Issuer under the Administration Agreement where such claims are caused by the Administrator's breach of the Administration Agreement, or by the Administrator's negligent, wilful or unlawful acts or omissions;
- (d) any intentional or negligent act or omission of the Administrator which results in the breach by the Issuer of its contractual obligations to a third party or its obligations to any of its Regulators, any intentional, negligent or fraudulent act or omission of the Administrator, any act or omission of the Administrator or the Administrator Personnel resulting in the breach by the Issuer of any Applicable Law: (i) applicable to the Issuer or (ii) under Schedule 7 (Risk & Regulatory Compliance) of the Administration Agreement;
- (e) any material breach of the Administrator's representations and warranties under the Administration Agreement, a breach of any obligation of confidence by the Administrator and/or Administrator Personnel under Clause 18 of the Administration Agreement and any breach of any obligation relating to data protection under Schedule 8 (Data Protection) of the Administration Agreement; and
- (f) any claim by the Administrator's sub-contractors or suppliers relating to the administration or management services provided by the Administrator to the Issuer under the Administration Agreement.

Guarantee

The performance of all obligations of the Nemo Guarantor under the Administration Agreement are unconditionally and irrevocably guaranteed by the Nemo Guarantor. This guarantee will remain in full force and effect until all such obligations of the Administrator have been irrevocably discharged in full.

For further information relating to the Nemo Guarantor, see “The Nemo Guarantor”.

Governing law

The Administration Agreement, and any contractual or non-contractual obligations arising out of or in connection with, will be governed by English law.

CASH MANAGEMENT AND CASH FLOWS

General

The Cash Manager has been appointed by the Issuer to provide certain cash management services in respect of the Notes pursuant to the Cash Management Agreement between the Issuer, the Cash Manager, the Administrator and the Trustee. The following summarises the primary terms relevant to the Cash Management Agreement.

Issuer Bank Accounts

The Account Bank will establish the following Issuer Bank Accounts in the name of the Issuer in respect of the Notes:

- (1) Available Interest Account;
- (2) Available Principal Account;
- (3) Issuer Retained Profit Account.

The Cash Manager will procure that all amounts received by the Issuer from time to time are credited to the relevant Issuer Bank Account established by the Issuer with the Issuer Account Bank. Such amounts include the proceeds of the Notes, all Mortgage Principal Payments, all Mortgage Interest Payments, all interest accruing in respect of amounts standing to the credit of the Issuer Bank Accounts and all other amounts received by the Issuer in respect of the Notes, the Mortgage Portfolio and any Transaction Document from time to time.

For these purposes:

“**Mortgage Interest Payments**” means all Monthly Payments (except to the extent of any amounts representing principal repaid), other interest received under the Mortgage Portfolio, all prepayment charges and any other redemption fees, insurance commissions, charges and penalties and any costs or other amounts received under the Mortgage Portfolio (including in any such case amounts (other than principal amounts) recovered on enforcement of rights against any Borrower or guarantor or his property or assets (including interest recovered on enforcement of the Borrower's Mortgage or from a guarantor)).

“**Mortgage Principal Payments**” means all repayments of principal under the Mortgage Portfolio (including amounts representing principal repaid in accordance with the terms of the Repayment Mortgages and principal amounts recovered on enforcement of rights against any Borrower or his property or assets or on sale of the Property with the consent of the Borrower or under the power of sale contained in any Mortgage or any amount recovered under a guarantee and, in each case, applied in reduction of principal).

The Cash Manager will ensure that each Issuer Bank Account is segregated from any other Issuer Bank Account and any other bank account maintained by the Issuer in respect of any other Series of notes or Alternative Investments issued by it from time to time.

Ledgers

The Cash Manager will be responsible for establishing the Principal Deficiency Ledger in the accounts of the Issuer in respect of the Notes.

Available Interest Account

In accordance with the terms of the Cash Management Agreement, the Cash Manager will procure the credit of the following amounts to the Available Interest Account on the specified date:

- (1) on the relevant date of receipt by the Issuer, all Mortgage Interest Payments;
- (2) on the relevant date of receipt by the Issuer, any amount paid by the Legal Title Holder in repurchasing any Mortgage Loan and its Related Security from the Issuer pursuant to any Nemo/MTUK Mortgage Portfolio Sale Agreement and the Seller's Warranty and Indemnity Rights, or by the Seller in repurchasing any Mortgage Loan and its Related Security pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, in each case to the extent that such amount is not credited to the Available Principal Account;
- (3) on the relevant date of receipt by the Issuer, if any amount is received by or on behalf of the Issuer pursuant to any of the Insurance Contracts, such portion thereof as corresponds to the amounts (other than principal) then due and payable in respect of the relevant Mortgage Loan; and
- (4) any other amounts whatsoever received by or on behalf of the Issuer or the Trustee, if clearly attributable to any Mortgage Loans and their Related Security comprising part of the Mortgage Portfolio (other than by way of principal).

The Cash Manager shall procure the debit from the Available Interest Account of any payments or allocation of Available Interest Funds made pursuant to the Pre-enforcement Interest Priority of Payments on each Interest Payment Date.

Application of Available Interest Funds prior to enforcement of the security

On each Interest Payment Date prior to the enforcement of the security, the Cash Manager (on behalf of the Issuer) will apply the aggregate of the Available Interest Funds, being the amount standing to the credit of the Available Interest Account on the last day of the immediately preceding Collection Period, as determined on the Determination Date immediately preceding such Interest Payment Date, in the following manner and order of priority (the "**Pre-Enforcement Interest Priority of Payments**") in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (A) first, in the following order:
 - (1) to be paid to and retained by the Issuer in the Issuer Retained Profit Account, an amount equal to the Retained Profit Amount, out of which the Issuer shall be liable to pay such Tax as may be due thereon; and
 - (2) to the extent not included in paragraph (A)(1) above, any provision for and payment of the Issuer's liability to any Tax Authority for any Tax;
- (B) secondly, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts incurred by or payable to the Trustee or any receiver or other appointee under or pursuant to the Trust Instrument (including, without limitation, any taxes to be paid, the costs of realising any security and the remuneration of the Trustee and any receiver);
- (C) thirdly, in payment or satisfaction pro rata and pari passu according to the respective amounts thereof:
 - (1) all amounts due to the Corporate Services Provider under the Corporate Services Agreement insofar as they relate to the Notes;
 - (2) all amounts due to the Agents under the Agency Agreement;
 - (3) all amounts due to the Issuer Account Bank under any Issuer Bank Account Agreement;
- (D) fourthly, in payment or satisfaction pro rata and pari passu according to the respective amounts thereof:

- (1) all amounts due to the Administrator under any Administration Agreement;
- (2) all amounts due to the Legal Title Holder under the Legal Title Deed; and
- (2) all amounts due to the Cash Manager under the Cash Management Agreement;
- (E) fifthly, in payment of any due but unpaid Deferred Purchase Consideration to the Seller;
- (F) sixthly, if on that Interest Payment Date any Notes remain outstanding and there is any remaining debit balance on the Principal Deficiency Ledger, then an amount up to that debit balance shall be credited to the Available Principal Account and applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger; the amount of any such reduction will be deemed to be principal received when calculating the Available Redemption Funds; and
- (G) seventhly, in payment of all remaining amounts *pro rata and pari passu* to the Noteholders by way of interest on the Notes.”

Available Principal Account

The Cash Manager shall procure the credit of the following amounts to the Available Principal Account on the date specified:

- (1) on the Issue Date, the proceeds of the Notes received by the Issuer;
- (2) on the relevant date of receipt by the Issuer, all Mortgage Principal Payments;
- (3) on the relevant date of receipt by the Issuer, any amount paid by the Legal Title Holder in repurchasing any Mortgage Loan and its Related Security from the Issuer pursuant to any Nemo/MTUK Mortgage Portfolio Sale Agreement and the Seller’s Warranty and Indemnity Rights or by the Seller in repurchasing any Mortgage Loan and its Related Security from the Issuer pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, in each case to the extent that such amount corresponds to the principal amount of such Mortgage Loan;
- (4) on each Interest Payment Date, any amount retained by the Issuer pursuant to the Pre-enforcement Interest Priority of Payments for credit to the Available Principal Account in order to reduce any debit balance on the Principal Deficiency Ledger;
- (5) on the relevant date of receipt by the Issuer, if any amount is received by or on behalf of the Issuer pursuant to any of the Insurance Contracts, such portion thereof as corresponds to principal then due and payable in respect of the relevant Mortgage Loan; and
- (4) any other amounts whatsoever received by or on behalf of the Issuer or the Trustee, if clearly attributable to the principal amount of any Mortgage Loans and their Related Security comprising part of the Mortgage Portfolio or received in respect of the Notes or any other Transaction Document from time to time.

The Cash Manager shall procure the debit from the Available Principal Account of the following amounts on the date specified:

- (1) on the Issue Date, an amount equal to the Initial Expenses, to be paid to the relevant parties to which they are due and payable, and an amount equal to the Purchase Price in respect of the Mortgage Portfolio payable to the Seller; and

- (2) on each Interest Payment Date, any payments of Available Principal Funds made pursuant to the Pre-enforcement Principal Priority of Payments.

Application of Available Principal Funds prior to enforcement of the security

Prior to the enforcement of the Security, on each Interest Payment Date the Cash Manager will apply the aggregate of the Available Principal Funds, being the amount standing to the credit of the Available Principal Account on the last day of the immediately preceding Collection Period, as determined on the Determination Date immediately preceding such Interest Payment Date, in the following manner and order of priority (the “**Pre-Enforcement Principal Priority of Payments**”) in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

- (A) firstly, to meet any shortfall in any amounts due and payable by the Issuer pursuant to items (A) to (D) of the Pre-enforcement Interest Priority of Payments;
- (B) secondly, in or towards redemption of the Notes, *pari passu* and *pro rata*, in an amount equal to the Available Redemption Funds on such Interest Payment Date; and
- (C) thirdly, the balance (if any) to the Issuer as additional retained profit.

Available Redemption Funds

On each Determination Date prior to enforcement of the security, the Cash Manager will calculate the Available Redemption Funds available for application in redemption of the Notes on the following Interest Payment Date in accordance with Condition 8.2.

The Cash Manager shall procure that the Available Redemption Funds calculated on the immediately preceding Determination Date are paid from the Available Principal Account and applied in redemption of the Notes on a *pro rata* and *pari passu* basis, on such Interest Payment Date in accordance with the Conditions and the Pre-enforcement Principal Priority of Payments.

For these purposes, “**Available Redemption Funds**” means, on any Determination Date:

- (A) the aggregate of:
- (1) in respect of the first Determination Date only, any amounts standing to the credit of the Issuer Principal Account comprising the initial proceeds of the Notes that remain after the Initial Expenses of the Issuer and the Purchase Price in respect of the Mortgage Portfolio have been paid in full;
- (2) the sum of all principal received or recovered in respect of the Mortgage Loans or their Related Security comprising the Mortgage Portfolio or deemed to have been received (including, without limitation: (a) repayments of principal by Borrowers and purchase moneys paid to the Issuer (other than in respect of accrued interest) on the repurchase or purchase of any such Mortgage Loans or their Related Security pursuant to the terms of the Transaction Documents but excluding any such amount which under the MTUK/Winchester Street Mortgage Portfolio Sale Agreement is held on trust for, or is to be accounted to, a person other than the Issuer; and (b) amounts credited to the Principal Deficiency Ledger (thereby reducing the balance thereof), in each case during the Collection Period immediately preceding such Determination Date;
- (3) the amount of any Available Redemption Funds on the immediately preceding Determination Date not applied in redemption of the Notes on the Interest Payment Date relative thereto; and

- (4) any part of the amount deducted pursuant to paragraph (B) below in determining Available Redemption Funds on the immediately preceding Determination Date which was not applied in making the relevant payments in respect of which such amount was so deducted;

less:

- (B) the amount estimated by the Issuer to be the likely shortfall, on the Interest Payment Date which will occur before the next Determination Date, of funds available to pay or otherwise meet items (A) to (D) (inclusive) of the Pre-enforcement Interest Priority of Payments; provided that such moneys have not been taken into account in the calculation of Available Redemption Funds on the preceding Determination Date.

Retained Profit Account

On each Interest Payment Date prior to any enforcement of the security, the Issuer is required to retain an amount equal to £100 in accordance with the Pre-enforcement Interest Priority of Payments. Such amounts will be retained in the Issuer Retained Profit Account. Amounts standing to the credit of the Issuer Retained Profit Account will not be available for application by the Issuer on each Interest Payment Date pursuant to the Priorities of Payments until any enforcement of Security, following which they will be released for application in accordance with the Post-enforcement Priority of Payments.

Principal Deficiency Ledger

Where in the case of any Mortgage Loan forming part of the Mortgage Portfolio, after completion of the Enforcement Procedures in respect of such Mortgage Loan and after all amounts have been received under any applicable assurance or insurance policies or under any guarantee, the Administrator confirms to the Issuer, the Trustee and the Cash Manager that an amount of principal remains outstanding in respect of such Mortgage Loan, the Cash Manager shall debit such amount of principal to the Principal Deficiency Ledger.

The Cash Manager shall credit to the Principal Deficiency Ledger amounts retained by the Issuer for credit to the Principal Deficiency Ledger pursuant to the Pre-enforcement Interest Priority of Payments in order to restore the Principal Deficiency Ledger to zero (or reduce any negative balance). Amounts credited to the Principal Deficiency Ledger in accordance with the Pre-enforcement Interest Priority of Payments are deemed to be receipts of principal for the purposes of the definition of Available Redemption Funds and will be credited to the Available Principal Account.

Application of amounts following enforcement of the security

Following the enforcement of the Security, the Trustee (or the Cash Manager on its behalf or a Receiver) will apply amounts standing to the credit of all Issuer Bank Accounts in the following order of priority (the “**Post-Enforcement Priority of Payments**” and, together with the Pre-Enforcement Interest Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the “**Priorities of Payments**”):

- (i) first, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts incurred by or payable to the Trustee or any receiver under or pursuant to the Trust Instrument (including, without limitation, any taxes to be paid, the costs of realising any security and the remuneration of the Trustee and any receiver);
- (ii) secondly, in payment or satisfaction *pro rata* and *pari passu* of the fees and expenses of or other amounts incurred by or payable to the Corporate Services Provider, the Agents, the Administrator, the Legal Title Holder, the Cash Manager and the Issuer Account Bank under the Trust Instrument;
- (iii) thirdly, in or towards satisfaction of any payment to the Seller in respect of Deferred Purchase Consideration (as defined in the Trust Instrument);
- (iv) fourthly, *pari passu* and *pro rata* in payment of any amounts owing to the holders of the Notes by way of principal; and

(v) fifthly, in payment of the balance (if any) to the Issuer as retained profit.

Compensation of the Cash Manager

The Cash Manager will receive a fee for providing the cash management services in respect of the Notes pursuant to the Cash Management Agreement (the “**Cash Management Fee**”). The Cash Management Fee is payable quarterly in arrear on each Interest Payment Date (provided always that the Issuer has sufficient funds in accordance with the Pre-Enforcement Interest Priority of Payments to pay such fees). Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Maturity Date or on any earlier date on which the Security is enforced.

Investor Reports

The Cash Manager on behalf of the Issuer will publish the monthly investor report detailing, inter alia, certain aggregated loan data in relation to the Mortgage Portfolio. The first investor report will be provided on or prior to the first Interest Payment Date (but no earlier than one month following the Issue Date) and a copy of each investor report will be provided to the Noteholders via the Cash Manager’s secure internet website.

Purchaser’s Initial Notices

If the Cash Manager receives notification of any breach or alleged breach of any Legal Title Holder’s Warranty or any Indemnity Claim in respect of any Mortgage Loan or its Related Security comprised in the Mortgage Portfolio pursuant to the applicable Nemo/MTUK Mortgage Portfolio Sale Agreement or of any breach of the Seller’s Repurchase Warranty in respect of any Mortgage Loan or Related Security comprised in the Mortgage Portfolio pursuant to the MTUK/Winchester Street Mortgage Portfolio Sale Agreement, the Cash Manager is required to serve the applicable Purchaser’s Initial Notice, on behalf of the Issuer, on the Legal Title Holder or the Seller, as applicable, within three Business Days of receipt of such notification.

Governing law

The Cash Management Agreement, and any contractual or non-contractual obligations arising out of or in connection with it, will be governed by English law.

THE ISSUER BANK ACCOUNT AGREEMENT

Pursuant to the terms of the Issuer Bank Account Agreement to be entered into on or around the Issue Date between the Issuer, the Issuer Account Bank, the Cash Manager and the Trustee, the Issuer will maintain with the Issuer Account Bank the Issuer Bank Accounts, which will be operated in accordance with the Cash Management Agreement, the Issuer Bank Account Agreement and the Trust Instrument.

All amounts received from Borrowers in respect of Mortgage Loans in the Mortgage Portfolio will be paid from the Legal Title Holder's Collection Account and credited to the Available Interest Account or the Available Principal Account, as the case may be, and as set out in the Cash Management Agreement. On each Interest Payment Date, amounts will be transferred from or between the Issuer Bank Accounts, as applicable, and applied by the Cash Manager pursuant to the Cash Management Agreement in accordance with the Priorities of Payments described under "Cash Management and Cashflows".

The Issuer Bank Account Agreement may be terminated by the Cash Manager or the Issuer (in each case with the consent of the Trustee) under certain circumstances including, but not limited to, the occurrence of an insolvency event in respect of the Issuer Account Bank or default by the Issuer Account Bank in the performance of its obligations under the Issuer Bank Account Agreement which continues unremedied for a period of two or more Business Days from the date notice of such default is given to the Issuer Account Bank.

The Issuer Bank Account Agreement, and any contractual or non-contractual obligations arising out of or in connection with it, is governed by English law.

FURTHER INFORMATION CONCERNING THE TRUST INSTRUMENT

General

The Trust Instrument is dated the Issue Date and is made between the Issuer, the Trustee and the other Transaction Parties. It is entered into (together with any other additional security document such as each Scottish Supplemental Charge) for the purpose of constituting and securing the Notes and setting out the terms of the agreement made between the parties specified therein in relation to the Notes. Set out below is a summary of the main provisions.

Provisions Relating to the Issuer and the Trustee

The Trust Instrument contains standard provisions which set out various obligations of the Issuer and the Trustee.

The Trust Instrument sets out the covenants of the Issuer, including, *inter alia*, provisions relating to its duty to provide various persons with information, to prepare and display certain information, to only do such things as are contemplated within the Trust Instrument (most importantly, in relation to the issue of the Notes and other limited recourse investments which it is permitted to enter into) and its duties in respect of the Notes.

The Trust Instrument also sets out the basis for the remuneration, reimbursement of expenses, termination and indemnification of the Trustee in respect of its duties. The Trust Instrument sets out the conditions for replacement of the Trustee; in particular that a replacement trustee must be approved by the Issuer and the Noteholders (in the case of both retirement and removal of the Trustee). A Trustee is, however, always required to be in place. Provisions which are supplemental to certain statutory provisions and which set out the powers of the Trustee and the extent of its duties are also included.

Form of the Notes

The Trust Instrument sets out the Issuer's covenant to pay in respect of, and certain provisions relating to, the Notes constituted and secured by or pursuant to the Trust Instrument. It also sets out the form of the Notes themselves (both global and definitive forms).

Terms and Conditions of the Notes

The terms and conditions of the Notes (the “**Conditions**”) are incorporated by reference into the Trust Instrument. The Terms are also set out in this Prospectus. The Terms of the Notes supplement, amend and should be read in conjunction with the Conditions.

Administration Agreement, Agency Agreement, Issuer Bank Account Agreement, Cash Management Agreement and Purchase Agreement

The Trust Instrument sets out and constitutes the following:

- (a) the Administration Agreement (*as further described in “Administration of the Mortgage Portfolio”*);
- (b) the Agency Agreement, covering the duties, liabilities, appointment and change of the various agents, including the Agent, the Paying Agent and the Calculation Agent;
- (c) the Issuer Bank Account Agreement (*as further described in “The Issuer Bank Account Agreement”*);
- (d) the Cash Management Agreement (*as further described in Cash Management and Cashflows*); and

- (e) the Purchase Agreement, covering the provisions relating to the purchase of the Notes by the Arranger, the conditions precedent to such arrangement, various representations, warranties, undertakings and agreements of the Issuer and the Purchaser and the selling restrictions applicable to the distribution of the Notes.

The above summary is qualified in its entirety by the terms of the Trust Instrument, which will be available as described under the heading “General” above.

INFORMATION CONCERNING THE CALCULATION AGENT, THE CASH MANAGER AND THE ISSUER ACCOUNT BANK

Each of the Calculation Agent, the Cash Manager and the Issuer Account Bank is Deutsche Bank AG, London Branch which is the London branch of Deutsche Bank Aktiengesellschaft (“**DB AG**”). Deutsche Bank AG, London Branch’s address is Winchester House, 1 Great Winchester Street, London, EC2N 2DB. DB AG is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies. DB AG has a relationship with the Issuer and is also acting as Agent and Arranger in relation to the Notes.

Business Activities

The objects of DB AG, as laid down in its Articles of Association, include the transaction of all kinds of banking business, the provision of financial and other services and the promotion of international economic relations. DB AG may realise these objectives itself or through subsidiaries and affiliated companies.

USE OF PROCEEDS

GBP 85,584.17 of the proceeds of the Notes will be used to meet the Initial Expenses of the Issuer. The remaining proceeds of the issue of the Notes, being a sum of GBP 16,978,345.83 (GBP 16,900,000 comprising principal and GBP 78,345.83 comprising Accrued Interest), will be used by the Issuer to acquire the Mortgage Portfolio and the Seller’s Warranty and Indemnity Rights on the Issue Date pursuant to the MTUK/Winchester Street Mortgage Portfolio Agreement and the Seller Assignment Deed.

TAX CONSIDERATIONS

The Issuer is not obliged to pay any additional amount for, or on account of, any payments under the Notes which is the subject of a deduction or withholding for or on account of any tax. The imposition of such withholding or deduction would lead to a mandatory redemption of the Notes.

For further information relating to the tax treatment of the Issuer see “Taxation” in the Base Prospectus.

AVAILABILITY OF PROSPECTUS AND OTHER DOCUMENTS

For as long as any Notes remain outstanding, the Base Prospectus and this Prospectus (and any notice of amendment) issued by the Issuer since the date of first publication of the Base Prospectus will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer and the offices of the Trustee and the Paying Agents specified on the back cover of the Base Prospectus and will be available from the date hereof at the offices of the Listing Agent specified on the back cover of this Prospectus for so long as the Notes are listed on the Irish Stock Exchange.

PAYING AGENTS AND LISTING AGENT

The Principal Paying Agent for the Notes shall be Deutsche Bank AG, London Branch in such capacity and the Irish Paying Agent shall be Deutsche International Corporate Services (Ireland) Limited. The Listing Agent appointed in respect of the Notes is Deutsche Bank AG, London Branch.

SELLING RESTRICTIONS

The selling restrictions set out in the Base Prospectus shall apply in respect of the offering and sale of the Notes.

GENERAL INFORMATION

Documents Incorporated By Reference

This Prospectus should be read and construed in conjunction with the Base Prospectus which has been previously published and approved by the Central Bank. The Base Prospectus shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in the Base Prospectus which is deemed to be incorporated herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Non incorporated parts of the Base Prospectus are either not relevant for the investor or covered elsewhere in this Prospectus.

Expenses

The Initial Expenses of the Issuer in connection with the issue of the Notes will be paid by the Issuer out of the proceeds of the Notes. The expenses related to the admission to trading of the Notes on the Irish Stock Exchange are estimated to be EUR 2440.

Documents Available for Inspection

Copies of the following documents will be available for inspection and collection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, the specified office of the Principal Paying Agent in London (“**Principal Paying Agent**”) and the specified office of the Paying Agent in Ireland (the “**Irish Paying Agent**” together with the Principal Paying Agent, the “**Paying Agents**”), free of charge, for so long as the Notes shall remain outstanding and, for so long as the Notes remain listed on the Irish Stock Exchange, at the office of the Listing Agent specified on the back page of this Prospectus:

- (i) this Prospectus, the Base Prospectus and any notice of amendment;
- (ii) the Trust Instrument (including without limitation the terms of each Scottish Supplemental Charge) and any supplemental trust instrument;
- (iii) each document incorporated by reference into the Trust Instrument (including without limitation the documents setting out the terms of the Agency Agreement, the Purchase Agreement, the Cash Management Agreement, the Administration Agreement and the Issuer Bank Account Agreement referred to in the Terms of the Notes set out below);
- (iv) the MTUK/Winchester Street Mortgage Portfolio Sale Agreement;
- (v) each Nemo/MTUK Mortgage Portfolio Sale Agreement;
- (vi) the Seller Assignment Deed;
- (vii) the Legal Title Deed (including without limitation the terms of each Scottish Declaration of Trust);
- (viii) the annual financial statements of the Issuer (once produced); and
- (ix) the Issuer's memorandum and articles of association.

ERISA Considerations

By its purchase and acceptance of a Note, each holder will be deemed to have represented and warranted that either (i) no ERISA Plan (as defined below) assets have been used to purchase such Notes or (ii) one or more prohibited transaction statutory or administrative exemptions applies such that the use of such plan assets to purchase and hold such Notes will not constitute a non-exempt prohibited transaction under the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”). As used herein “**ERISA Plan**” means employee benefit plans subject to Title 1 of ERISA or an individual retirement account or employee benefit plan subject to Section 4975 of the Code or entities which may be deemed to hold the assets of any such plans.

REGISTERED OFFICE OF THE ISSUER

WINCHESTER STREET PLC

Winchester House Mailstop 429
1 Great Winchester Street
London EC2N 2DB
United Kingdom

TRUSTEE

Deutsche Trustee Company Limited

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

ISSUING AND PAYING AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

IRISH PAYING AGENT

**Deutsche International Corporate Services
(Ireland) Limited**

5 Harbourmaster Place
Dublin 1
Ireland

LEGAL ADVISERS

To the Arranger and the Issuer as to English law:

Simmons & Simmons LLP

CityPoint
One Ropemaker Street
London EC2Y 9SS
United Kingdom

To the Issuer as to Scots law

Tods Murray LLP

Edinburgh Quay
133 Fountainbridge
Edinburgh EH3 9AG
United Kingdom

To the Trustee as to English law

Allen & Overy LLP

One Bishops Square
London E1 6AD

LISTING AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom