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**FINAL TERMS**  
**(to the Base Prospectus dated 14 November 2016)**

**PERMANENT MASTER ISSUER PLC**  
*(Incorporated with limited liability in England and Wales with registered number 05922774)*

**Residential Mortgage Backed Note Programme**  
**(ultimately backed by the mortgages trust)**

**2016-1 Issue**

<b>Series</b>	<b>Class</b>	<b>Interest rate</b>	<b>Initial principal amount</b>	<b>Issue price</b>	<b>Scheduled redemption dates</b>	<b>Final maturity date</b>
1	A1	0.40% over 3 month Sterling LIBOR	£250,000,000	100%	July 2019 and January 2020	July 2058
1	A2	0.45% over 3 month Sterling LIBOR	£1,750,000,000	100%	Not Applicable	July 2058

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the base prospectus dated 14 November 2016 (the **Base Prospectus**) which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). This document constitutes the final terms (the **Final Terms**) of the series (each a **Series**) and classes (each a **Class**) of notes (together, the **Notes** or the **2016-1 notes**) of Permanent Master Issuer PLC (the **Master Issuer**) described herein and has been prepared for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Master Issuer (also referred to as the **issuing entity**) and the offer of the 2016-1 notes the subject thereof is only available on the basis of the combination of these Final Terms and the Base Prospectus. In accordance with Article 14 of the Prospectus Directive, 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.

The 2016-1 notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or the state securities laws of any state of the United States and the 2016-1 notes may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S within the meaning of the Securities Act) in transactions that occur outside the United States to persons other than U.S. persons in accordance with Regulation S or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws.

**Arranger for the programme**



**Lead Manager**

Banco Bilbao Vizcaya Argentaria,  
S.A.

Lloyds Bank plc

Wells Fargo Securities  
International Limited

**25 November 2016**

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

	Series 1 Class A1	Series 1 Class A2
(1) Issuer of the Notes:	Permanent Master Issuer PLC	Permanent Master Issuer PLC
(2) Series and Class:	2016-1 Series 1 Class A1	2016-1 Series 1 Class A2
(3) Specified Currency or Currencies:	Sterling	Sterling
(4) Initial principal amount:	£250,000,000	£1,750,000,000
(5) (a) Issue price:	100% of the initial principal amount	100% of the initial principal amount
(5) (b) Gross proceeds:	£250,000,000	£1,750,000,000
(6) Closing Date:	28 November 2016	28 November 2016
(7) Final Maturity Date:	Interest Payment Date falling in July 2058	Interest Payment Date falling in July 2058
(8) Specified Denominations:	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £1,000 in excess thereof
(9) Interest basis:	Three-month Sterling LIBOR Floating Rate (further particulars specified below under " <i>Provisions Relating to Interest (if any) Payable</i> ")	Three-month Sterling LIBOR Floating Rate (further particulars specified below under " <i>Provisions Relating to Interest (if any) Payable</i> ")
(10) Change of interest basis:	Not Applicable	Not Applicable
(11) Redemption/payment basis:	Scheduled Redemption	Pass-through
(12) Change of redemption/payment basis:	Not Applicable	Not Applicable
(13) Call Option Date:	Applicable	Applicable
(14) Step-Up Date:	Interest Payment Date occurring in January 2020 and each subsequent Interest Payment Date thereafter	Interest Payment Date occurring in October 2021 and each subsequent Interest Payment Date thereafter
(15) Form of Notes:	Registered Notes: Reg S Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg	Registered Notes: Reg S Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg
(16) Expected Ratings (Standard & Poor's/Moody's/Fitch):	AAA(sf) / Aaa(sf) / AAA(sf)	AAA(sf) / Aaa(sf) / AAA(sf)
(17) Post-enforcement call option/Limited recourse:		
(17) (a) Condition 10.2 (Post-Enforcement Call Option):	Not Applicable	Not Applicable
(17) (b) Condition 10.3 (Limited Recourse):	Applicable	Applicable

		<b>Series 1 Class A1</b>	<b>Series 1 Class A2</b>
(18)	(a) Listing and admission to trading:	Application has been made by the Master Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and listed on the Official List of the UK Listing Authority	Application has been made by the Master Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and listed on the Official List of the UK Listing Authority
	(b) Estimate of total expenses related to admission to trading:	For all 2016-1 notes, an aggregate amount of £8,000.	
(19)	(a) Status of the Notes:	Direct, secured and unconditional obligation of the Master Issuer	Direct, secured and unconditional obligation of the Master Issuer
	(b) Date of board approval for issuance of the Notes:	11 November 2016	11 November 2016

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

(20)	Interest Commencement Date:	28 November 2016	28 November 2016
(21)	Fixed Rate Note provisions:	Not Applicable	Not Applicable
(22)	Floating Rate Note provisions:	Applicable	Applicable
	(a) Interest Payment Dates:	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 January 2017.	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 January 2017.
	(b) Business Day Convention:	Following Business Day Convention	Following Business Day Convention
	(c) Additional Business Centre(s):	Not Applicable	Not Applicable
	(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	Screen Rate Determination	Screen Rate Determination
	(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent Bank / Calculation Agent):	Not Applicable	Not Applicable
	(f) Screen Rate Determination:	Applicable	Applicable
	• Reference Rate:	Three month sterling LIBOR (or in respect of the first Interest Period, the linear interpolation of 1 month sterling LIBOR and 2 month sterling LIBOR)	Three month sterling LIBOR (or in respect of the first Interest Period, the linear interpolation of 1 month sterling LIBOR and 2 month sterling LIBOR)
	• Determination Date(s):	The first day of each Interest Period	The first day of each Interest Period
	• Relevant Screen Page:	Reuters Monitor Money Rates Service at the page designated as LIBOR 01	Reuters Monitor Money Rates Service at the page designated as LIBOR 01
	(g) ISDA Determination:	Not Applicable	Not Applicable
	(h) Margin(s):	0.40% per annum	0.45% per annum
	(i) Minimum Rate of Interest:	0% per annum	0% per annum

	<b>Series 1 Class A1</b>	<b>Series 1 Class A2</b>
(j) Maximum Rate of Interest:	Not Applicable	Not Applicable
(k) Step-Up Date:	Interest Payment Date occurring in January 2020	Interest Payment Date occurring in October 2021
(l) Step-Up Margin(s):	0.80% per annum	0.45% per annum
(m) Day Count Fraction:	Actual/365	Actual/365
(n) 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	Not Applicable
(23) Zero Coupon Note Provisions:	Not Applicable	Not Applicable
(24) Other special provisions relating to Interest Payment Dates:	Not Applicable	Not Applicable
(25) Talons for future coupons to be attached to Definitive Notes (and dates on which talons mature):	No	No
<b>PROVISIONS RELATING TO REPAYMENT</b>		
(26) Details relating to bullet redemption notes:	Not Applicable	Not Applicable
(27) Details relating to scheduled redemption notes:	Applicable	Not Applicable
(a) Scheduled redemption dates:	Interest Payment Date occurring in July 2019 and January 2020	
(b) Scheduled amortisation instalments:	July 2019: £125,000,000 January 2020: £125,000,000	Not Applicable
(28) Details relating to pass-through notes:	Not Applicable	Applicable
(a) Pass-through repayment dates:	Not Applicable	To be redeemed in full or in part on each Interest Payment Date falling on or after the Interest Payment Date in October 2021
(29) Maturity Purchase Notes:	Not Applicable	Not Applicable
(30) Redemption Amount:	Condition 5.6 applies	Condition 5.6 applies
(31) Early redemption amount per Specified Denomination payable on redemption for taxation reasons or an event of default or other early redemption and/or method of calculating the same (if required or if different from that set out in the Conditions):	Not Applicable	Not Applicable
(32) Redenomination, renominatisation and reconventioning provisions applicable:	Redenomination not applicable	Redenomination not applicable

		<b>Series 1 Class A1</b>	<b>Series 1 Class A2</b>
(33)	Master Issuer Swap Provider(s):	Not Applicable	Not Applicable
	(a) Specified Currency Exchange Rate (Sterling/specified currency) specified in the Master Issuer Swap Agreement relating to the Notes:	Not Applicable	Not Applicable
	(b) Specified fixed/floating interest rate exchange rate specified in the Master Issuer Swap Agreement relating to the Notes:	Not Applicable	Not Applicable
	(c) Specified interest rate exchange rate specified in the Master Issuer Swap Agreement relating to the Notes:	Not Applicable	Not Applicable

#### **PROVISIONS RELATING TO SUBORDINATION/CREDIT ENHANCEMENT AT THE MASTER ISSUER LEVEL**

(34)	Issuing entity start-up loan to be advanced on the Closing Date:	Not Applicable	Not Applicable
(35)	Aggregate outstanding principal balance of all issuing entity start-up loans (including any issuing entity start-up loan to be advanced on the Closing Date) as at the Closing Date:	£0	
(36)	Issuing entity subordinated loan to be advanced on the Closing Date:	Not Applicable	Not Applicable
(37)	Aggregate outstanding principal balance of all issuing entity subordinated loans (including any issuing entity subordinated loans to be advanced on the Closing Date) as at the Closing Date:	£0	

#### **PROVISIONS RELATING TO SUBORDINATION/CREDIT ENHANCEMENT AT THE FUNDING 2 LEVEL**

(38)	Required subordinated loan tranche principal amount outstanding: <sup>1</sup>	£0	£0
(39)	Aggregate outstanding principal balance of all subordinated loan tranches (including any subordinated loan tranches to be advanced on the Closing Date) as at the Closing Date:	£0	
(40)	Funding 2 reserve required amount as at the Closing Date: <sup>2</sup> :	For all Notes issued by the Master Issuer, £221,000,000	

<sup>1</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

<sup>2</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

	Series 1 Class A1	Series 1 Class A2	
(41)	Funding 2 start-up loan to be advanced on the Closing Date:	Applicable	
	(a) Funding 2 start-up loan provider:	Bank of Scotland	
	(b) Initial outstanding principal balance:	£6,650,000	
	(c) Interest rate:	(i) in the case of the rate of interest to the Funding 2 Interest Payment Date falling in January 2017, the linear interpolation of LIBOR for 1 month sterling deposits and LIBOR for 2 month sterling deposits plus a margin of 2% per annum and (ii) thereafter, three month sterling LIBOR plus 2% per annum	
(42)	Aggregate outstanding principal balance of all Funding 2 start-up loans (including any Funding 2 start-up loans to be advanced on the Closing Date) as at the Closing Date:	£331,358,963.45	
(43)	Funding 2 Z Loan required amount as at the Closing Date: <sup>3</sup>	£231,500,000	
(44)	Funding 2 Z loan to be advanced on the Closing Date:	£71,500,000	
(45)	Aggregate outstanding principal balance of all Funding 2 Z loans (including any Funding 2 Z loan to be advanced on the Closing Date and taking into account any repayment of Funding 2 Z loans on the Closing Date) as at the Closing Date:	£231,500,000	
(46)	Funding 2 Yield Reserve Notes:	Not Applicable	Not Applicable
(47)	Funding 2 yield reserve required amount:	Not Applicable	Not Applicable
(48)	Funding 2 yield reserve reduction amount:	Not Applicable	Not Applicable
(49)	Funding 2 yield reserve reduction date:	Not Applicable	Not Applicable
<b>PROVISIONS RELATING TO SELLING RESTRICTIONS AND US TAX</b>			
(50)	Additional selling restrictions:	Not Applicable	Not Applicable
(51)	U.S. tax treatment:	Not Applicable	Not Applicable
(52)	ERISA eligible:	Not Applicable	Not Applicable
(53)	U.S. Credit Risk Retention:	Not Applicable	Not Applicable

<sup>3</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

	Series 1 Class A1	Series 1 Class A2	
<b>OPERATIONAL INFORMATION</b>			
(54)	Any clearing system(s) other than DTC, Euroclear or Clearstream, Luxembourg and the relevant identification numbers:	Not Applicable	Not Applicable
(55)	Delivery:	Delivery against payment	Delivery free of payment
(56)	Name and address of initial Paying Agent:	Citibank, N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB	Citibank, N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB
(57)	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable	Not Applicable
(58)	ISIN:	XS1515230990	XS1515233663
(59)	Common Code:	151523099	151523366
(60)	CUSIP:	Not Applicable	Not Applicable
(61)	Eurosystem Eligibility:	Yes. 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 registered in the name of a nominee of the 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 European Central Bank being satisfied that Eurosystem eligibility criteria have been met.	

## LOAN TRANCHE INFORMATION

On the Closing Date for the Notes, the Master Issuer will, pursuant to the terms of the master intercompany loan agreement, advance to Funding 2 an aggregate amount in sterling equal to the proceeds of the issue of the Notes.

The advance will be made up of separate loan tranches; each tranche will be funded by a separate Class or sub-Class of the Notes and will be identified by reference to that Class or sub-Class of the Notes.

(62)	Borrower:	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited
(63)	The rated loan tranche(s) are as follows:	Series 1 Class A1 AAA Loan Tranche	Series 1 Class A2 AAA Loan Tranche
(64)	Designated rated loan tranche rating:	AAA Loan Tranche	AAA Loan Tranche
(65)	Designation of rated loan tranche:	Scheduled Amortisation Loan Tranche	Pass-through Loan Tranche
(66)	Initial principal amount:	£250,000,000	£1,750,000,000
(67)	Closing Date:	28 November 2016	28 November 2016



	<u>Series 1 Class A1</u>	<u>Series 1 Class A2</u>	
(68)	Interest commencement date:	28 November 2016	28 November 2016
(69)	Rated loan tranche payment dates:	Each scheduled loan tranche repayment date	Each pass-through loan tranche repayment date
(70)	Rated loan tranche rate:	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):
	(a) Reuters Screen Page LIBOR01:	Reuters Monitor Money Rates Service at the page designated as LIBOR 01	Reuters Monitor Money Rates Service at the page designated as LIBOR 01
	(b) Rated loan tranche rate margin:	0.40% per annum	0.45% per annum
	(c) Funding 2 yield reserve primary revenue margin:	Not Applicable	Not Applicable
	(d) Loan tranche rate of interest subject to a zero floor:	Applicable	Applicable
(71)	Step-Up Date (if any):	The Funding 2 Interest Payment Date occurring in January 2020	The Funding 2 Interest Payment Date occurring in October 2021
(72)	Stepped-up loan tranche rate:	0.80% per annum	0.45% per annum
(73)	Details relating to bullet loan tranches:	Not Applicable	Not Applicable
(74)	Details relating to scheduled amortisation loan tranches:	Applicable	Not Applicable
	(a) Scheduled loan tranche repayment dates:	The Funding 2 Interest Payment Date occurring in July 2019 and January 2020	Not Applicable
	(b) Relevant accumulation amounts:	July 2019: £125,000,000 January 2020: £125,000,000	Not Applicable
(75)	Details relating to pass-through loan tranches:	Not Applicable	Applicable
	(a) Pass-through loan tranche repayment dates:	Not Applicable	Pass-through loan tranches will be due and payable from and including the Funding 2 Interest Payment Date occurring on October 2021
	(b) Final repayment date:	Not Applicable	The Funding 2 Interest Payment Date falling in July 2058
(76)	Details relating to subordinated loan tranches:	Not Applicable	Not Applicable

## OTHER INFORMATION

### Interests of natural and legal persons involved in the issue:

Save as discussed in these Final Terms, so far as the issuing entity is aware, no person involved in the offer of the Notes has an interest material to the offer.

### Information relating to other notes issued by the Master Issuer as at the closing date and corresponding loan tranches advanced to Funding 2

As of the Closing Date, the aggregate principal amount outstanding of all notes issued by the issuing entity (converted, where applicable, into sterling at the applicable specified currency exchange rate), including the issue of the 2016-1 notes described herein, will be as follows:

£6,389,837,512.00

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:

£6,389,837,512.00

### Information relating to notes issued by Funding 1 issuing entities as at the closing date and corresponding term advances made to Funding 1 issuing entities

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:

£0

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

£0

### Information relating to Funding 2 start-up loans

The following start-up loans were previously made available to Funding 2 by Halifax (then in its capacity as the Funding 2 start-up loan provider) or Bank of Scotland as the Funding 2 start-up loan provider in connection with the issues of notes set out below. Halifax's rights under the start-up loans made available by it were transferred to Bank of Scotland on 17 September 2007 pursuant to the HBOS Group Reorganisation Act 2006.

<u>Issue</u>	<u>Current outstanding principal balance</u>	<u>Interest rate</u>
2006-1	£24,124,899.39	Three-month sterling LIBOR plus 0.25% per annum
2007-1	£19,116,417.20	Three-month sterling LIBOR plus 0.25% per annum
2008-1	£42,796,516.32	Three-month sterling LIBOR plus 0.25% per annum
2008-2	£240,963.03	Three-month sterling LIBOR plus 0.25% per annum
2010-1	£2,089,722.58	Three-month sterling LIBOR plus 0.25% per annum
2010-2	£68,055,975.52	Three-month sterling LIBOR plus 0.25% per annum
2011-1	£143,724,492.58	Three-month sterling LIBOR plus 0.25% per annum
2011-2	£23,182,909.77	Three-month sterling LIBOR plus 0.25% per annum
2013-1	£600,887.63	Three-month sterling LIBOR plus 0.25% per annum
2015-1	£1,776,179.43	Three-month sterling LIBOR plus 0.25% per annum

## Information relating to Funding 2 Z loans

The following Funding 2 Z loans were previously made available to Funding 2 by Bank of Scotland as the Funding 2 Z loan provider.

### Current outstanding principal balance<sup>4</sup>

£231,500,000

### Interest rate

Three-month sterling LIBOR plus 0.90% per annum

## Information relating to Funding 1 start-up loans

All previous start-up loans made available to Funding 1 have been repaid and no start-up loan will be advanced to Funding 1 on the closing date.

## Information relating to Funding 1 Z loans

All previous Funding 1 Z loans made available to Funding 1 have been repaid and no Funding 1 Z loan will be advanced to Funding 1 on the closing date.

## Information relating to issuing entity start-up loans

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 advanced to the issuing entity on the closing date.

## Information relating to issuing entity subordinated loans

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.

## Information relating to the 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 £382,000,000;
- the Funding 1 share will be approximately £0, representing approximately 0 per cent. of the trust property;
- the Funding 2 share will be approximately £5,722,000,000, representing approximately 42.0 per cent. of the trust property; and
- the seller share will be approximately £7,916,000,000, representing approximately 58.0 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 need not be more than £0 (the **minimum trust size**). See "**The mortgages trust – Cash management of trust property – distribution of principal receipts to Funding 2**" in the base prospectus.

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<sup>4</sup> Including any Funding 2 Z loan to be advanced on the Closing Date and taking into account any repayment of Funding 2 Z loans on the Closing Date.

**Information relating to the mortgage sale agreement and the portfolio as at the closing date**

For the purposes of clause 4.2 of the mortgage sale agreement, the Minimum Trust Property Yield Margin means 1.5 per cent.

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

- (a) each loan in the portfolio was made no earlier than 1 February 1996 and no later than 31 October 2016; and
- (b) the final maturity date of each loan in the portfolio is no later than June 2058.

## FITCH PORTFOLIO TEST VALUES

For the purposes of the Fitch portfolio tests (see “**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):

- (a) the margin by which the original weighted average LTV ratio may exceed that at the Closing Date shall be 2 per cent.<sup>5</sup>;
- (b) item (b) of the Fitch portfolio test values is not applicable<sup>6</sup>;
- (c) the margin by which the current weighted average LTV ratio may exceed that at the Closing Date shall be 2 per cent.<sup>7</sup>;
- (d) the margin by which the weighted average debt to income multiple may exceed that at the Closing Date shall be 0.35<sup>8</sup>; and
- (e) the percentage limit that the outstanding principal balance of any loans in the portfolio with an interest only part represents of the outstanding principal balance of the loans in the portfolio shall be 50 per cent.

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<sup>5</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

<sup>6</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

<sup>7</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

<sup>8</sup> As set out in the base prospectus, this figure may be further adjusted in subsequent drawdown prospectuses or final terms.

## **USE OF PROCEEDS**

The gross proceeds from the issue of the 2016-1 notes equal approximately £2,000,000,000 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.

## MATURITY AND PREPAYMENT CONSIDERATIONS

The average lives of any series and class of the 2016-1 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 series and class of the 2016-1 notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of each series and class of the 2016-1 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 seller sells no new loans to the mortgages trustee after the Closing Date (except to the extent required to maintain the minimum seller share) and the loans are assumed to amortise in accordance with the assumed constant payment rate indicated in the table below;
- (4) neither an asset trigger event nor a non-asset trigger event occurs;
- (5) no event occurs that would cause payments on scheduled amortisation loan tranches or pass-through loan tranches to be deferred (unless such advances are deferred in accordance with Rule (1)(B) or Rule (1)(C) as set out in “**Cashflows – Distribution of Funding 2 available principal receipts – Rule (1) – Repayment deferrals**” in the base prospectus);
- (6) the annualised CPR as at the Closing Date is assumed to be the same as the various assumed rates in the table below;
- (7) there is a balance of £682,475,986 in the Funding 2 cash accumulation ledger at the Closing Date and a balance of £0 in the Funding 1 cash accumulation ledger at the Closing Date;
- (8) the issuing entity exercises its option to redeem all notes on the Step-Up Date relating to such notes;
- (9) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller continue to be rated at least “A3” by Moody's and “A-” by Standard & Poor's, the long-term “Issuer Default Rating” of the seller continues to be at least “A” by Fitch and the short-term “Issuer Default Rating” of the seller continues to be at least “F1” by Fitch;
- (10) no interest or fees are paid from principal receipts;
- (11) the mortgage loans are not subject to any defaults or losses, and no mortgage loan falls into arrears; and
- (12) the Closing Date is 28 November 2016.

### CPR and possible average lives of each series and class of issue 2016-1 notes (in years)

Based upon the foregoing assumptions, the approximate average life in years of each series and class of issue 2016-1 notes, at various assumed rates of repayment of the loans, would be as follows:

<b>Constant payment rate<sup>(1)</sup> (per annum)</b>	Series 1 Class A1	Series 1 Class A2
5 per cent.....	2.88	4.88
10 per cent.....	2.88	4.88
15 per cent.....	2.88	4.88
20 per cent.....	2.88	4.88
25 per cent.....	2.88	4.88
30 per cent.....	2.88	4.88
35 per cent.....	2.88	4.88

*(1) Includes both scheduled and unscheduled payments.*

Assumptions (1), (2), (3), (4), (5), (8), (9), (10) and (11) relate to circumstances which are not predictable. No assurance can be given that the issuing entity will be in a position to redeem the 2016-1 notes on the Step-Up Date. If the issuing entity does not so exercise its option to redeem, then the average lives of the then outstanding 2016-1 notes would be extended.

The average lives of the 2016-1 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 your 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 currently comprising the mortgages trust. For the avoidance of doubt, no further loans and their related security will be sold to the mortgages trustee on the closing date.

The statistical and other information contained in these Final Terms has been compiled by reference to the loans in the portfolio as at the cut-off date that, subject as provided, are expected to indirectly secure the 2016-1 notes and all other notes of the issuing entity as at 30 September 2016 (the **cut-off date**). Columns stating percentage amounts may not add up to 100% due to rounding. 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 and only whilst they previously formed part of the portfolio)**” on page 24 in these Final Terms reflects the arrears and repossession experience for loans in the expected 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 portfolio. It is not expected that the characteristics of the portfolio 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 expected portfolio as at the cut-off date consisted of 197,873 mortgage accounts, comprising loans originated by Halifax or by Bank of Scotland under the “Halifax” brand and secured over properties located in England, Wales and Scotland and having an aggregate outstanding principal balance of £13,853,843,073.68 as at that date. The loans in the expected portfolio as at the cut-off date were originated between 1 February 1996 and 29 October 2010.

As at 31 October 2016, HVR 1 was 3.74% per annum, HVR 2 was 3.64% per annum, HHVR was 3.74% per annum and the Halifax flexible variable rate was 3.64% per annum.

Approximately 1.98% 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) or (as applicable) the Housing (Scotland) Act 1987 (as amended).

## 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
<£25,000.....	631,887,347.54	4.56	51,523	26.04
£25,000 – <£50,000.....	1,613,007,827.49	11.64	43,564	22.02
£50,000 – <£75,000.....	2,118,615,172.45	15.29	34,285	17.33
£75,000 – <£100,000.....	1,999,251,485.42	14.43	23,089	11.67
£100,000 – <£125,000.....	1,692,052,939.92	12.21	15,148	7.66
£125,000 – <£150,000.....	1,367,585,654.16	9.87	10,003	5.06
£150,000 – <£175,000.....	1,062,392,012.95	7.67	6,586	3.33
£175,000 – <£200,000.....	790,759,228.99	5.71	4,241	2.14
£200,000 – <£225,000.....	588,261,580.28	4.25	2,783	1.41
£225,000 – <£250,000.....	450,542,769.74	3.25	1,903	0.96
£250,000 – <£275,000.....	334,676,702.62	2.42	1,281	0.65
£275,000 – <£300,000.....	256,446,437.36	1.85	893	0.45
£300,000 – <£350,000.....	372,656,625.73	2.69	1,159	0.59
£350,000 – <£400,000.....	259,155,495.79	1.87	696	0.35
£400,000 – <£450,000.....	192,161,438.52	1.39	455	0.23
£450,000 – <£500,000.....	124,390,354.72	0.90	264	0.13
>=£500,000.....	-	0.00	-	0.00
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

\* 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 £499,569.55 and the smallest mortgage account had an outstanding current balance as at the cut-off date of -£17,108.12. The weighted average outstanding current balance (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the cut-off date was approximately £131,759.11.

## 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 or certain product transfer has been applied for or granted 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.

<b>Range of LTV Ratios at origination*</b>	<b>Aggregate outstanding balance as at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
0% – <25% .....	189,530,186.21	1.37	8,305	4.20
25% – <50% .....	1,407,260,372.81	10.16	35,110	17.74
50% – <75% .....	4,969,158,777.88	35.87	68,810	34.77
75% – <80% .....	1,531,015,694.46	11.05	16,554	8.37
80% – <85% .....	1,129,316,552.78	8.15	12,783	6.46
85% – <90% .....	1,644,143,021.27	11.87	18,015	9.10
90% – <95% .....	1,838,072,147.00	13.27	21,385	10.81
95% – <100% .....	1,145,346,321.27	8.27	16,911	8.55
>=100%.....	-	0.00	-	0.00
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

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

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 73.34%. 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 97.00% 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.

<b>Range of LTV Ratios as at the cut-off date*</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
<25%.....	2,454,834,358.74	17.72	84,008	42.46
25% – <50% .....	5,861,876,527.75	42.31	66,766	33.74
50% – <75% .....	4,641,419,196.15	33.50	40,437	20.44
75% – <80% .....	370,533,490.97	2.67	2,847	1.44
80% – <85% .....	238,495,229.52	1.72	1,733	0.88
85% – <90% .....	165,218,967.67	1.19	1,206	0.61
90% – <95% .....	75,463,487.09	0.54	545	0.28
95% – <100% .....	32,587,646.18	0.24	238	0.12
100% – <105% .....	10,398,477.45	0.08	71	0.04
105% – <110% .....	2,503,097.93	0.02	18	0.01
110% – <115% .....	-	0.00	-	0.00
115% – <120% .....	512,594.23	0.00	4	0.00
120% – <125% .....	-	0.00	-	0.00
>=125%.....	-	0.00	-	0.00
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

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

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 44.65%. The highest LTV ratio of any mortgage account (including any capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) was 116.10% and the lowest was -14.14%.

### 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.

<b>Regions</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
East Midlands .....	863,200,582.44	6.23	14,350	7.25
East of England .....	1,270,994,234.30	9.17	15,387	7.78
London .....	2,446,986,332.11	17.66	21,515	10.87
North East .....	549,367,901.38	3.97	10,709	5.41
North West .....	1,354,312,279.18	9.78	24,581	12.42
Scotland .....	1,356,536,301.38	9.79	24,453	12.36
South East .....	2,060,954,916.63	14.88	22,039	11.14
South West .....	994,392,259.40	7.18	12,849	6.49
Wales .....	505,298,763.18	3.65	8,978	4.54
West Midlands .....	1,194,787,026.94	8.62	19,382	9.80
Yorkshire & The Humber .....	1,254,296,680.80	9.05	23,586	11.92
Unknown* .....	2,715,795.94	0.02	44	0.02
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

\* Where the postal code for the relevant property has not yet been allocated or is not shown in the seller's records.

### Seasoning of loans

The following table shows the number of months since the date of origination of the initial loan in a mortgage account as at the cut-off date.

<b>Age of loans in months as at the cut-off date</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
0 to <6 .....	-	0.00	-	0.00
6 to <12 .....	-	0.00	-	0.00
12 to <18 .....	-	0.00	-	0.00
18 to <24 .....	-	0.00	-	0.00
24 to <30 .....	-	0.00	-	0.00
30 to <36 .....	-	0.00	-	0.00
36 to <42 .....	-	0.00	-	0.00
42 to <48 .....	-	0.00	-	0.00
48 to <60 .....	-	0.00	-	0.00
60 to <72 .....	76,123,621.15	0.55	965	0.49
72 to <84 .....	773,080,520.16	5.58	9,396	4.75
84 to <96 .....	1,663,973,925.53	12.01	17,502	8.85
96 to <108 .....	1,751,811,293.36	12.64	15,827	8.00
108 to <120 .....	2,650,847,554.45	19.13	26,209	13.25
>=120 .....	6,938,006,159.03	50.08	127,974	64.67
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

The maximum, minimum and weighted average seasoning of loans as at the cut-off date is 247.46, 71.06 and 126.41 months, respectively.

## Remaining 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.

<u>Remaining years to maturity</u>	<u>Aggregate outstanding balance at the cut-off date (£)</u>	<u>% of total</u>	<u>Number of mortgage accounts</u>	<u>% of total</u>
<5.....	1,311,015,149.33	9.46	35,034	17.71
5 to <10.....	2,742,528,459.20	19.80	51,685	26.12
10 to <15.....	5,142,783,767.32	37.12	64,784	32.74
15 to <20.....	3,500,830,382.09	25.27	34,039	17.20
20 to <25.....	1,154,934,892.96	8.34	12,315	6.22
25 to <30.....	1,144,295.48	0.01	10	0.01
>=30.....	606,127.30	0.00	6	0.00
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

The maximum, minimum and weighted average remaining term of the loans as at the cut-off date was 37.92, 0.00 and 12.47 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.

<u>Use of proceeds</u>	<u>Aggregate outstanding balance at the cut-off date (£)</u>	<u>% of total</u>	<u>Number of mortgage accounts</u>	<u>% of total</u>
Purchase.....	8,665,367,030.95	62.55	132,722	67.07
Remortgage.....	5,188,476,042.73	37.45	65,151	32.93
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

As at the cut-off date, the weighted average balance of loans used to finance the purchase of a new property was £121,553.85 and the weighted average balance of loans used to remortgage a property already owned by the borrower was £148,803.09.

## Property type

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

<b>Property type</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
Detached house.....	3,372,247,986.36	24.34	35,388	17.88
Semi-detached house.....	4,041,851,245.95	29.17	63,956	32.32
Terraced house.....	4,042,512,848.61	29.18	66,950	33.83
House – detachment type unknown <sup>1</sup> .....	30,076,964.65	0.22	367	0.19
Flat or maisonette.....	1,894,734,004.44	13.68	25,459	12.87
Bungalow.....	469,912,000.05	3.39	5,661	2.86
Unknown <sup>2</sup> .....	2,508,023.62	0.02	92	0.05
<b>Total.....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

<sup>1</sup> Where the detachment type of the house is not shown in the seller's records.

<sup>2</sup> Where the property type is not shown in the seller's records.

As at the cut-off date, the weighted average balance of loans secured by detached houses, semi-detached houses, terraced houses and flats (including maisonettes) was £179,505.75, £115,457.03, £108,253.04 and £128,542.55, respectively.

## Origination channel

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

<b>Origination channel</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
Direct.....	5,257,592,127.30	37.95	94,088	47.55
Intermediary / Other.....	8,596,250,946.38	62.05	103,785	52.45
<b>Total.....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

The direct origination includes former 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, and intermediaries or other channels was £103,860.43 and £148,822.34, 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.

<b>Repayment terms</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
Repayment.....	7,209,525,818.67	52.04	139,695	70.60
Interest Only.....	6,644,317,255.01	47.96	58,178	29.40
<b>Total.....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

As at the cut-off date, the weighted average balance of repayment loans and interest-only loans was £87,170.89 and £180,140.28, respectively.

## Payment methods

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

Payment method	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Direct debit.....	12,687,718,675.83	91.58	181,316	91.63
Other .....	1,166,124,397.85	8.42	16,557	8.37
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>

\* External standing orders, internal standing orders and payments made over the counter at a branch.

The following three tables have been calculated on the basis of the type of loan applicable to each mortgage account's primary product holding. In addition to the primary product holding, a mortgage account may have other active product holdings, which may or may not be of the same type as the primary product holding.

## Distribution of types of loans

The following table shows the distribution of types of loans as at the cut-off date.

Type of loan	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Added variable rate loans .....	79,182,254.22	0.57	965	0.49
Discounted variable rate loans .....	59,742,696.01	0.43	601	0.30
Fixed rate loans .....	3,896,597,787.81	28.13	46,456	23.48
Tracker rate loans .....	927,491,343.02	6.69	17,341	8.76
Standard variable rate loans.....	8,890,828,992.62	64.18	132,510	66.97
<b>Total .....</b>	<b>13,853,843,073.68</b>	<b>100.00</b>	<b>197,873</b>	<b>100.00</b>
Of which Flexible loans.....	70,275,862.20	0.51	826	0.42

## Distribution of 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.

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 balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
0 – <4.00.....	3,539,279,620.60	90.83	41,264	88.82
4.00 – <5.00.....	151,160,700.57	3.88	1,388	2.99
5.00 – <6.00.....	107,737,816.99	2.76	1,800	3.87
6.00 – <7.00.....	98,195,252.23	2.52	2,001	4.31
>=7.00.....	224,397.42	0.01	3	0.01
<b>Total .....</b>	<b>3,896,597,787.81</b>	<b>100.00</b>	<b>46,456</b>	<b>100.00</b>

<b>Year in which current fixed rate period ends</b>	<b>Aggregate outstanding balance at the cut-off date (£)</b>	<b>% of total</b>	<b>Number of mortgage accounts</b>	<b>% of total</b>
2016.....	205,572,423.20	5.28	2,635	5.67
2017.....	1,117,832,130.47	28.69	13,287	28.60
2018.....	1,973,093,986.01	50.64	22,712	48.89
2019.....	332,236,459.87	8.53	4,266	9.18
2020.....	155,777,548.27	4.00	1,983	4.27
2021.....	96,343,108.69	2.47	1,205	2.59
2022.....	15,322,850.55	0.39	203	0.44
>=2023.....	419,280.75	0.01	165	0.36
<b>Total .....</b>	<b>3,896,597,787.81</b>	<b>100.00</b>	<b>46,456</b>	<b>100.00</b>

### Payment rate analysis

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

<b>As of month-end</b>	<b>one-month annualised</b>	<b>three-month annualised</b>	<b>12-month annualised</b>
September 2016	17.00%	18.14%	18.18%

In the table above,

- one-month annualised CPR is calculated as  $1 - ((1 - R) ^ 12)$ ,
- three-month annualised CPR is calculated as the average of the one-month annualised CPR for the most recent three months, and
- 12-month annualised CPR is calculated as the average of the one-month annualised CPR for the most recent 12 months,

where in each case R is (i) total principal receipts received plus the principal balance of loans repurchased by the seller (primarily due to further advances) during the relevant period, divided by (ii) the aggregate 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 and only whilst they previously formed part of the portfolio)

Since the establishment of the mortgages trust, total cumulative losses on loans whilst the loan formed part of the portfolio were £144,500,000 as at 30 September 2016.

The following table summarises loans in arrears and repossession experience for loans in the portfolio (including loans which and only whilst they 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 ' 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.



**Delinquency and loss experience on loans in the portfolio (including loans which and only whilst they previously formed part of the portfolio) as at the date shown**

	31 Jan 2011	31 Jan 2012	31 Jan 2013	31 Jan 2014	31 Jan 2015*	31 Jan 2016*
Outstanding balance (£) .....	39,012,829,842.49	32,872,218,167.99	27,496,049,173.11	23,328,732,109.80	19,090,038,911.69	15,804,194,604.50
Number of loans outstanding .....	467,298	406,937	349,962	305,094	260,276	220,099
<b>Outstanding balance of loans in arrears (£) ...</b>						
1 – <2 months .....	498,868,750.51	392,678,727.08	455,608,148.49	409,141,640.68	341,142,238.28	266,430,228.63
2 – <3 months .....	212,793,251.58	195,876,317.22	219,157,247.83	222,977,386.89	164,466,999.54	81,310,576.02
3 – <6 months .....	344,757,983.24	350,402,209.26	380,755,626.34	352,564,822.52	46,454,955.49	21,401,919.95
6 – <12 months .....	254,520,548.20	266,776,475.52	318,932,185.97	273,871,450.34	250,866.93	55,138.33
12+ months .....	168,424,680.95	155,798,489.68	166,505,053.02	147,712,446.80	0.00	0.00
Total outstanding balance of loans in arrears .....	<u>1,479,365,214.48</u>	<u>1,361,532,218.76</u>	<u>1,540,958,261.65</u>	<u>1,406,267,747.23</u>	<u>552,315,060.24</u>	<u>369,197,862.93</u>
Total outstanding balance of loans in arrears as % of the outstanding balance .....	<u>3.79</u>	<u>4.14</u>	<u>5.60</u>	<u>6.03</u>	<u>2.89</u>	<u>2.34</u>
Outstanding balance of loans relating to properties in Possession .....	<u>28,162,007.73</u>	<u>29,989,251.44</u>	<u>24,735,568.01</u>	<u>20,053,478.24</u>	<u>243,118.95</u>	<u>43,334.41</u>
Outstanding balance of loans relating to properties sold during the period <sup>(1)</sup> .....	<u>86,264,900.25</u>	<u>73,791,042.19</u>	<u>82,006,997.51</u>	<u>85,684,002.80</u>	<u>70,389,893.43</u>	<u>1,891,696.75</u>
Net loss on sales of all repossessed properties <sup>(2)</sup> .....	<u>17,416,577.06</u>	<u>15,797,482.61</u>	<u>17,694,767.57</u>	<u>17,504,959.04</u>	<u>11,889,930.48</u>	<u>363,010.22</u>
Ratio of aggregate net losses to aggregate outstanding Balance of loans .....	<u>0.045</u>	<u>0.048</u>	<u>0.064</u>	<u>0.075</u>	<u>0.062</u>	<u>0.002</u>
Average net loss on all properties sold .....	<u>24,987.92</u>	<u>25,479.81</u>	<u>25,460.10</u>	<u>25,150.80</u>	<u>19,115.64</u>	<u>21,353.54</u>
<b>Number of loans outstanding in arrears .....</b>						
1 – <2 months .....	4,934	3,972	4,477	4,170	3,475	2,846
2 – <3 months .....	2,057	1,901	2,158	2,139	1,646	902
3 – <6 months .....	3,269	3,318	3,622	3,435	467	219
6 – <12 months .....	2,393	2,523	2,922	2,632	2	1
12+ months .....	1,520	1,480	1,588	1,354	0	0
Total number of loans outstanding in arrears .....	<u>14,173</u>	<u>13,194</u>	<u>14,767</u>	<u>13,730</u>	<u>5,590</u>	<u>3,968</u>
Total number of loans outstanding in arrears as % of the number of loans Outstanding .....	<u>3.033</u>	<u>3.242</u>	<u>4.220</u>	<u>4.500</u>	<u>2.148</u>	<u>1.803</u>
Number of properties in Possession .....	<u>247</u>	<u>282</u>	<u>209</u>	<u>197</u>	<u>4</u>	<u>1</u>
Number of properties sold during the period .....	<u>697</u>	<u>620</u>	<u>695</u>	<u>696</u>	<u>622</u>	<u>17</u>

(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.

\* Figures reflect the repurchase of accounts three months or more in arrears.

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 a further decline in property values so that the value of the properties in the portfolio falls or (in the case of properties which are currently below the principal balance of the relevant loan) remains, below the principal balances of the loans, the actual rates of arrears and losses could be significantly higher than those previously experienced, as borrowers may no longer be able to refinance their loans or sell their properties and move to more affordable properties. In addition, other adverse economic conditions, whether or not they affect property values, may nonetheless affect the timely payment by borrowers of principal and interest and, accordingly, the rates of arrears and losses with respect to the loans in the 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.

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.

The level of mortgage arrears on the Halifax loans reduced following the recession in the United Kingdom in the early nineties. The introduction of the scorecard in judging applications – and thus reducing discretion helped to keep the arrears level low, as did a healthy economic climate and 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.

The dislocation of financial markets in 2007 led to supply issues in the housing finance market while falling house prices and consumer confidence reduced demand for property. This has resulted in some borrowers being unable to sell their property or to refinance their loans due to either a lack of equity, in some instances negative equity, or the lack of available housing finance.

Whilst the economy slowed during 2008 and was in recession for the majority of 2009, during which time unemployment rose, interest rates fell to historically low levels, easing mortgage affordability. This easing of mortgage affordability combined with the use of the scorecard, referred to above, has meant that arrears levels did not rise at this time to the levels experienced in the early nineties. As the economic environment has improved in recent years, the level of arrears has also reduced. In January 2015 and in each month from July 2015, the Seller exercised its option to repurchase accounts three months or more in arrears from the portfolio. The value of loans in arrears has accordingly been reduced relative to where it would otherwise have been.

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 the internal procedures are reviewed if necessary.

## CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The United Kingdom 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 PPR rates

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

Quarter	Industry PPR rate for the quarter (%)	12-month rolling average (%)	Quarter	Industry PPR rate for the quarter (%)	12-month rolling average (%)
September 1999 .....	17.88	15.57	March 2008 .....	20.26	24.15
December 1999 .....	16.79	15.88	June 2008 .....	21.65	23.15
March 2000 .....	13.91	16.21	September 2008 .....	20.94	21.80
June 2000 .....	15.63	16.05	December 2008 .....	15.99	19.71
September 2000 .....	16.31	15.66	March 2009 .....	13.49	18.02
December 2000 .....	16.02	15.47	June 2009 .....	11.90	15.58
March 2001 .....	15.76	15.93	September 2009 .....	13.34	13.68
June 2001 .....	18.67	16.69	December 2009 .....	12.53	12.81
September 2001 .....	20.74	17.80	March 2010 .....	9.97	11.94
December 2001 .....	20.56	18.93	June 2010 .....	11.01	11.71
March 2002 .....	19.24	19.80	September 2010 .....	11.76	11.32
June 2002 .....	21.63	20.54	December 2010 .....	11.39	11.03
September 2002 .....	24.22	21.41	March 2011 .....	10.40	11.14
December 2002 .....	23.47	22.14	June 2011 .....	11.00	11.14
March 2003 .....	21.80	22.78	September 2011 .....	12.37	11.29
June 2003 .....	23.00	23.12	December 2011 .....	11.86	11.41
September 2003 .....	24.63	23.22	March 2012 .....	10.97	11.55
December 2003 .....	25.49	23.73	June 2012 .....	11.27	11.62
March 2004 .....	21.77	23.72	September 2012 .....	11.53	11.41
June 2004 .....	23.52	23.85	December 2012 .....	11.82	11.40
September 2004 .....	24.90	23.92	March 2013 .....	11.38	11.50
December 2004 .....	21.37	22.89	June 2013 .....	13.00	11.93
March 2005 .....	18.44	22.06	September 2013 .....	14.67	12.72
June 2005 .....	21.89	21.65	December 2013 .....	14.94	13.50
September 2005 .....	24.96	21.66	March 2014 .....	13.53	14.03
December 2005 .....	25.32	22.65	June 2014 .....	14.21	14.34
March 2006 .....	22.95	23.78	September 2014 .....	15.16	14.46
June 2006 .....	24.11	24.34	December 2014 .....	14.24	14.28
September 2006 .....	25.73	24.53	March 2015 .....	13.01	14.15
December 2006 .....	25.63	24.61	June 2015 .....	13.99	14.10
March 2007 .....	24.56	25.01	September 2015 .....	15.19	14.11
June 2007 .....	25.64	25.39	December 2015 .....	15.45	14.41
September 2007 .....	26.32	25.54	March 2016 .....	15.10	14.93
December 2007 .....	24.36	25.22	June 2016 .....	15.11	15.21

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders

## Repossession rate

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

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1985.....	0.25	1996.....	0.40	2007.....	0.22
1986.....	0.30	1997.....	0.31	2008.....	0.34
1987.....	0.32	1998.....	0.31	2009.....	0.43
1988.....	0.22	1999.....	0.27	2010.....	0.34
1989.....	0.17	2000.....	0.20	2011.....	0.33
1990.....	0.47	2001.....	0.16	2012.....	0.30
1991.....	0.77	2002.....	0.11	2013.....	0.26
1992.....	0.69	2003.....	0.07	2014.....	0.19
1993.....	0.58	2004.....	0.07	2015.....	0.09
1994.....	0.47	2005.....	0.12		
1995.....	0.47	2006.....	0.18		

Source: Council of Mortgage Lenders

All information contained in these Final Terms in respect of industry PPR rates and repossession rates has been reproduced from information published by the Council of Mortgage Lenders. The issuing entity confirms that all information in these Final Terms in respect of industry PPR rates and repossession rates has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Council of Mortgage Lenders, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## House price to earnings ratio

The following table shows the ratio for each year since 1994 of the average house price compared to the average annual income of borrowers in the United Kingdom.

Year	Average annual earnings (£)	Average house price (£)	House price to earnings ratio
1994.....	22,288	64,787	2.91
1995.....	23,114	65,644	2.84
1996.....	24,740	70,626	2.85
1997.....	26,086	76,103	2.92
1998.....	27,317	81,774	2.99
1999.....	29,864	92,521	3.10
2000.....	31,193	101,550	3.26
2001.....	33,967	112,835	3.32
2002.....	36,277	128,265	3.54
2003.....	38,538	155,627	4.04
2004.....	39,873	180,248	4.52
2005.....	43,690	190,760	4.37
2006.....	50,789	204,813	4.03
2007.....	53,617	223,405	4.17
2008.....	54,527	227,765	4.18
2009.....	53,975	226,064	4.19
2010.....	57,973	251,174	4.33
2011.....	56,957	245,319	4.31
2012.....	57,121	246,032	4.31
2013.....	58,268	250,768	4.30
2014.....	59,808	267,132	4.47

Source: Office for National Statistics

House prices and incomes vary throughout England, Wales and Scotland. The table below summarises the average house price and the average income of borrowers for each region for the year ended 31 December 2014 in order to produce a house price to earnings ratio for each region.

<b>Regions</b>	<b>Average annual earnings (£)</b>	<b>Average house price (£)</b>	<b>House price to earnings ratio</b>
North .....	46,608	163,820	3.51
North West.....	50,003	185,026	3.70
Yorkshire & Humberside .....	48,259	182,146	3.77
East Midlands .....	48,105	187,812	3.90
West Midlands .....	49,773	202,274	4.06
East Anglia.....	52,886	230,529	4.36
London .....	90,261	469,546	5.20
South East .....	66,819	324,093	4.85
South West .....	52,971	243,528	4.60
Wales.....	46,679	177,771	3.81
Scotland.....	53,257	190,992	3.59

Source: Office for National Statistics

All information contained in these Final Terms in respect of average house prices and average earnings has been reproduced from information published by the Department for Communities and Local Government. The issuing entity confirms that all information in these Final Terms in respect of average house prices and average earnings has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Department for Communities and Local Government, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## House price index

United Kingdom residential property prices, as measured by the Nationwide House Price Index and the Halifax House Price Index (collectively the **Housing Indices**), have generally outperformed the United Kingdom Retail Price Index over the past 25 years. (Nationwide is a United Kingdom building society and Halifax is a brand name of Bank of Scotland, a United Kingdom bank. Markit agreed in March 2015 to acquire the Halifax House Price Index from Lloyds Banking Group.)

The United Kingdom housing market has been through various economic cycles in this period, with large year-to-year increases in the Housing Indices occurring in the late 1980s and the mid 1990s through to mid 2007 and decreases occurring in the early 1990s and mid 2007 through late 2009. Prices remained broadly stable until 2013 and have increased again over recent quarters.

Year	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
1988	106.9	4.9	.	.	184.8	23.3
1989	115.2	7.8	.	.	223.1	20.8
1990	126.1	9.5	.	.	223.2	0.0
1991	133.5	5.9	107.1	.	220.5	(1.2)
1992	138.5	3.7	103.0	(3.8)	208.1	(5.6)
1993	140.7	1.6	102.1	(0.8)	202.1	(2.9)
1994	144.1	2.4	103.5	1.3	203.1	0.5
1995	149.1	3.5	102.3	(1.2)	199.6	(1.7)
1996	152.7	2.4	106.3	4.0	208.6	4.5
1997	157.5	3.1	117.9	10.9	221.7	6.3
1998	162.9	3.4	129.8	10.1	233.7	5.4
1999	165.4	1.5	141.7	9.2	250.5	7.2
2000	170.3	3.0	160.0	12.9	275.1	9.8
2001	173.3	1.8	177.0	10.6	298.6	8.5
2002	176.2	1.7	211.8	19.7	350.6	17.4
2003	181.3	2.9	253.0	19.5	429.1	22.4
2004	186.7	3.0	296.3	17.1	507.6	18.3
2005	192.0	2.8	311.4	5.1	536.6	5.7
2006	198.1	3.2	331.4	6.4	581.3	8.3
2007	206.6	4.3	361.7	9.1	635.9	9.4
2008	214.8	4.0	337.4	(6.7)	585.9	(7.9)
2009	213.7	(0.5)	312.4	(7.4)	524.6	(10.5)
2010	223.6	4.6	330.6	5.8	539.6	2.9
2011	235.2	5.2	329.9	(0.2)	525.4	(2.6)
2012	242.7	3.2	327.1	(0.8)	522.1	(0.6)
2013	250.1	3.0	337.4	3.1	547.0	4.8
2014	256.0	2.4	370.3	9.7	593.5	8.5
2015	258.5	1.0	386.6	4.4	648.4	9.2

Source: Office for National Statistics, Nationwide Building Society and Lloyds Banking Group.

The percentage change in the table above is calculated in accordance with the following formula:

$$(X-Y)/Y$$

where **X** is equal to the current year's index value and **Y** is equal to the index value of the previous year.

The figures for the Nationwide House Price Index are the average of the published monthly indices for that year.

## Quarterly house price index

Quarter	Retail Price Index		Nationwide House Price Index (SA)		Halifax House Price Index (SA)*	
	Index	% annual change	Index	% annual change	Index	% annual change
March 2007 .....	203.0	4.5	353.9	9.5	623.5	2.9
June 2007 .....	206.3	4.4	360.1	10.2	639.4	2.5
September 2007 .....	207.1	3.9	365.1	9.3	646.5	1.1
December 2007 .....	209.8	4.2	367.7	6.9	638.8	(1.2)
March 2008 .....	211.1	4.0	361.9	2.2	630.0	(1.4)
June 2008 .....	215.3	4.4	345.7	(4.0)	597.6	(5.1)
September 2008 .....	217.4	5.0	327.5	(10.3)	564.0	(5.6)
December 2008 .....	215.5	2.7	313.4	(14.7)	534.6	(5.2)
March 2009 .....	210.9	(0.1)	302.4	(16.4)	517.7	(3.2)
June 2009 .....	212.6	(1.3)	305.0	(11.7)	510.6	(1.4)
September 2009 .....	214.4	(1.4)	317.3	(3.0)	523.6	2.5
December 2009 .....	216.9	0.6	324.0	3.4	540.4	3.2
March 2010 .....	219.3	4.0	329.3	8.9	543.6	0.6
June 2010 .....	223.5	5.1	333.8	9.5	543.6	0.0
September 2010 .....	224.5	4.7	331.5	4.5	537.2	(1.2)
December 2010 .....	227.0	4.7	325.8	0.5	531.7	(1.0)
March 2011 .....	230.9	5.3	328.3	(0.3)	527.3	(0.8)
June 2011 .....	234.9	5.1	329.7	(1.2)	524.5	(0.5)
September 2011 .....	236.2	5.2	330.1	(0.4)	525.2	0.1
December 2011 .....	238.6	5.1	329.7	1.1	524.0	(0.2)
March 2012 .....	239.6	3.8	328.9	0.2	523.2	(0.2)
June 2012 .....	242.2	3.1	326.0	(1.1)	521.0	(0.4)
September 2012 .....	243.1	2.9	324.9	(1.6)	519.1	(0.3)
December 2012 .....	246.0	3.1	326.0	(1.1)	522.9	0.7
March 2013 .....	247.4	3.3	329.2	0.2	529.0	1.2
June 2013 .....	249.7	3.1	330.7	1.4	540.5	2.2
September 2013 .....	250.9	3.2	339.1	4.3	551.0	1.9
December 2013 .....	252.5	2.6	349.1	7.1	562.7	2.1
March 2014 .....	253.9	2.6	359.4	9.2	575.2	2.2
June 2014 .....	256.0	2.5	368.9	11.5	587.2	2.1
September 2014 .....	256.9	2.4	374.7	10.5	604.3	2.9
December 2014 .....	257.4	1.9	378.2	8.3	607.2	0.5
March 2015 .....	256.4	1.0	380.2	5.9	622.7	2.6
June 2015 .....	258.5	1.0	384.3	4.1	643.1	3.3
September 2015 .....	259.3	0.9	388.5	3.7	655.5	1.9
December 2015 .....	260.0	1.0	394.2	4.3	666.5	1.7
March 2016 .....	260.0	1.4	400.3	5.3	685.7	2.9
June 2016 .....	262.2	1.4	404.1	5.1	696.4	1.6
September 2016 .....	264.2	1.9	409.5	5.4	693.1	(0.5)

Source: Office for National Statistics, Nationwide Building Society and Lloyds Banking Group.

\* Seasonally adjusted.

The percentage change in the table above is calculated in accordance with the following formula:

$$(X-Y)/Y$$

where X is equal to the current quarter's index value and Y is equal to the index value of the previous year's corresponding quarter.

All information contained in these Final Terms in respect of the Retail Price Index has been reproduced from information published by the Office for National Statistics. All information contained in these Final Terms in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society. All information contained in these Final Terms in respect of the Halifax House Price Index has been reproduced from information published by Lloyds Banking Group. The issuing entity confirms that all information in these Final Terms in respect of the Retail Price Index, the Nationwide

House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Office for National Statistics, Nationwide Building Society and Lloyds Banking Group, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the issuing entity has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the issuing entity nor Nationwide Building Society nor Lloyds Banking Group nor the Arranger nor the Lead Manager makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.



## STATIC POOL DATA

This section 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 section in respect of prepayments, as this information is not separately identified by the servicer. However, prepayment rates in respect of the mortgage loans in the mortgages trust are set out in the monthly reports to investors that are prepared pursuant to the servicing agreement. To date, prepayment rates in respect of the mortgage loans in the mortgages trust have broadly been in line with the industry PPR data set out on page 27 above.

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.

<u>Date</u>	<u>Balance of loans substituted or sold</u>	<u>Number of loans substituted or sold</u>	<u>In connection with previous issue by</u>
June 2002 .....	£10,117,255,819	173,505	Permanent Financing (No. 1) PLC (dissolved)
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 (dissolved)
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 (dissolved)
July 2004.....	£3,698,396,657	48,652	N/A
November 2004.....	£9,582,315,930	104,569	Permanent Financing (No. 6) PLC (dissolved)
March 2005 .....	£6,625,343,617	70,542	Permanent Financing (No. 7) PLC (dissolved)
June 2005 .....	£9,483,670,772	101,317	Permanent Financing (No. 8) PLC (dissolved)
December 2005.....	£5,786,749,656	65,460	N/A
March 2006 .....	£9,637,574,095	101,599	Permanent Financing (No. 9) PLC (dissolved)
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
October 2007 .....	£8,686,106,961	70,107	N/A
April 2008.....	£5,919,444,424	45,479	N/A
January 2009 .....	£2,997,445,751	23,102	N/A
September 2009.....	£5,004,406,381	43,970	N/A
May 2010 .....	£4,975,100,475	44,756	N/A
March 2011 .....	£2,606,665,774	26,244	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, the Fitch portfolio tests 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 latest 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 2010.

## Portfolio arrears by year of origination

### Loans originated in 2008 as at each specified date

31 December 2010				
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	40,076	5,099,605,444.31	97.14	96.89
1 to <2 months	522	69,532,774.29	1.27	1.32
2 to <3 months	183	25,432,815.15	0.44	0.48
3 to <6 months	277	37,875,767.06	0.67	0.72
6 to <12 months	163	25,315,418.59	0.40	0.48
≥12 months	36	5,365,010.58	0.09	0.10
<b>Total</b>	<b>41,257</b>	<b>5,263,127,229.98</b>	<b>100.00</b>	<b>100.00</b>

31 December 2011				
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	35,072	4,345,406,076.34	96.31%	95.88
1 to <2 months	501	67,825,273.63	1.38%	1.50
2 to <3 months	194	28,010,886.33	0.53%	0.62
3 to <6 months	312	42,641,597.14	0.86%	0.94
6 to <12 months	240	34,379,720.29	0.66%	0.76
≥12 months	98	13,910,498.86	0.27%	0.31
<b>Total</b>	<b>36,417</b>	<b>4,532,174,052.59</b>	<b>100.00%</b>	<b>100.00</b>

31 December 2012				
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	30,694	3,721,520,806.21	95.54	94.89
1 to <2 months	462	62,960,549.67	1.44	1.61
2 to <3 months	221	30,067,453.90	0.69	0.77
3 to <6 months	337	47,451,752.90	1.05	1.21
6 to <12 months	300	44,692,420.92	0.93	1.14
≥12 months	112	15,401,260.28	0.35	0.39
<b>Total</b>	<b>32,126</b>	<b>3,922,094,243.88</b>	<b>100.00</b>	<b>100.00</b>

31 December 2013				
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	26,787	3,172,076,624.89	94.60	93.94
1 to <2 months	519	66,686,158.51	1.83	1.97
2 to <3 months	244	32,196,433.02	0.86	0.95
3 to <6 months	368	48,675,086.46	1.30	1.44
6 to <12 months	272	38,403,268.20	0.96	1.14
≥12 months	127	18,518,407.05	0.45	0.55
<b>Total</b>	<b>28,317</b>	<b>3,376,555,978.13</b>	<b>100.00</b>	<b>100.00</b>

31 December 2014				
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	23,747	2,722,585,648.03	95.53	94.90
1 to <2 months	432	56,139,085.01	1.74	1.96
2 to <3 months	191	25,395,543.13	0.77	0.89
3 to <6 months	242	30,625,548.32	0.97	1.07
6 to <12 months	161	22,432,712.65	0.65	0.78
≥12 months	84	11,598,907.62	0.34	0.40
<b>Total</b>	<b>24,857</b>	<b>2,868,777,444.76</b>	<b>100.00</b>	<b>100.00</b>

31 December 2015				
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	20,808	2,320,075,666.09	98.02	97.68
1 to <2 months	306	40,446,126.51	1.44	1.70
2 to <3 months	98	12,855,803.77	0.46	0.54
3 to <6 months	16	1,830,422.07	0.08	0.08
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
<b>Total</b>	<b>21,228</b>	<b>2,375,208,018.44</b>	<b>100.00</b>	<b>100.00</b>

## Loans originated in 2009 as at each specified date

### 31 December 2010

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	28,997	3,135,358,466.62	98.13	97.94
1 to <2 months	300	34,097,549.04	1.02	1.07
2 to <3 months	82	9,832,808.16	0.28	0.31
3 to <6 months	117	15,308,606.02	0.40	0.48
6 to <12 months	46	5,698,343.73	0.16	0.18
≥12 months	7	862,333.40	0.02	0.03
<b>Total</b>	<b>29,549</b>	<b>3,201,158,106.97</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2011

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	30,078	3,117,417,610.79	97.33	97.07
1 to <2 months	350	39,394,207.41	1.13	1.23
2 to <3 months	112	12,116,229.18	0.36	0.38
3 to <6 months	206	24,506,072.15	0.67	0.76
6 to <12 months	124	14,742,237.68	0.40	0.46
≥12 months	32	3,474,371.76	0.10	0.11
<b>Total</b>	<b>30,902</b>	<b>3,211,650,728.97</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2012

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	25,501	2,538,715,068.17	96.66	96.30
1 to <2 months	318	33,100,874.43	1.21	1.26
2 to <3 months	129	14,117,477.77	0.49	0.54
3 to <6 months	204	23,558,739.46	0.77	0.89
6 to <12 months	160	18,193,036.86	0.61	0.69
≥12 months	69	8,471,526.52	0.26	0.32
<b>Total</b>	<b>26,381</b>	<b>2,636,156,723.21</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2013

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	22,413	2,154,309,542.08	96.13	95.75
1 to <2 months	300	31,377,367.03	1.29	1.39
2 to <3 months	152	15,518,942.33	0.65	0.69
3 to <6 months	221	23,780,756.87	0.95	1.06
6 to <12 months	162	17,048,215.28	0.69	0.76
≥12 months	68	7,829,154.73	0.29	0.35
<b>Total</b>	<b>23,316</b>	<b>2,249,863,978.32</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2014

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	19,361	1,791,704,796.88	96.74	96.27
1 to <2 months	223	23,859,949.29	1.11	1.28
2 to <3 months	111	10,605,340.78	0.55	0.57
3 to <6 months	163	17,219,877.75	0.81	0.93
6 to <12 months	95	9,927,478.80	0.47	0.53
≥12 months	60	7,814,319.67	0.30	0.42
<b>Total</b>	<b>20,013</b>	<b>1,861,131,763.17</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2015

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	16,672	1,483,397,077.66	98.58	98.41
1 to <2 months	167	16,540,639.99	0.99	1.10
2 to <3 months	60	6,339,788.27	0.35	0.42
3 to <6 months	14	1,082,488.36	0.08	0.07
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
<b>Total</b>	<b>16,913</b>	<b>1,507,359,994.28</b>	<b>100.00</b>	<b>100.00</b>

## Loans originated in 2010 as at each specified date

### 31 December 2010

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	1,680	193,974,121.48	98.36	98.42
1 to <2 months	19	1,991,605.01	1.11	1.01
2 to <3 months	5	584,896.39	0.29	0.30
3 to <6 months	3	488,863.82	0.18	0.25
6 to <12 months	1	41,817.60	0.06	0.02
≥12 months	0	0.00	0.00	0.00
<b>Total</b>	<b>1,708</b>	<b>197,081,304.30</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2011

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	11,766	1,250,475,357.03	98.36	98.33
1 to <2 months	108	11,729,614.43	0.90	0.92
2 to <3 months	38	4,137,970.11	0.32	0.33
3 to <6 months	39	4,029,402.89	0.33	0.32
6 to <12 months	10	1,323,118.57	0.08	0.10
≥12 months	1	43,462.22	0.01	0.00
<b>Total</b>	<b>11,962</b>	<b>1,271,738,925.25</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2012

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	9,847	990,125,440.27	97.15	96.96
1 to <2 months	116	11,955,681.58	1.14	1.17
2 to <3 months	51	5,407,008.14	0.50	0.53
3 to <6 months	73	8,420,899.02	0.72	0.82
6 to <12 months	43	4,664,579.14	0.42	0.46
≥12 months	6	645,168.35	0.06	0.06
<b>Total</b>	<b>10,136</b>	<b>1,021,218,776.50</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2013

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	8,506	805,803,376.58	96.27	95.89
1 to <2 months	132	13,374,623.79	1.49	1.59
2 to <3 months	49	5,437,093.04	0.55	0.65
3 to <6 months	71	6,933,623.62	0.80	0.83
6 to <12 months	52	5,224,334.86	0.59	0.62
≥12 months	26	3,561,983.75	0.29	0.42
<b>Total</b>	<b>8,836</b>	<b>840,335,035.64</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2014

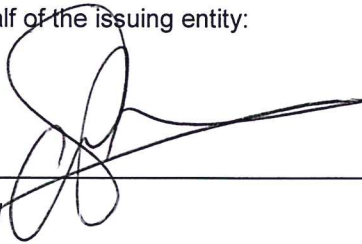
	Volume	Principal balance (£)	% by volume	% by balance
<1 month	7,439	661,405,294.75	96.57	95.86
1 to <2 months	106	11,237,989.20	1.38	1.63
2 to <3 months	48	5,000,034.37	0.62	0.72
3 to <6 months	64	6,534,920.21	0.83	0.95
6 to <12 months	33	3,896,432.81	0.43	0.56
≥12 months	13	1,909,548.15	0.17	0.28
<b>Total</b>	<b>7,703</b>	<b>689,984,219.49</b>	<b>100.00</b>	<b>100.00</b>

### 31 December 2015

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	6,383	538,836,257.71	98.53	98.32
1 to <2 months	69	6,761,135.36	1.07	1.23
2 to <3 months	25	2,304,680.50	0.39	0.42
3 to <6 months	1	120,200.30	0.02	0.02
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
<b>Total</b>	<b>6,478</b>	<b>548,022,273.87</b>	<b>100.00</b>	<b>100.00</b>

Signed on behalf of the issuing entity:

By:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

per pro SFM Directors Limited  
as Director

*Duly authorised*

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