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## Final Terms dated 20 May 2008

PERMANENT MASTER ISSUER PLC
(Incorporated with limited liability in England and Wales with registered number 5922774)

## Mortgage Backed Note Programme

2008-2 Issue

| Series | Class | Interest rate | Initial principal amount |  | Scheduled |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
|  |  | $0.85 \%$ margin over thres-month |  |  | Sanuary <br> redemption | Maturity |

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the base prospectus dated 4 January 2008 (the Base Prospectus) which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive). This document constitutes the final terms (the Final Terms) of the series (the Series) and each class (each a Class) of notes of Permanent Master Issuer plc (the Master Issuer) described herein for the purposes of Article 5.4 of the Prospectus Directive (together, the Notes or the 2008-2 notes) to be issued on 28 May 2008 (the closing date) and must be read in conjunction with the Base Prospectus. Full information on the Master Issuer (also referred to as the issuing entity) and the offer of the 2008-2 notes subject thereof is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and copies may be obtained from the registered office of the Master Issuer at 35 Great St. Helen's, London EC3A 6AP.

## Arranger for the programme

## ※BANK OF SCOTLAND

|  | Joint Lead Managers |  |
| :---: | :---: | :---: |
| Bank of Scotland | Citi | UBS Investment Bank |


| 1. | Series and Class: | Series 1 Class A |
| :--- | :--- | :--- |
| 2. | Master Issuer: | Permanent Master Issuer plc |
| 3. | Specified Currency or Currencies: | Sterling |
| 4. | Initial Principal Amount: | $£ 500,000,000$ |
| 5. | (a) Issue Price: | $100 \%$ of the Initial Principal Amount |
|  | (b) Gross Proceeds: | $£ 500,000,000$ |
| 6. | Funding 2 Reserve Required <br> Amount: | $£ 301,900,000$ |
| 7. | Ratings (Standard\&Poor's/ <br> Moody's/Fitch): | AAA/Aaa/AAA |
| 8. | Specified Denominations: | $£ 50,000$ and integral multiples of $£ 1,000$ in excess thereof |
| 9. | (a) Closing Date: | 28 May 2008 |
| (b) Interest Commencement Date: | 28 May 2008 |  |
| 10. | Final Maturity Date: | Interest Payment Date falling in April 2014 |
| 11. | Interest Basis: | Three-month Sterling LIBOR Floating Rate |
| 12. | Redemption/Payment Basis: | Bullet |
| 13. | Change of interest Basis or <br> Redemption/Payment Basis: | Not Applicable |
| 14. | (a) Listing: | (b) Estimate of total expenses <br> related to admission to trading: |
| 15. | Method of distribution: | Syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

| 16. | Fixed Rate Note Provisions: | Not Applicable |
| :--- | :--- | :--- |
|  | (a) Rate(s) of Interest: | Not Applicable |
|  | (b) Interest Payment Date(s): | Not Applicable |
|  | (c) Fixed Coupon Amount(s): | Not Applicable |
|  | (d) Broken Amount(s): | Not Applicable |
|  | (e) Day Count Fraction: | Not Applicable |
| (f) Determination Date(s): | Not Applicable |  |
| (g) Other terms relating to the <br> method of calculating interest for <br> Fixed Rate Notes: | Not Applicable |  |
| 17. | Floating Rate Note Provisions: | Applicable |
|  | (a) Interest Payment Dates: | 15 th January, 15th April, 15th July and 15th October in each year up to and including the <br> Final Maturity Date. The first Interest Payment Date will be the 15th day of July 2008 |
|  | (b) Business Day Convention: | Following Business Day Convention |
| (c) Additional Business Centre(s): | Not Applicable |  |
|  | (d) Manner in which the Rate of <br> Interest and Interest Amount is to <br> be determined: | Screen Rate Determination |


|  | (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent Bank): | Not Applicable |
| :---: | :---: | :---: |
|  | (f) Screen Rate Determination: |  |
|  | - Reference Rate: | Three-month Sterling LIBOR (or, in respect of the first Interest Period, the linear interpolation of one-month Sterling LIBOR and two-month Sterling LIBOR) |
|  | - Interest Determination Date(s): - | The first day of each Interest Period |
|  | - Relevant Screen Page: | Reuters Monitor Money Rates Service at the page designated as LIBOR 01 |
|  | (g) ISDA Determination: |  |
|  | - Floating Rate Option: | Not Applicable |
|  | - Designated Maturity: | Not Applicable |
|  | - Reset Date: | Not Applicable |
|  | (h) Margin(s): | 0.85\% per annum |
|  | (i) Minimum Rate of Interest: | Not Applicable |
|  | (j) Mȧximum Rate of Interest: | Not Applicable |
|  | (k) Step-Up Date: | Not Applicable |
|  | - Step-Up Margin(s): | Not Applicable |
|  | - Step-Up Minimum Rate of Interest: | Not Applicable |
|  | - Step-Up Maximum Rate of Interest: | Not Applicable |
|  | (1) Day Count Fraction: | Actual/365 |
|  | (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes if different from those set out in the Conditions: | Not Applicable |
| 18. | Zero Coupon Note Provisions: | Not Applicable |

general provisions applicable to the notes

| 19. | Form of Notes: | Registered Notes: Reg S Global Notes registered in the name of a nominee for a common <br> depositary for Euroclear and Clearstream, Luxembourg |
| :--- | :--- | :--- |
| 20. | Additional Financial Centre(s) or <br> other special provisions relating to <br> Interest Payment Dates: | Not Applicable |
| 21. | Details relating to Bullet <br> Redemption Notes: | Applicable |
|  | (a) Redemption Amount: | $£ 500,000,000$ |
|  | (b) Bullet Redemption Date: | Interest Payment Date occurring in January 2012 |
| 22. | Details relating to Scheduled <br> Redemption Notes: | Not Applicable |
|  | (a) Scheduled Redemption Dates: | Not Applicable |
|  | (b) Scheduled Amortisation <br> Instalments: | Not Applicable |
| 23. | Details relating to Pass-Through <br> Notes: | Not Applicable |


| 24. | Redemption Amount: | Condition 5.7 applies |
| :--- | :--- | :--- |
| 25. | (a) Interest Payment Date for <br> Regulatory Call: | Not Applicable |
|  | (b) Call Option Date: | On the Interest Payment Date occurring in January 2012 and each Interest Payment Date <br> thereafter |
| 26. | Issuing Entity Swap Provider(s): | Not Applicable |
| 27. | Specified currency exchange rate <br> (Sterling/specified currency): | Not Applicable |
| 28. | Redenomination applicable: | Applicable |
| 29. | U.S. tax treatment: | Not Applicable. (These notes are not being offered or sold in the United States) |
| 30. | ERISA eligible: | Not Applicable. (These notes are not being offered or sold in the United States) |
| 31. | Other final terms: | Not Applicable |
| 32. | Money Market Notes (2a-7): | No |
|  | (a) Money Market Note Purchaser <br> (if applicable): | Not Applicable |
|  | (b) 2a-7 Swap Provider (if <br> applicable): | Not Applicable |
|  | (c) Do the Notes have the benefit of <br> Remarketing Arrangements? | Not Applicable |

## DISTRIBUTION

| 33. | (a) If syndicated, names of <br> Managers: | Bank of Scotiand plc, Treasury Division, Citigroup Global Markets Limited and UBS <br> Limited |
| :--- | :--- | :--- |
| 34. | If non-syndicated, name of relevant <br> Dealer: | Not Applicable |
| 35. | Whether TEFRA D or TEFRA C <br> rules applicable or TEFRA rules not <br> applicable: | Not Applicable |
| 36. | Additional selling restrictions: | Not Applicable |

OPERATIONAL INFORMATION

| 37. | Any clearing system(s) other than <br> DTC, Euroclear or Clearstream, <br> Luxembourg and the relevant <br> identification numbers: | Not Applicable |
| :--- | :--- | :--- |
| 38. | Delivery: | Delivery against payment |
| 39. | Names and addresses of additional <br> Paying Agent(s) (if any): | Not Applicable |
| 40. | ISIN Code: | XS0365842466 |
| 41. | Common Code: | O36584246 |
| 42. | CUSIP: | Not Applicable |

RATED LOAN TRANCHE INFORMATION

| 43. | Rated Loan Tranche: | AAA (Series 1 Class A) Loan Tranche |
| :---: | :--- | :--- |
| 44. | Borrower: | Permanent Funding (No. 2) Limited |
| 45. | Designated Rated Loan Tranche | AAA/Aaa/AAA . |


|  | rating: |  |
| :---: | :---: | :---: |
| 46. | Designation of Rated Loan Tranche: | Bullet Loan Tranche |
| 47. | Initial Principal Amount: | $£ 500,000,000$ |
|  | (a) Closing Date: | 28 May 2008 |
|  | (b) Interest Commencement Date: | 28 May 2008 |
| 48. | Rated Loan Tranche rate: | Sum of (a) and (b) |
|  | (a) Relevant Screen Rate: | Reuters Screen Page LIBOR01 |
|  | (b) Rated Loan Tranche Rate Margin: | 0.85\% |
| 49. | Step-Up Date (if any): | Not Applicable |
| 50. | Stepped-up Loan Tranche rate: | Not Applicable |
| 51. | Details relating to Bullet Loan Tranches: | Applicable |
|  | (a) Bullet Repayment Date: | The Interest Payment Date in January 2012 |
|  | (b) Relevant Accumulation Amount: | £500,000,000 |
| 52. | Details relating to Scheduled Amortisation Loan Tranches: | Not Applicable |
|  | (a) Scheduled Repayment Dates: | Not Applicable |
|  | (b) Relevant Accumulation Amounts: | Not Applicable |
| 53. | Details relating to Pass-Through Loan Tranches: | Not Applicable |
| 54. | Final Repayment Date: | The Funding 2 Interest Payment Date falling in April 2014 |
| 55. | Loan Payment Dates: | The Bullet Repayment Date set out above and each subsequent Funding 2 Interest Payment Date to the extent not repaid in full |
| 56. | Details relating to Subordinated Loan Tranches: | Not Applicable |
|  | (a) Initial Principal Amount: | Not Applicable |
| . | (b) Rate of Interest: | Not Applicable |
| 57. | Details relating to Start-up Loan Tranches: | Not Applicable |

## Use of proceeds

The gross proceeds from the issue of the 2008-2 notes equal approximately $£ 500,000,000$ and will be used by the issuing entity to make available rated loan tranches to Funding 2 pursuant to the terms of the master intercompany loan agreement. Funding 2 will use the gross proceeds of each rated loan tranche to pay the purchase price to the seller for the sale of part of its share in the trust property to Funding 2 on the closing date.

Notes issued by issuing entity and rated loan tranches advanced to Funding 2 in connection therewith

As of the closing date, the aggregate principal amount outstanding of notes issued by the issuing entity (converted, where applicable, into sterling at the applicable specified currency exchange rate), including the issue of the 2008-2 notes described herein, will be as follows:

| Class A notes. | £17,096,620,000 |
| :---: | :---: |
| Class B notes. | £582,530,000 |
| Class C notes. | £582,530,000 |

As of the closing date, the aggregate outstanding principal balance of rated loan tranches advanced by the issuing entity to Funding 2 under the master intercompany loan agreement, including the rated loan tranches described herein, will be as follows:

```
AAA
£17,096,620,000
AA.
    £582,530,000
BBB
    £582,530,000
```

Notes issued by Funding 1 issuing entities and term advances made by Funding 1 issuing entities in connection therewith

As of the closing date, the aggregate principal amount outstanding of notes previously issued by the Funding 1 issuing entities (converted, where applicable, into sterling at the applicable currency exchange rate), will be as follows:

| AAA | £20,564,818,000 |
| :---: | :---: |
| AA | £724,595,000 |
| A | £95,308,000 |
| BBB | £667,765,000 |

As of the closing date, the aggregate outstanding balance of the advances previously made by the Funding 1 issuing entities to Funding 1 will be as follows:

| AAA | £20,564,818,000 |
| :---: | :---: |
| AA. | £724,595,000 |
| A. | £95,308,000 |
| BBB | £667,765,000 |

## Funding 2 start-up loan and previous Funding 2 start-up loans

The Funding 2 start-up loan to be made available to Funding 2 on the closing date in connection with the 2008-2 notes will have the following terms:

| Funding 2 start-up loan provider: | Bank of Scotland plc |
| :--- | ---: |
| Initial outstanding principal balance: | P900,000 <br> Interest rate:$\quad$ Three-month sterling LIBOR plus $0.25 \%$ per annum |

The following start-up loans have been made available to Funding 2 by Bank of Scotland plc in connection with the 2008-1 issue of notes and by Halifax plc (then in its capacity as the Funding 2 start-up loan provider) in connection with the 2006-1 and 2007-1 issues of notes for the stated current outstanding principal balance and interest rate. Halifax plc's rights under in the start-up loans were transferred to Bank of Scotland plc on 17 September 2007 pursuant to the HBOS Group Reorganisation Act 2006.

| Issue | Current outstanding principal balance | Interest Rate |
| :---: | :---: | :---: |
| 2006-1 | £88,580,589.59 | Three-month sterling LIBOR plus $0.25 \%$ per annum and from, and including, the Funding 2 interest payment date occurring in April 2013 0.50\% per annum |
| 2007-1 | $£ 70,190,697.06$ | Three-month sterling LIBOR plus $0.25 \%$ per annum and from, and including, the Funding 2 interest payment date occurring in January 2013 0.50\% per annum |
| 2008-1 | £156,300,000 | Three-month sterling LIBOR plus $0.25 \%$ per annum and from, and including, the Funding 2 interest payment date occurring in April 2010 $0.50 \%$ per annum |

## Previous Funding 1 start-up loans

The following start-up loans have been made available to Funding 1 by Halifax (then in its capacity as the start-up loan provider) in connection with the notes of the Funding 1 issuing entities set out below, for the stated current outstanding principal balance and interest rate. Halifax's rights under the start-up loans were transferred to Bank of Scotland plc on 17 September 2007 pursuant to the HBOS Group Reorganisation Act 2006.

| Funding 1 issuing entity | Current outstanding principal balance |
| :---: | :---: |
| Permanent Financing (No.1) plc . | £43,270,312.16 |
| Permanent Financing (No.2) plc | £43,756,667.00 |
| Permanent Financing (No.3) plc | £19,005,417.49 |
| Permanent Financing (No.4) plc | £38,910,743.67 |
| Permanent Financing (No.5) plc | £22,483,422.00 |
| Permanent Financing (No.6) plc | £3,327,429.84 |
| Permanent Financing (No.7) plc | £47,559,101.78 |
| Permanent Financing (No.8) plc | £20,950,259.25 |
| Permanent Financing (No.9) plc . | £3,281,272.34 |

## Issuing entity start-up loan

No issuing entity start-up loan has been advanced to the issuing entity as at the date hereof and no issuing entity start-up loan will be made available to the issuing entity on the closing date in connection with the 2008-2 notes.

## Issuing entity subordinated loan

No issuing entity subordinated loan has been advanced to the issuing entity as at the date hereof and no issuing entity subordinated loan will be advanced to the issuing entity on the closing date in connection with the 2008-2 notes.

## Mortgages trust and the portfolio

Material information with respect to the loans expected to be in the mortgages trust at the closing date is set out in "Statistical information on the portfolio" below. In addition:

- the minimum seller share will be approximately $£ 3,435,000,000$;
- the Funding 1 share will be approximately $£ 20,508,000,000$, representing approximately 45.37 per cent. of the trust property;
- the Funding 2 share will be approximately $£ 16,352,000,000$, representing approximately 36.18 per cent. of the trust property; and
- the seller share will be approximately $£ 8,340,000,000$, representing approximately 18.45 per cent. of the trust property.

The actual amounts of the Funding 1 share, the Funding 2 share and the seller share of the trust property as at the closing date will not be determined until the closing date, which will be after the date of these Final Terms.

For the purposes of paragraph (d) of the definition of non-asset trigger event, the aggregate outstanding balance of loans comprising the trust property must from the period up to (but excluding) the interest payment date in December 2008 be at least $£ 36,000,000,000$ and during the period from (and including) the interest payment date falling in December 2008 to (but excluding) the interest payment date in January 2011 the aggregate outstanding balance of loans comprising the trust property must be at least $£ 35,000,000,000$. See "The mortgages trust - Cash management of trust property - distribution of principal receipts to Funding $2^{\prime \prime}$ in the base prospectus.

For the purposes of paragraph (c) of the definition of product switch (See "Sale of loans and their related security - Product switches" in the base prospectus) any variation to the maturity date of a loan must not extend beyond June 2040 while any rated loan tranche under the master intercompany loan is outstanding.

For the purposes of the representations and warranties of the seller under the mortgage sale agreement:

- each loan in the portfolio was made no earlier than 1 February 1996 and no later than 31 January 2008;
- the final maturity date of each loan is no later than June 2040;


## Funding 2 General Reserve Fund

At the closing date, the Funding 2 reserve required amount will be $£ 301,900,000$. However, the Funding 2 general reserve fund has been funded to an amount of $£ 320,000,000$ as Funding 2 is expected to draw on this reserve on the Funding 2 interest payment date immediately following the closing date. The expected drawing will be solely for liquidity purposes to cover a shortfall between Funding 2's share of mortgages trust available revenue receipts and the interest payable on the 2008-

2 loan tranches. The shortiall will arise due to a technical mismatch between the mortgages trust calculation periods and the interest period on the 2008-2 loan tranches.

## Maturity and prepayment considerations

The average lives of any class of the 2008-2 notes cannot be stated, as the actual rate of repayment of the loans and redemption of the mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of each class of the 2008-2 notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of each class of the 2008-2 notes in the following table include that:

1. neither the issuing entity security nor the Funding 2 security has been enforced;
2. the seller is not in breach of the terms of the mortgage sale agreement;
3. the loans are assumed to amortise in accordance with the assumed constant payment rate indicated in the table below (subject to assumption 4 below);
4. the seller sells to the mortgages trustee sufficient new loans and their related security (i) in the period up to (but excluding) the interest payment date in December 2008, such that the aggregate principal amount outstanding of loans in the portfolio at any time is not less than $£ 36,000,000,000$ and (ii) during the period from and including the interest payment date falling in October 2008 to (but excluding) the interest payment date in April 2011, such that the aggregate principal amount outstanding of the loans in the portfolio at any time is not less than $£ 35,000,000,000$ or (in each case) such higher amount as may be required to be maintained as a result of any new Funding 1 issuing entities providing new term advances to Funding 1 and/or the issuing entity advancing new rated loan tranches or subordinated loan tranches to Funding 2 which Funding 1 and/or Funding 2, as the case may be, uses to pay to the seller and/or Funding 1 or Funding 2 , as the case may be, for an increase in its share of the trust property and/or to pay the seller for the sale of new loans to the mortgages trustee;
5. neither an asset trigger event nor a non-asset trigger event occurs;
6. no event occurs that would cause payments on scheduled amortisation loan tranches or passthrough loan tranches to be deferred (unless such advances are deferred in accordance with Rule (1) (C) or Rule (1) (D) as set out in "Cashflows - Rule (1) - Repayment deferrals" in the base prospectus);
7. the annualised CPR as at the closing date is assumed to be the same as the various assumed rates in the table below;
8. there is a balance of $£ 0.00$ in the Funding 2 cash accumulation ledger at the closing date and a balance of $£ 761,700,000$ in the Funding 1 cash accumulation ledger at the closing date; and
9. the closing date is 28 May 2008.

## CPR and possible average lives of each class of 2008-2 notes (in years)

Based upon the foregoing assumptions, the approximate average life in years of each class of 2008-2 notes, at various assumed rates of repayment of the loans, would be as follows:

| Constant payment rate(1) (per annum) | series 1 class A notes |
| :---: | :---: |
| 5 per cent. | 3.64 |
| 10 per cent. ....... | 3.64 |
| 15 per cent. | 3.64 |
| 20 per cent. ................ | 3.64 |
| 25 per cent. | 3.64 |
| 30 per cent. ............... | 3.64 |
| 35 per cent. ... | 3.64 |

(1) Includes both scheduled and unscheduled payments.

Assumptions (1), (2), (3), (4), (5) and (6) relate to circumstances which are not predictable.
The average lives of the 2008-2 notes are subject to factors largely outside the control of the issuing entity and consequently no assurance can be given that these assumptions and estimates will prove in any way to be realistic and they must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of these estimated average lives, see "Risk factors - The yield to maturity of the notes may be adversely affected by prepayments or redemptions on the loans" in the base prospectus.

## Statistical information on the portfolio

## The cut-off date mortgage portfolio

For the purposes of this section entitled "Statistical information on the portfolio", all references to "portfolio", unless the context otherwise requires, include the loans and their related security comprising the mortgages trust together with the loans that were expected to be sold to the mortgages trustee on 11 April 2008. The statistical and other information contained in these final terms has been compiled by reference to the loans in the portfolio as at 19 March 2008 (the cut-off date). Columns stating percentage amounts may not add up to $100 \%$ due to rounding. The loans in the mortgages trust will secure the 2008-2 notes and currently secure all other notes of the issuing entity and the Funding 1 issuing entities. The loans in the mortgages trust are selected on the basis of the seller's selection criteria for inclusion in the mortgages trust. The material aspects of the seller's lending criteria are described under "The loans - Underwriting -" and "The loans - Lending criteria" in the base prospectus. Standardised credit scoring is not used in the UK mortgage market. For an indication of the credit quality of borrowers in respect of the loans, investors may refer to such lending criteria and to the historical performance of the loans in the mortgages trust as set forth in these final terms. One significant indicator of obligor credit quality is arrears and losses. The information presented under "Delinquency and loss experience of the portfolio (including loans which previously formed part of the portfolio)" on page 24 in these final terms reflects the arrears and repossession experience for loans in the portfolio as at the cut-off date, including loans that were contained in the portfolio since the inception of the mortgages trust. All of the loans in the table were originated by Halifax or by Bank of Scotland under the "Halifax" brand (the Halifax loans), but not all of the loans form part of the mortgages trust. In particular, loans comprising the portfolio which have been redeemed, repurchased or were not sold to the mortgages trustee on 11 April 2008 because they did not satisfy the representations to be given by the seller on such date do not form part of the mortgages trust. However, it is not expected that the characteristics of the mortgages trust as at the closing date will differ materially from the characteristics of the portfolio as at the cut-off date. Except as otherwise indicated, these tables have been prepared using the current balance as at the cut-off date, which includes all principal and accrued interest for the loans in the portfolio.

The portfolio as at the cut-off date consisted of 576,473 mortgage accounts, comprising loans originated by Halifax and secured over properties located in England, Wales and Scotland and having an aggregate outstanding principal balance of $£ 48,415,889,791.17$ as at that date. The loans in the portfolio as at the cut-off date were originated between 1 February 1996 and 31 January 2008.

As at 1 May 2008, HVR 1 was $7.00 \%$ per annum, HVR 2 was $6.40 \%$ per annum and the Halifax flexible variable rate was $6.40 \%$ per annum.

Approximately $1.88 \%$ of the aggregate outstanding principal balance of the loans in the portfolio as at the cut-off date were extended to the relevant borrowers in connection with the purchase by those borrowers of properties from local authorities or certain other landlords under the right-to-buy schemes governed by the Housing Act 1985 (as amended by the Housing Act 2004) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001).

## Outstanding balances as at the cut-off date

The following table shows the range of outstanding mortgage account balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the cut-off date.

| Range of outstanding balances as at the cut-off date* | Aggregate outstanding balance as at the cut-off date ( $£$ ) |  | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| £0-£24,999.99 | $\pm$ | 1,279,580,838.64 | 2.64\% | 93,569 | 16.23\% |
| £25,000-£49,999.99. | £ | 4,640,225,340.81 | 9.58\% | 124,771 | 21.64\% |
| £50,000-£74,999.99............................ | £ | 6,347,070,778.47 | 13.11\% | 102,209 | 17.73\% |
| £75,000-£99,999.99.. | £ | 6,961,100,434.63 | 14.38\% | 80,137 | 13.90\% |
| £100,000-£124,999.99. | £ | 6,422,717,478.36 | 13.27\% | 57,418 | 9.96\% |
| £125,000-£149,999.99 | £ | 5,354,383,105.20 | 11.06\% | 39,187 | 6.80\% |
| £150,000-£174,999.99........................ | £ | 4,097,936,290.25 | 8.46\% | 25,403 | 4.41\% |
| £175,000-£199,999.99......................... | £ | 3,070,278,606.00 | 6.34\% | 16,450 | 2.85\% |
| £200,000-£224,999.99......................... | £ | 2,346,718,977:22 | 4.85\% | 11,093 | 1.92\% |
| £225,000-£249,999.99......................... | £ | 1,737,631,404.98 | 3.59\% | 7,337 | 1.27\% |
| £250,000-£299,999.99......................... | £ | 2,291,934,202.25 | 4.73\% | 8,424 | 1.46\% |
| £300,000-£349,999.99......................... | £ | 1,531,425,297.61 | 3.16\% | 4,757 | 0.83\% |
| £350,000-£399,999.99......................... | £ | 1,022,167,671.44 | 2.11\% | 2,746 | 0.48\% |
| £400,000-£449,999.99......................... | £ | 771,141,941.16 | 1.59\% | 1,827 | 0.32\% |
| £450,000-£500,000. | £ | 541,577,424.15 | 1.12\% | 1,145 | 0.20\% |
| Totals.. | £ | 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

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

The largest mortgage account (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) had an outstanding current balance as at the cut-off date of $£ 499,992.80$ and the smallest mortgage account had an outstanding current balance as at the cut-off date of $£ 0.01$. The weighted average current balance (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the cut-off date was approximately £142,383.38.

## LTV ratios at origination

The following table shows the range of LTV ratios, which express the outstanding balance of the aggregate of loans in a mortgage account (excluding capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the date of the initial loan origination divided by the value of the property securing the loans in that mortgage account at the same date. The seller has not revalued any of the mortgaged properties since the date of the origination of the related loan other than where an additional lending has been applied for or advanced on an account since origination, in which case the original valuation may have been updated with a more recent valuation. Where this is the case, this revised valuation has been used in formulating this data.

| Range of LTV ratios at origination |  | Aggregate outstanding balance at origination (£) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 0\% - 24.99\%.......................................... | £ | 2,701,659,597,00 | 5.17\% | 69,706 | 12.09\% |
| 25\%-49.99\% | £ | 13,706,574,559,33 | 26.24\% | 198,274 | 34.39\% |
| 50\% - 74.99\%........................................ | £ | 20,375,839,450.05 | 39.00\% | 183,043 | 31.75\% |
| 75\% - 79.99\%........................................ | £ | 3,600,219,882.00 | 6.89\% | 27,497 | 4.77\% |
| 80\% - 84.99\%....................................... | £ | 3,093,438,726.00 | 5.92\% | 23,509 | 4.08\% |
| 85\% - 89.99\%....................................... | £ | 3,448,833,965.00 | 6.60\% | 26,045 | 4.52\% |
| 90\% - 94.99\%....................................... | £ | 3,423,987,033.00 | 6.55\% | 27,534 | 4.78\% |
| 95\%-96.99\%....................................... | £ | 1,220,653,420,00 | 2.34\% | 13,505 | 2.34\% |
| 97\% ....................................................... | £ | 669,010,455.00 | 1.28\% | 7,340 | 1.27\% |
| 97\%+ | £ | 4,012,395.00 | 0.01\% | 20 | 0.00\% |
| Totals. | £ | 52,244,229,482.38 | 100.00\% | 576,473 | 100.00\% |

The weighted average LTV ratio of the mortgage accounts (excluding any capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) at origination was $61.11 \%$. The highest LTV ratio of any mortgage account (excluding any capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) at origination was $115.20 \%$ and the lowest was $0.17 \%$.

## Cut-off date LTV ratios

The following table shows the range of LTV ratios, which express the outstanding balance of the aggregate of loans in a mortgage account (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the cut-off date divided by the indexed valuation of the property securing the loans in that mortgage account at the same date.

| Range of LTV ratios as at the cut-off date* | Aggregate outstanding balance as at the cut-off date (£) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| 0\% - 24.99\% | £ 4,985,625,746,94 | 10.30\% | 162,161 | 28.13\% |
| 25\% - 49.99\% | £ 15,149,387,535.33 | 31.29\% | 201,536 | 34.96\% |
| 50\% - 74.99\% | £ 18,210,110,920.10 | 37.61\% | 145,091 | 25.17\% |
| 75\%-79.99\% | £ 3,371,987,291.99 | 6.96\% | 22,892 | 3.97\% |
| 80\% - 84.99\% | £ 2,797,592,977.79 | 5.78\% | 19,099 | 3.31\% |
| 85\% - 89.99\% | £ 2,105,318,440.59 | 4.35\% | 13,886 | 2.41\% |
| 90\% - 94.99\% | £ 1,360,019,649.44 | 2.81\% | 8,680 | 1.51\% |
| 95\% - 96.99\% | £ 233,282,079.69 | 0.48\% | 1,609 | 0.28\% |
| 97\%-99.99\% | £ 174,035,001.50 | 0.36\% | 1,320 | 0.23\% |
| 100\%+ | £ 28,530,147.80 | 0.06\% | 199 | 0.03\% |
| Totals. | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

[^0]The weighted average LTV ratio of the mortgage accounts (including any capitalised interest, capitalised high LTV. fees, insurance fees, booking fees and valuation fees) as at the cut-off date was $54.66 \%$. The highest LTV ratio of any mortgage account (including any capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) was $120.33 \%$ and the lowest was $0.00 \%$.

## Geographical distribution

The following table shows the distribution of properties securing the loans throughout England, Wales and Scotland as at the cut-off date. No such properties are situated outside England, Wales or Scotland. The seller's lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a loan.

| Regions | Aggregate outstanding balance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| London \& South East. | £ 14,749,623,462.13 | 30.46\% | 116,935 | 20.28\% |
| Midlands \& East Anglia........................... | £ 10,429,411,996.86 | 21.54\% | 124,578 | 21.61\% |
| North | £ 6,382,161,549,65 | 13.18\% | 102,344 | 17.75\% |
| North West. | £ 5,569,719,265.13 | 11.50\% | 83,757 | 14.53\% |
| Scotland. | £ 4,426,189,955.92 | 9.14\% | 68,383 | 11.86\% |
| South Wales \& West. | £ 6,807,072,589.47 | 14.06\% | 80,079 | 13.89\% |
| Other* | £ 51,710,972.01 | 0.11\% | 397 | 0.07\% |
| Totals | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

[^1]
## Seasoning of loans

The following table shows the number of months since the date of origination of the initial loan in a mortgage account. The ages (but not the balances) of the loans in this table have been forecast forward from the cut-off date to 23 April 2008 for the purpose of calculating the seasoning.

| Forecasted age of loans in months as at 23 April 2008 |  | Aggregate outstanding lance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: | :---: |
| < $6 . . . . . . . . . .$. | $£$ | 1,693,573,069.67 | 3.50\% | 12,531 | 2.17\% |
| 6 to < 12 | $£$ | 6,068,932,803.86 | 12.54\% | 43,237 | 7.50\% |
| 12 to <18. | $£$ | 5,202,019,970.45 | 10.74\% | 40,697 | 7.06\% |
| 18 to < 24. | £ | 5,753,123,001.39 | 11.88\% | 50,798 | 8.81\% |
| 24 to 30. | £ | 4,434,996,222.04 | 9.16\% | 43,010 | 7.46\% |
| 30 to < 36. | $£$ | 2,916,993,321.55 | 6.02\% | 31,098 | 5.39\% |
| 36 to < 42. | £ | $3,080,158,460.20$ | 6.36\% | 36,318 | 6.30\% |
| 42 to ¢ 48............................................. | $£$ | 3,762,216,395.71 | 7.77\% | 44,088 | 7.65\% |
|  | $£$ | 2,881,288,696.91 | 5.95\% | 36,289 | 6.30\% |
| 54 to 60. | $£$ | 2,815,616,171.97 | 5.82\% | 36,641 | 6.36\% |
| 60 to 66. | $£$ | 1,827,080,935.33 | 3.77\% | 27,852 | 4.83\% |
| 66 to 72. | $£$ | 1,620,157,948.84 | 3.35\% | 26,773 | 4.64\% |
| 72+ | $£$ | 6,359,732,793.25 | 13.14\% | 147,141 | 25.52\% |
| Totals. | $\pm$ | 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

The forecasted maximum, minimum and weighted average seasoning of loans as at 23 April 2008 will be $146.56,2.73$ and 39.99 months, respectively.

## Years to maturity of loans

The following table shows the number of remaining years of the term of the initial loan in a mortgage account as at the cut-off date.

| Years to maturity | Aggregate outstanding balance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| (5 | £ 1,205,358,881.91 | 2.49\% | 42,685 | 7.40\% |
| 5 to < 10. | £ 4,090,412,522.22 | 8.45\% | 82,668 | 14.34\% |
| 10 to < 15. | £ 6,823,575,894.52 | 14.09\% | 101,894 | 17.68\% |
| 15 to < 20. | £ 12,272,342,848.34 | 25.35\% | 144,599 | 25.08\% |
| 20 to < 25. | £ 19,444, 115,358.19 | 40.16\% | 163,632 | 28.39\% |
| 25 to < 30........................................ | £ 4,143,396,360.04 | 8.56\% | 35,396 | 6.14\% |
| 30+ | £ 436,687,925.95 | 0.90\% | 5,599 | 0.97\% |
| Totals. | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

The maximum, minimum and weighted average remaining term of the loans as at the cut-off date was $32.33,0.00$ and 18.74 years, respectively.

## Purpose of loan

The following table shows whether the purpose of the initial loan in a mortgage account on origination was to finance the purchase of a new property or to remortgage a property already owned by the borrower.

| Use of proceeds | Aggregate outstanding balance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| Purchase. | £ 30,984,694,582.91 | 64.00\% | 375,931 | 65.21\% |
| Remortgage | £ 17,431,195,208.26 | 36.00\% | 200,542 | 34.79\% |
| Totals | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

As at the cut-off date, the weighted average balance of loans used to finance the purchase of a new property was $£ 140,786.70$ and the weighted average balance of loans used to remortgage a property already owned by the borrower was $£ 145,221.54$.

## Property type

The following table shows the types of properties to which the mortgage accounts relate.

| Property type | Aggregate outstanding balance as at the cut-off date (£) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| Detached. | £ 14,318,313,215.15 | 29.57\% | 136,091 | 23.61\% |
| Semi-detached. | £ 14,255,804,969.31 | 29.44\% | 190,642 | 33.07\% |
| Terraced | £ 13,534,790,027.24 | 27.96\% | 182,196 | 31.61\% |
| Other* | $£ \quad 6,306,981,579.47$ | 13.03\% | 67,544 | 11.72\% |
| Totals. | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |
| * Primarily flats or maisonettes. |  |  |  |  |

As at the cut-off date, the weighted average balance of loans secured by detached, semidetached and terraced was $£ 176,541.95, £ 121,343.88$ and $£ 124,061.58$, respectively.

## Origination channel

The following table shows the origination channel for the initial loan in a mortgage account.

| Origination channel | Aggregate outstanding balance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| Direct origination. | £ 19,779,428,312.53 | 40.85\% | 283,915 | 49.25\% |
| Intermediaries | £ 28,547,962,791. 34 | 58.96\% | 290,540 | 50.40\% |
| Other channels. | £. 88,498,687.30 | 0.18\% | 2,018 | 0.35\% |
| Totals. | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

The direct origination includes Halifax estate agency branches, direct internet applications and telephone sales.

As at the cut-off date, the weighted average balance of loans originated through direct origination, intermediaries and other channels was $£ 116,722.59, £ 160,338.44$ and $£ 85,608.18$, respectively.

## Repayment terms

The following table shows the repayment terms for the loans in the mortgage accounts as at the cut-off date. Where any loan in a mortgage account is interest-only, then that entire mortgage account is classified as interest-only.

| Repayment terms | Aggregate outstanding balance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| Repayment. | $£ 29,233,740,050.07$ | 60.38\% | 398,498 | 69.13\% |
| Interest-only . | £ 19,182,149,741.10 | 39.62\% | 177,975 | 30.87\% |
| Totals. | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

As at the cut-off date, the weighted average balance of repayment loans and interest-only loans was $£ 119,492.44$ and $£ 177,269.35$, respectively.

Special rate and flexible loans
The following table shows the special rate and flexible loans as at the cut-off date.
Unlike the other tables in this section, the figures in this table have been calculated on the basis of loan product holdings rather than mortgage accounts and using the accounts' interest bearing balances rather than actual outstanding balances. A mortgage account may have more than one active product holding.

| Type of loan | Aggregate outstanding interest bearing balance as at the cut-off date ( $£$ ) | \% of total | Number of product Holdings | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| Capped rate loans ...................... | $£$ | 0.00\% | - | 0.00\% |
| Discounted variable rate loans ...... | $£$ | 0.00\% | - | 0.00\% |
| Fixed rate loans......................... | £ 29,681,218,654.12 | 68.92\% | 334,807 | 64.32\% |
| Tracker rate loans | $£ 13,240,605,982.94$ | 30.75\% | 184,272 | 35.40\% |
| Total special rate loans ................... | $£ 42,921,824,637.06$ | 99.67\% | 519,079 | 99.72\% |
| Flexible Loans ............................... | £ 141,531,076.54 | 0.33\% | 1,463 | 0.28\% |
| Total special rate and flexible .......... | $£ 43,063,355,713.60$ | 100.00\% | 520,542 | 100.00\% |

## Payment methods

The following table shows the payment methods for the mortgage accounts as at the cut-off date.

| Payment method | Aggregate outstanding balance as at the cut-off date ( $£$ ) | \% of total | Number of mortgage accounts | \% of total |
| :---: | :---: | :---: | :---: | :---: |
| Halifax payment pla | £ 10,643,024,709.19 | 21.98\% | 149,443 | 25.92\% |
| Direct debit. | £ 35,823,024,594.26 | 73.99\% | 393,224 | 68.21\% |
| Other* | £ 1,949,840,487.72 | 4.03\% | 33,806 | 5.86\% |
| Totals | £ 48,415,889,791.17 | 100.00\% | 576,473 | 100.00\% |

* External standing orders, internal standing orders and payments made at Halifax branches.


## Distribution of fixed rate loans

As at the cut-off date, approximately $61.42 \%$ of the loans in the porffolio were fixed rate loans. The following tables show the distribution of fixed rate loans by their fixed rate of interest as at such date and the year in which the loans cease to bear a fixed rate of interest and instead bear a floating rate of interest. Unlike the prior tables in this section, the figures in these tables have been calculated on the basis of loan product holdings rather than mortgage accounts. A mortgage account may have more than one active loan product.

Fixed rate loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to a variable base rate or some other rate as specified in the offer conditions.

| Fixed rate \% | Aggregate outstanding interest bearing balance as at the cut-off date (£) | \% of total | Number of product holdings | \% of <br> total <br> fixed <br> rate <br> holdings |
| :---: | :---: | :---: | :---: | :---: |
| 0-3.99. | £ 204,136,584.80 | 0.69\% | 8,237 | 2.46\% |
| 4.00-4.99. | £ 10,179, 193,247.71 | 34.30\% | 86,786 | 25.92\% |
| 5.00-5.99. | £ 16,509,386,093.50 | 55.62\% | 190,996 | 57.05\% |
| 6.00-6.99. | £ 2,627,781,864.67 | 8.85\% | 43,456 | 12.98\% |
| 7.00-7.99 | $£ \quad 160,720,863.44$ | 0.54\% | 5,332 | 1.59\% |
| Totals............................................... | £ 29,681,218,654.12 | 100.00\% | 334,807 | 100.00\% |


| Year in which current fixed rate period ends | Aggregate <br> outstanding interest bearing balance as at the cut-off date ( $£$ ) | \% of total | Number of product holdings | \% of <br> total <br> fixed rate holdings |
| :---: | :---: | :---: | :---: | :---: |
| 2008. | £ 10,462,499,548.09 | 35.25\% | 105,147 | 31.41\% |
| 2009. | £ 11,325,135,308.26 | 38.16\% | 106,724 | 31.88\% |
| 2010 | £ 2,776,074,982,01 | 9.35\% | 37,600 | 11.23\% |
| 2011. | £ 2,311,495,078.03 | 7.79\% | 35,740 | 10.67\% |
| 2012. | £ 1,757,723,709.85 | 5.92\% | 26,521 | 7.92\% |
| 2013. | £ 171,734,851.78 | 0.58\% | 2,491 | 0.74\% |
| 2014.. | £ 282;464,246.21 | 0.95\% | 3,833 | 1.14\% |
| 2015. | £ 143,130,600.16 | 0.48\% | 3,309 | 0.99\% |
| 2016. | £ 129,006,169.35 | 0.43\% | 2,063 | 0.62\% |
| 2017. | £ 297,706,837.32 | 1.00\% | 4,689 | 1.40\% |
| 2018+.............................................. | £ 24,247,323.06 | 0.08\% | 6,690 | 2.00\% |
| Totals............................................... | £ 29,681,218,654.12. | 100.00\% | 334,807 | 100.00\% |

## MIG policies

The following table shows the percentage of mortgage accounts as at the cut-off date the initial loans under which were subject to MIG policies arranged at the time the loan was originated.


## Payment rate analysis

The following table shows the annualised payment rate for the most recent one-month, threemonth and 12-month period for the mortgage accounts in the portfolio.

| As of month-end | one-month <br> annualised | three-month <br> annualised |
| :--- | ---: | :--- |
|  | $36.84 \%$ | $31.94 \%$ | | 12-month |
| ---: |
| annualised |

April 2008

In the table above,

- one-month annualised CPR is calculated as $1-\left((1-R)^{\wedge} 12\right)$,
- three-month annualised CPR is calculated as the average of the one-month annualised CPR for the most recent three months, and
- 12-month annualised CPR is calculated as the average of the one-month annualised CPR for the most recent 12 months,
where in each case $R$ is (i) total principal receipts received plus the principal balance of loans repurchased by the seller (primarily due to further advances) during the relevant period, divided by (ii) the aggregate outstanding principal balance of the loans in the portfolio as at the start of that period.


## Delinquency and loss experience of the portfolio (including loans which previously formed part of the portfolio)

Since the establishment of the mortgages trust, total losses on loans in the portfolio (including loans which previously formed part of the portfolio) were $£ 9,636,184.38$ as at the cut-off date.

The following table summarises loans in arrears and repossession experience for loans in the portfolio (including loans which previously formed part of the portfolio) as at the cut-off date. The seller will represent and warrant on the closing date that no loan to be transferred to the mortgages trust on the closing date will have experienced any arrears in the prior 12 months. All of the loans in the table were originated by Halifax or by Bank of Scotland under the "Halifax" brand. Bank of Scotland services all of the Halifax loans.

Bank of Scotland identifies a loan as being in arrears where an amount equal to or greater than a full month's contractual payment is past its due date. Bank of Scotland does not define a loan as defaulted at any particular delinquency level, but rather at the time it takes the related property into possession. Bank of Scotland does not write off a loan as uncollectible until it disposes of the property relating to that loan following default.

Loans in the portfolio (including loans which previously formed part of the portfolio)

|  | 31 Jan 2004 | 31 Jan 2005 | 31 Jan 2006 | 31 Jan 2007 | 31 Jan 2008 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | ( $£$ | (£) | (£) | (E) | (£) |
| Outstanding balance (£). | 20,016,266,444.43 | 31,658,407,545.67 | 39,919,117,191.99 | 48,140,522,448.47 | 50,832,835,716.71 |
| Number of loans outstanding | 356,381 | 493,360 | 566,395 | 626,121 | 600,052 |
| Outstanding balance of loans in arrears ( $£$ ) |  |  |  |  |  |
| 1-¢ 2 months................. | 184,358,998.07 | 359,234,168.39 | 500,011,066.32 | 525,695,928.06 | 534,160,717.59 |
| 2-8 months................. | 32,945,713.82 | 85,739,581.90 | 160,602,804.38 | 159,702,225.47 | 181,969,958.99 |
| 3-86 months................. | 25,447,456.10 | 74,072;196.91 | 199,265,992.13 | 230,212,461.16 | 242,026,886.11 |
| 6-s12 months .............. | 6,671,122.80 | 29,170,750.21 | 103,989,220.11 | 144,587,684.14 | 161,591,846.41 |
| 12+ months................... | 667,022.15 | 3,721,425.63 | 19,020,469.78 | 58,765,634.36 | 76,107,143,75 |
| Total outstanding |  |  |  |  |  |
| arrears ................. | 250,090,312.94 | 551,938,123.04 | 982,889,552.72 | 1,118,963,933.19 | 1,195,856,552.85 |
| Total outstanding balance of loans in arrears as \% of the outstanding balance ..... | 1.2494\% | 1.7434\% | 2.4622\% | 2.3244\% | 2.3525\% |
| Outstanding balance of loans relating to properties in possession | 32,271.54 | 1,669,763.45 | 6,387,795.62 | 20,433,920.36 | 31,467,372.39 |
| Outstanding balance of loans relating to properties sold during the period ${ }^{(1)}$. | 60,781.61 | 1,254,308.92 | 6,442,615.46 | 41,257,721.73 | 69,393,383.85 |
| Net loss on sales of all repossessed properties ${ }^{(2)}$ | 0.00 | 18,611.89 | 420,037.43 | 3,549,112.14 | 5,230,967.80 |
| Ratio of aggregate net losses to average aggregate outstanding balance of loans | 0 | 0.00006 | 0.00105 | 0.00737 | 0.01029 |
| Average net loss on all properties sold | 0.00 | 886.28 | 6,000.53 | 10,287.28 | 9,832.65 |
| Number of loans outstanding in arrears |  |  |  |  |  |
| 1-<2 months................. | 2,872 | 4,740 | 5,810 | 5,731 | 5,425 |
| 2-<3 months................. | 514 | 1,126 | 1,853 | 1,705 | 1,816 |
| 3- 66 months................. | 459 | 1,080 | 2,234 | 2,389 | 2,533 |
| 6-<12 months .............. | 138 | 437 | 1,123 | 1,498 | 1,644 |
| 12+ months................... | 11 | 71 | 244 | 543 | 686 |
| Total number of loans outstanding in arrears..... | 3,994 | 7,454 | 11,264 | 11,866 | 12,104 |
| Total number of loans outstanding in arrears as \% of the number of loans outstanding | 1.1207 | 1.5109 | 1.9887 | 1.8952 | 2.0172 |
| Number of properties in possession | 1 | 20 | 74 | 174 | 253 |
| Number of properties sold during the period..... | 2 | 21 | 70 | 345 | 532 |

(1) Properties sold may relate to properties taken into possession in prior periods.
(2) Net loss is net of recoveries in the current period on properties sold in prior periods.

There can be no assurance that the arrears experience with respect to the loans comprising the portfolio in the future will correspond to the experience of the portfolio as set forth in the foregoing table. If the property market experiences an overall decline in property values so that the value of the properties in the portfolio falls below the principal balances of the loans, the actual rates of arrears and losses could be significantly higher than those previously experienced. In addition, other adverse economic conditions, whether or not they affect property values, may nonetheless affect the timely payment by borrowers of principal and interest and, accordingly, the rates of arrears and losses with respect to the loans in the portfolio. Noteholders should observe that the United Kingdom experienced relatively low and stable interest rates during the periods covered in the preceding table. If interest rates were to rise, it is likely that the rate of arrears would rise.

The level of mortgage arrears on the Halifax loans has reduced since the recession in the United Kingdom in the early 1990s. The introduction of the scorecard in judging applications - and thus reducing discretion - has helped to keep the arrears level low, as have a healthy economic climate and historically low interest rates.

House price inflation has indirectly contributed to the improved arrears situation by enabling borrowers to sell at a profit if they encounter financial hardship. In the late 1980s house prices rose substantially faster than inflation as housing turnover increased to record levels. This was at a time when the economy grew rapidly, which led to falling unemployment and relatively high rates of real income growth. These fed into higher demand for housing, and house prices rose rapidly. Demand was further increased by changes in taxation legislation with regard to tax relief on mortgage payments in 1988. When monetary policy was subsequently tightened (in terms of both "locking in" sterling to the European Exchange Rate Mechanism and higher interest rates), the pace of economic activity first slowed and then turned into recession. Rising unemployment combined with high interest rates led to a fall in housing demand and increased default rates and repossessions. The ability of borrowers to refinance was limited as house prices began to fall and many were in a position of negative equity (borrowings greater than the resale value of the property) in relation to their mortgages.

During 2007 and early 2008 the rate of house price inflation fell as a consequence of housing demand being constrained by a combination of subdued earnings growth, greater pressure on household finances, higher interest rates and the effect of the continuing global market volatility that began in the summer of 2007. The continuing market volatility and associated liquidity constraints may have a negative impact on the availability of mortgage loans, housing demand and consequently house price inflation. This could lead to rises in the rates of arrears and losses, as the availability of refinancing to borrowers is limited, particularly if house prices are falling.

Bank of Scotland regularly reviews its lending policies in the light of prevailing market conditions and reviews actions so as to mitigate possible problems. The performance of new business and the arrears profiles are continuously monitored in monthly reports. Any deterioration of the arrears level is investigated and internal procedures are reviewed and amended if necessary.

## Characteristics of the United Kingdom residential mortgage market

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

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

## Industry CPR rates

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

| Quarter | Industry CPR rate for the quarter (\%) | $\begin{array}{r} \text { 12-month } \\ \text { rolling } \\ \text { average }(\%) \\ \hline \end{array}$ | Quarter | Industry CPR rate for the quarter (\%) | 12-month rolling average (\%) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| March 1985 | 10.02 | 11.61 | June 1985 | 11.67 | 11.49 |
| September 1985.................................. | 13.46 | 11.76. | December 1985 | 13.68 | 12.21 |
| March 1986 ......................................... | 11.06 | 12.47 | June 1986 | 15.53 | 13.43 |
| September 1986.................................. | 17.52 | 14.45 | December 1986 | 15.60 | 14.92 |
| March 1987 ........................................ | 10.57 | 14.80 | June 1987 | 14.89 | 14.64 |
| September 1987.................................. | 16.79 | 14.46 | December 1987 | 16.18 | 14.61 |
| March 1988 | 13.55 | 15.35 | June 1988 | 16.03 | 15.64 |
| September 1988................................... | 18.23 | 16.00 | December 1988 | 12.60 | 15.10 |
| March 1989 | 8.85 | 13.93 | June 1989 | 13.04 | 13.18 |
| September 1989.................................. | 11.53 | 11.51 | December 1989 | 10.38 | 10.95 |
| March 1990 ......................................... | 8.91 | 10.96 | June 1990 | 9.37 | 10.05 |
| September 1990.................................. | 9.66 | 9.58 | December 1990 | 10.58 | 9.63 |
| March 1991 ......................................... | 9.07 | 9.67 | June 1991 | 10.69 | 10.00 |
| September 1991.................................. | 11.57 | 10.48 | December 1991 | 10.24 | 10.39 |
| March 1992 ........................................ | 9.14 | 10.41 | June 1992 | 9.12 | 10.02 |
| September 1992. | 9.75 | 9.56 | December 1992 | 7.96 | 8.99 |
| March 1993 ........................................ | 8.53 | 8.84 | June 1993 | 9.97 | 9.05 |
| September 1993. | 10.65 | 9.28 | December 1993 | 10.01 | 9.79 |
| March 1994 ......................................... | 8.97 | 9.90 | June 1994 | 10.48 | 10.03 |
| September 1994. | 11.05 | 10.13 | December 1994 | 10.68 | 10.29 |
| March 1995 ........................................ | 9.15 | 10.34 | June 1995 | 10.51 | 10.35 |
| September 1995. | 11.76 | 10.53 | December 1995 | 11.61 | 10.76 |
| March 1996 | 10.14 | 11.00 | June 1996 | 11.32 | 11.21 |
| September 1996.................................. | 13.20 | 11.57 | December 1996 | 12.58 | 11.81 |
| March 1997 ......................................... | 9.75 | 11.71 | June 1997 | 15.05 | 12.65 |
| September 1997.................................. | 12.18 | 12.39 | December 1997 | 11.17 | 12.04 |
| March 1998 | 10.16 | 12.14 | June 1998 | 12.05 | 11.39 |
| September 1998.................................. | 13.79 | 11.79 | December 1998 | 13.44 | 12.36 |
| March 1999 | 11.14 | 12.60 | June 1999 | 14.39 | 13.19 |
| September 1999.................................. | 15.59 | 13.64 | December 1999 | 14.94 | 14.02 |
| March 2000 ......................................... | 13.82 | 14.69 | June 2000 | 13.86 | 14.55 |
| September 2000.................................. | 14.89 | 14.38 | December 2000 | 15.55 | 14.53 |
| March 2001 ........................................ | 15.47 | 14.94 | June 2001 | 17.36 | 15.81 |
| September 2001.................................. | 19.12 | 16.87 | December 2001 | 19.01 | 17.74 |
| March 2002 ......................................... | 18.68 | 18.54 | June 2002 | 19.88 | 19.17 |
| September 2002................................... | 22.40 | 19.99 | December 2002 | 22.16 | 20.78 |
| March 2003 ........................................ | 19.51 | 20.99 | June 2003 | 20.18 | 21.06 |
| September 2003.................................. | 21.65 | 20.88 | December 2003 | 21.33 | 20.67 |
| March 2004 | 19.90 | 20.77 | June 2004 | 21.42 | 21.07 |
| September 2004.................................. | 21.41 | 21.01 | December 2004 | 18.71 | 20.36 |
| March 2005 ......................................... | 17.76 | 19.83 | June 2005 | 17.75 | 18.91 |
| September 2005.................................. | 20.24 | 18.62 | December 2005 | 20.36 | 19.03 |
| March 2006 ........................................ | 19.65 | 19.50 | June 2006 | 19.37 | 19.90 |
| September 2006.................................. | 21.25 | 20.16 | December 2006 | 21.07 | 20.34 |
| March 2007 ........................................ | 19.57 | 20.32 | June 2007 | 19.25 | 20.29 |
| September 2007.................................. | 21.22 | 20.28 | December 2007 | 18.63 | 19.67 |

[^2]You should note that the CPR table above presents the historical CPR experience only of building societies in the United Kingdom. During the late 1990s, a number of former building societies (including the seller) converted stock to form UK banks and the CPR experience of these banks is therefore not included in the foregoing building society CPR data.

## Repossession rate

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

| Year | Repossessions $\qquad$ | Year | Repossessions $\qquad$ | Year | Repossessions (\%) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1985. | 0.25 | 1993 | 0.58 | 2001 | 0.16 |
| 1986. | 0.30 | 1994 | 0.47 | 2002. | 0.11 |
| 1987. | 0.32 | 1995 | 0.47 | 2003. | 0.07 |
| 1988. | 0.22 | 1996 | 0.40 | 2004. | 0.07 |
| 1989. | 0.17 | 1997 | 0.31 | 2005. | 0.13 |
| 1990............................ | 0.47 | 1998.. | 0.31 | 2006. | 0.19 |
| 1991. | 0.77 | 1999 | 0.27 | 2007.... | 0.23 |
| 1992........................... | 0.69 | 2000 ............ | 0.20 |  |  |

Source: Council of Mortgage Lenders

## House price to earnings ratio

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

| Year | House Price to Earnings Ratio | Year | House Price to Earnings Ratio |
| :---: | :---: | :---: | :---: |
| 1994....................... | 3.86 | 2001. | 5.09 |
| 1995....................... | 3.80 | 2002 ........................ | 5.74 |
| 1996....................... | 3.84 | 2003 ........... | 6.35 |
| 1997....................... | 4.08 | 2004. | 6.77 |
| 1998....................... | 4.35 | 2005. | 6.92 |
| 1999....................... | 4.60 | 2006 .. | 6.96 |
| 2000........................ | 5.00 | 2007 ....................... | 7.44 |

[^3]House prices and incomes vary throughout England, Wales and Scotland. The table below summarises the average house price and the average income for each region for the year ended 31 December 2007 in order to produce a house price to earnings ratio for each region.

| Regions | Average earnings ( $£$ per annum) ${ }^{\star}$ | House price (£)** | Price/Earnings |
| :---: | :---: | :---: | :---: |
| North. | £41,232 | £154,761 | 3.75 |
| North West. | £44,445 | £170,477 | 3.84 |
| Yorkshire \& Humberside....... | £43,436 | £170,203 | 3.92 |
| East Midlands................................. | £44,476 | £176,255 | 3.96 |
| West Midlands.. | £45,033 | £185,048 | 4.11 |
| East Anglia... | £48,690 | £206,745 | 4.25 |
| London..... | £81,480 | £342,122 | 4.20 |
| South East ..................................... | £61,297 | £271,981 | 4.44 |
| South West .................................... | £52,182 | £230,885 | 4.42 |
| Wales. | £43,607 | £169,848 | 3.89 |
| Scotland........................................ | £42,781 | £158,798 | 3.71 |
| * Average recorded income of borrowers. <br> ** Simple average house price. |  |  |  |
|  |  |  |  |
| Source: http://www.communities.gov.uk/docum | sing/x\|s/141281.x|s |  |  |

## House price index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax Price Index (collectively the Housing Indices), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a UK bank.)

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

| Quarter | Retail Price Index |  | Nationwide House Price Index |  | Halifax House Price Index |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\%$ |  | \% |  | \% |
|  | Index | annual change | Index | annual change | Index | annual change |
| March 1985................................... | 92.0 | 5.4 | 66.2 | 11.2 | 113.5 | 8.6 |
| June 1985.. | 95.1 | 6.8 | 68.2 | 10.3 | 115.4 | 8.5 |
| September 1985 | 95.4 | 6.1 | 69.2 | 10.5 | 116.8 | 7.5 |
| December 1985 | 95.9 | 5.4 | 70.7 | 8.6 | 120.6 | 8.3 |
| March 1986. | 96.5 | 4.8 | 71.1 | 7.1 | 124.0 | 8.8 |
| June 1986. | 97.8 | 2.8 . | 73.8 | 7.9 | 128.1 | 10.4 |
| September 1986 | 97.9 | 2.6 | 76.3 | 9.8 | 132.2 | 12.4 |
| December 1986 | 99.1 | 3.3 | 79.0 | 11.1 | 136.8 | 12.6 |
| March 1987........ | 100.3 | 3.8 | 81.6 | 13.8 | 142.3 | 13.8 |
| June 1987...................................... | 101.9 | 4.1 | 85.8 | 15.1 | 146.7 | 13.6 |
| September 1987 | 102.1 | 4.2 | 88.6 | 14.9 | 151.5 | 13.6 |
| December 1987 | 103.2 | 4.0 | 88.5 | 11.4 | 158.0 | 14.4 |
| March 1988. | 103.7 | 3.3 | 90.0 | 9.8 | 167.0 | 16.0 |
| June 1988. | 106.2 | 4.1 | 97.6 | 12.9 | 179.4 | 20.1 |
| September 1988 | 107.7 | 5.3 | 108.4 | 20.2 | 197.4 | 26.5 |
| December 1988 | 109.9 | 6.3 | 114.2 | 25.5 | 211.8 | 29.3 |
| March 1989.. | 111.7 | 7.4 | 118.8 | 27.8 | 220.7 | 27.9 |
| June 1989. | 114.9 | 7.9 | 124.2 | 24.1 | 226.1 | 23.1 |
| September 1989 | 116.0 | 7.4 | 125.2 | 14.4 | 225.5 | 13.3 |
| December 1989 | 118.3 | 7.4 | 122.7 | 7.2 | 222.5 | 4.9 |
| March 1990. | 120.4 | 7.5 | 118.9 | 0.1 | 223.7 | 1.4 |
| June 1990. | 126.0 | 9.2 | 117.7 | (5.4) | 223.3 | (1.2) |
| September 1990 | 128.1 | 9.9 | 114.2 | (9.2) | 222.7 | (1.2) |
| December 1990 | 130.1 | 9.5 | 109.6 | (11.3) | 223.0 | 0.2 |
| March 1991. | 130.8 | 8.3 | 108.8 | (8.9) | 223.1 | (0.3) |
| June 1991.. | 133.6 | 5.9 | 110.6 | (6.3) | 221.9 | (0.6) |
| September 1991 | 134.2 | 4.7 | 109.5 | (4.2) | 219.5 | (1.4) |
| December 1991 | 135.5 | 4.1 | 107.0 | (2.4) | 217.7 | (2.4) |
| March 1992. | 136.2 | 4.0 | 104.1 | (4.4) | 213.2 | (4.5) |
| June 1992. | 139.1 | 4.0 | 105.1 | (5.1) | 208.8 | (6.1) |
| September 1992 | 139.0 | 3.5 | 104.2 | (5.0) | 206.9 | (5.9) |
| December 1992. | 139.6 | 3.0 | 100.1 | (6.7) | 199.5 | (8.7) |
| March 1993.. | 138.7 | 1.8 | 100.0 | (4.0) | 199.6 | (6.6) |
| June 1993. | 140.9 | 1.3 | 103.6 | (1.4) | 201.7 | (3.5) |
| September 1993 | 141.3 | 1.6 | 103.2 | (1.0) | 202.6 | (2.1) |
| December 1993 .............................. | 141.8 | 1.6 | 101.8 | 1.7 | 203.5 | 2.0 |
| March 1994. | 142.0 | 2.4 | 102.4 | 2.4 | 204.6 | 2.5 |
| June 1994. | 144.5 | 2.5 | 102.5 | (1.1) | 202.9 | 0.6 |
| September 1994 | 144.6 | 2.3 | 103.2 | 0.0 | 202.7 | 0.0 |
| December 1994 | 145.5 | 2.6 | 104.0 | 2.1 | 201.9 | (0.8) |
| March 1995. | 146.8 | 3.3 | 101.9 | (0.5) | 201.8 | (1.4) |
| June 1995.. | 149.5 | 3.4 | 103.0 | 0.5 | 199.3 | (1.8) |
| September 1995 | 149.9 | 3.6 | 102.4 | (0.8) | 197.8 | (2.4) |
| December 1995 | 150.1 | 3.1 | 101.6 | (2.3) | 199.2 | (1.3) |
| March 1996.. | 150.9 | 2.8 | 102.5 | 0.6 | 202.1 | 0.1 |
| June 1996.. | 152.8 | 2.2 | 105.8 | 2.7 | 206.7 | 3.6 |
| September 1996 ............................. | 153.1 | 2.1 | 107.7 | 5.1 | 208.8 | 5.4 |
| December 1996 .............................. | 154.0 | 2.6 | 110.1 | 8.0 | 213.9 | 7.1 |
| March 1997.. | 154.9 | 2.6 | 111.3 | 8.3 | 216.7 | 7.0 |
| June 1997.. | 156.9 | 2.6 | 116.5 | 9.6 | 220.2 | 6.3 |
| September 1997 | 158.4 | 3.4 | 121.2 | 11.8 | 222.6 | 6.4 |
| December 1997. | 159.7 | 3.6 | 123.3 | 11.4 | 225.4 | 5.2 |
| March 1998....... | 160.2 | 3.4 | 125.5 | 12.0 | 228.4 | 5.3 |
| June 1998.. | 163.2 | 3.9 | 130.1 | 11.0 | 232.1 | 5.3 |
| September 1998 ............................. | 163.7 | 3.3 | 132.4 | 8.8 | 234.8 | 5.3 |
| December 1998 .............................. | 164.4 | 2.9 | 132.3 | 7.0 | 237.2 | 5.1 |
| March 1999.................................... | 163.7 | 2.2 | 134.6 | 7.0 | 238.6 | 4.4 |
| June 1999..................................... | 165.5 | 1.4 | 139.7 | 7.1 | 245.5 | 5.6 |
| September 1999 ............................. | 165.6 | 1.2 | 144.4 | 8.6 | 255.5 | 8.4 |
| December 1999 .............................. | 166.8 | 1.4 | 148.9 | 11.8 | 264.1 | 10.7 |
| March 2000.................................... | 167.5 | 2.3 | 155.0 | 14.1 | 273.1 | 13.5 |
| June 2000...................................... | 170.6 | 3.0 | 162.0 | 14.8 | 272.8 | 10.5 |


| Quarter | Retail Price Index |  | Nationwide House Price Index |  | Halifax House Price Index |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | \% |  | \% |  | \% |
|  | Index | annual change | Index | annual change | Index | annual change |
| September 2000 | 170.9 | 3.2 | 161.5 | 11.2 | 275.9 | 7.7 |
| December 2000 .............................. | 172.0 | 3.1 | 162.8 | 9.0 | 278.6 | 5.3 |
| March 2001.................................... | 171.8 | 2.5 | 167.5 | 7.8 | 281.7 | 3.1 |
| June 2001. | 173.9 | 1.9 | 174.8 | 7.6 | 293.2 | 7.2 |
| September 2001 | 174.0 | 1.8 | 181.6 | 11.8 | 302.4 | 9.2 |
| December 2001 .............................. | 173.8 | 1.0 | 184.6 | 12.5 | 311.8 | 11.3 |
| March 2002.................................... | 173.9 | 1.2 | 190.2 | 12.7 | 327.3 | 15.0 |
| June 2002. | 176.0 | 1.2 | 206.5 | 16.6 | 343.7 | 15.9 |
| September 2002 ............................. | 176.6 | 1.5 | 221.1 | 19.7 | 366.1 | 19.1 |
| December 2002. | 178.2 | 2.5 | 231.3 | 22.6 | 392.1 | 22.9 |
| March 2003. | 179.2 | 3.0 | 239.3 | 22.9 | 403.8 | 21.0 |
| June 2003. | 181.3 | 3.0 | 250.1 | 19.2 | 419.0 | 19.8 |
| September 2003 | 181.8 | 2.9 | 258.9 | 15.8 | 434.5 | 17.1 |
| December 2003 | 182.9 | 2.6 | 267.1 | 14.4 | 455.3 | 14.9 |
| March 2004.. | 183.8 | 2.5 | 277.3 | 14.8 | 480.3 | 17.3 |
| June 2004.. | 186.3 | 2.7 | 296.2 | 16.9 | 508.4 | 19.3 |
| September 2004 | 187.4 | 3.0 | 306.2 | 16.8 | 522.0 | 18.3 |
| December 2004 | 189.2 | 3.4 | 304.1 | 13.0 | 523.5 | 14.0 |
| March 2005. | 189.7 | 3.2 | 304.8 | 9.4 | 526.9 | 9.3 |
| June 2005. | 191.9 | 3.0 | 314.2 | 5.9 | 526.8 | 3.6 |
| September 2005 | 192.6 | 2.7 | - 314.4 | 2.7 | 537.7 | 3.0 |
| December 2005 | 193.7 | 2.4 | 314.0 | 3.2 | 550.3 | 5.0 |
| March 2006.. | 194.2 | 2.3 | 319.8 | 4.8 | 560.4 | 6.2 |
| June 2006... | 197.6 | 2.9 | 329.2 | 4.7 | 574.9 | 8.7 |
| September 2006 | 199.3 | 3.4 | 336.1 | 6.6 | 581.7 | 7.9 |
| December 2006. | 201.4 | 3.9 | 343.2 | 8.9 | 606.0 | 9.6 |
| March 2007. | 203.0 | 4.4 | 350.2 | 9.1 | 623.5 | 10.7 |
| June 2007. | 206.3 | 4.3 | 362.7 | 9.7 | 637.8 | 10.4 |
| September 2007 | 207.1 | 3.8 | 367.3 | 8.9 | 643.0 | 10.0 |
| December 2007 ... | 209.8 | 4.1 | 367.0 | 6.7 | 636.9 | 5.0 |
| March 2008 | 211.1 | 3.9 | 357.8 | 2.1 | 630.8 | 1.2 |

Source: Office for National Statistics, Nationwide Building Society and HBOS plc, respectively.
The percentage annual change in the table above is calculated in accordance with the following formula:
$\mathrm{LN}(\mathrm{x} / \mathrm{y})$ where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

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## Static Pool Data

This annex sets out, to the extent material, certain static pool information with respect to the loans in the mortgages trust.

The issuing entity has not included static pool information in this annex on prepayments because changes in prepayment and payment rates historically have not affected repayment of the notes, and are not anticipated to have a significant effect on future payments on the notes for a number of reasons including the following: the mechanics of the mortgages trust require an extended cash accumulation period when prepayment rates fall below certain minima dictated by the rating agencies, serving to limit the extent to which slow prepayments would cause the average lives of the notes to extend. Conversely, rapid prepayments should not cause the average lives of the notes to shorten so long as the seller maintains the minimum required mortgages trust size. Furthermore, only a limited amount of note principal in relation to the very large mortgages trust size is actually due to be repaid on any particular interest payment date.

One of the characteristics of the mortgages trust is that the seller is able to sell more loans to the mortgages trustee over time, whether in connection with an issuance of notes by the issuing entity, any new Funding 2 issuing entity or any Funding 1 issuing entity or in order to maintain the minimum seller share. To aid in understanding changes to the mortgages trust over time, the following table sets out information relating to each sale of loans by the seller to the mortgages trustee pursuant to the mortgage sale agreement.

| Date | Balance of loans substituted or sold | Number of loans substituted or sold | In connection with previous issue by |
| :---: | :---: | :---: | :---: |
| June 2002 | $£ 10,117,255,819$ | 173,505 | Permanent Financing (No. 1) PLC |
| November 2002 .............. | £898,016,408 | 16,209 | N/A |
| January 2003... | £894;475,758 | 16,835 | N/A |
| March 2003.................... | £10,538,839,220 | 186,140 | Permanent Financing (No. 2) PLC |
| June 2003..................... | £1,576,963,369 | 25,652 | N/A |
| September 2003 ............. | £1,688,468,552 | 23,426 | N/A |
| October 2003. | £2,735,667,398 | 37,770 | N/A |
| January 2004..... | £2,670,143,154 | 35,418 | N/A |
| March 2004.. | £9,376,972,811 | 134,716 | Permanent Financing (No. 4) PLC |
| July 2004. | £3,698,396,657 | 48,652 | N/A |
| November 2004 | £9,582,315,930 | 104,569 | Permanent Financing (No.6) PLC |
| March 2005. | £6,625,343,617 | 70,542 | Permanent Financing (No.7) PLC |
| June 2005..................... | £9,483,670,772 | 101,317 | Permanent Financing (No. 8) PLC |
| December 2005 | £5,786,749,656 | 65,460 | N/A |
| March 2006.................... | £9,637,574,095 | 101,599 | Permanent Financing (No.9) PLC |
| October 2006................. | £8,838,288,141 | 86,769 | Permanent Master Issuer 2006-1 Notes |
| December 2006 .............. | £6,373,073,080 | 60,773 | N/A |
| July 2007. | £5,691,369,649 | 51,310 | N/A |
| November 2007 | £8,686,106,961 | 70,107 | N/A |
| April 2008 ...................... | £5,919,444,424 | 45,479 | N/A |

The sale of new loans by the seller to the mortgages trustee is subject to conditions, including ones required by the rating agencies, designed to maintain certain credit-related and other characteristics of the mortgages trust. These include limits on loans in arrears in the mortgages trust at the time of sale, limits on the aggregate balance of loans sold, limits on changes in the weighted average foreclosure frequency (WAFF) and the weighted average loss severity (WALS), minimum yield for the loans in the mortgages trust after the sale and maximum LTV for the loans in the mortgages trust after the sale. See a description of these conditions in "Sale of the loans and their related security - Sale of loans and their related security to the mortgages trustee on the sale dates" in the base prospectus.

The following tables show, for each of the last five years of origination, the distribution of loans in the mortgages trust originated in that year by delinquency category as at each year-end starting in 2003.

|  |  |
| :---: | :---: |
|  |  |
|  |  |
|  |  |


| Loans originated in 2003 as at each specified date |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 31-Dec-03 |  |  |  | 31-Dec-04 |  |  |  |
| Number | Principal Balance | $\begin{gathered} \text { \% by } \\ \text { number } \end{gathered}$ | $\begin{array}{r} \% \text { by } \\ \text { balance } \end{array}$ | Number | Principal Balance | $\begin{array}{r} \% \text { by } \\ \text { number } \end{array}$ | $\begin{array}{r} \% \text { by } \\ \text { balance } \end{array}$ |
| 12,597 | £1,053,542,109.67 | 98.78\% | 98.67\% | 108,700 | £9,227,540,592.24 | 98.48\% | 98.29\% |
| 105 | £10,192,062.89 | 0.82\% | 0.95\% | 1,196 | £115,817,389.19 | 1.08\% | 1.23\% |
| 27 | £2,231,878.38 | 0.21\% | 0.21\% | 240 | £22,249,037.02 | 0.22\% | 0.24\% |
| 22 | £1,653,973.03 | 0.17\% | 0.15\% | 179 | £15,944,468.84 | 0.16\% | 0.17\% |
| 1 | £153,196.12 | 0.01\% | 0.01\% | 59 | £5,947,263.53 | 0.05\% | 0.06\% |
|  |  |  |  | 5 | £843,952.10 | 0.00\% | 0.01\% |
| 12,752 | £1,067,773,220.09 | 100.00\% | 100.00\% | 110,379 | £9,388,342,702.92 | 100.00\% | 100.00\% |
|  | 31-Dec-06 |  |  |  | 31-Dec-07 |  |  |
| Number | Principal Balance | $\begin{array}{r} \% \text { by } \\ \text { number } \end{array}$ | $\begin{array}{r} \% \text { by } \\ \text { balance } \end{array}$ | Number | Principal Balance | $\begin{gathered} \text { \% by } \\ \text { number } \\ \hline \end{gathered}$ | $\begin{array}{r} \text { \% by } \\ \text { balance } \end{array}$ |
| 83,370 | £6,354,172,280.20 | 96.98\% | 96.11\% | 67,083 | £4,986,733,124.15 | 96.68\% | 95.69\% |
| 1,083 | £101,914,896.04 | 1.26\% | 1.54\% | 960 | £91,863,884.62 | 1.38\% | 1.76\% |
| 390 | £34,762,255.14 | 0.45\% | 0.53\% | 343 | £33,115,421.50 | 0.49\% | 0.64\% |
| 533 | £54,915,033.70 | 0.62\% | 0.83\% | 457 | £43,434,194.92 | 0.66\% | 0.83\% |
| 437 | £46,893,951.08 | 0.51\% | 0.71\% | 377 | £37,903,202.25 | 0.54\% | 0.73\% |
| 149 | £18,568,582.08 | 0.17\% | 0.28\% | 165 | £18,270,018.65 | 0.24\% | 0.35\% |
| 85,962 | £6,611,226,998.24 | 100.00\% | 100.00\% | 69,385 | £5,211,319,846.09 | 100.00\% | 100.00\% |


Loans originated in 2004
as at each specified date


| 31-Dec-05 |  |  |  |
| :---: | :---: | :---: | :---: |
| Number | Principal Balance | $\begin{array}{r} \text { \% by } \\ \text { number } \end{array}$ | $\begin{array}{r} \text { \% by } \\ \text { balance } \end{array}$ |
| 41,324 | £3,853,299,928.89 | 98.93\% | 98.73\% |
| 333 | $£ 36,743,353.97$ | 0.80\% | 0.94\% |
| 65 | £6,592,397.35 | 0.16\% | 0.17\% |
| 45 | £5,764,591.80 | 0.11\% | 0.15\% |
| 6 | £549,023.66 | 0.01\% | 0.01\% |
| 41,773 | £3,902,949,295.67 | 100.00\% | 100.00\% |

Loans originated in 2005

Loans originated in 2006

as at each specified date




4

|  |  |
| :---: | :---: |
|  |  |


All loans in the mortgages trust
as at each specified date





|  |  |
| :---: | :---: |
| $\underbrace{20}_{0} \frac{0}{E}$ |  |


|  | 31-Dec-06 |
| :---: | :---: |
| Number | Principal Balance |
| 618,083 | £47,445,892,789.31 |
| 5,138 | £463,210,363.13 |
| 1,678 | £151,249,768.79 |
| 2,256 | £217,181,379.81 |
| 1,521 | £149,064,273.65 |
| 511 | £56,123,962.66 |
| 629,187 | £48,482,722,537.35 |



## Listing and admission to trading application

These final terms comprise the final terms required for the notes described herein to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market pursuant to the Mortgage Backed Note Programme of Permanent Master Issuer plc.

## Responsibility

The issuing entity accepts responsibility for the information contained in these final terms.
Signed on behalf of the issuing entity:

By:



[^0]:    * Including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees.

[^1]:    * Where the postal code for the relevant property has not yet been allocated or is not shown in the seller's records.

[^2]:    Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

[^3]:    Source: Council of Mortgage Lenders

