

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QIBS (AS DEFINED BELOW).

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT TO PERSONS THAT ARE QUALIFIED INSTITUTIONAL BUYERS (**QIBs**) AS DEFINED IN RULE 144A OF THE SECURITIES ACT (RULE 144A). THE FOLLOWING DRAWDOWN PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that the drawdown prospectus delivered with this electronic transmission has been delivered to you on the basis that you are a person into whose possession the drawdown prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the drawdown prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the managers or such affiliate on behalf of the issuing entity in such jurisdiction.

By accessing this drawdown prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the drawdown prospectus by electronic transmission, (c) you are either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia or (ii) a qualified institutional buyer as defined in Rule 144A under the Securities Act and (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the FPO) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO (all such persons together being referred to as relevant persons). This drawdown prospectus must not be acted on or relied on by

persons who are not relevant persons. Any investment or investment activity to which this drawdown prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

This drawdown prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Permanent Master Issuer PLC, Bank of Scotland plc, Lloyds Bank Corporate Markets plc, Lloyds Securities Inc., Wells Fargo Securities, LLC or National Australia Bank Limited nor any person who controls it, nor any director, officer, employee or agent of Permanent Master Issuer PLC, Bank of Scotland plc, Lloyds Bank Corporate Markets plc, Lloyds Securities Inc., Wells Fargo Securities, LLC or National Australia Bank Limited nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the drawdown prospectus distributed to you in electronic format and the hard copy version available to you on request from Permanent Master Issuer PLC, Bank of Scotland plc, Lloyds Bank Corporate Markets plc, Lloyds Securities Inc., Wells Fargo Securities, LLC or National Australia Bank Limited.

Prohibition of sales to EEA investors - The Notes are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

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

CONFORMED COPY OF THE DRAWDOWN PROSPECTUS DATED 15 JANUARY 2020 TO REFLECT AMENDMENTS MADE TO THE INTEREST RATE PROVISIONS IN RESPECT OF THE CLASS A3 NOTES, THE FUNDING 2 START-UP LOANS AND THE FUNDING 2 Z LOANS.¹

DRAWDOWN PROSPECTUS DATED 25 JUNE 2018
(to the Base Prospectus dated 8 June 2018)

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)

2018-1 Issue

Series	Class	Interest rate	Initial principal amount	Issue price	Scheduled redemption dates	Final maturity date
1	A1	0.38% over 3 month USD LIBOR	\$1,000,000,000	100%	January 2020, April 2020, July 2020 and October 2020	July 2058
1	A2	0.38% over 3 month Sterling LIBOR	£500,000,000	100%	January 2021, April 2021 and July 2021	July 2058
1	A3	0.70% over Compounded Daily SONIA	£1,000,000,000	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 8 June 2018 (the **Base Prospectus**) which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). This document constitutes a drawdown prospectus (the **Drawdown Prospectus**) in respect of the series (each a **Series**) and classes (each a **Class**) of notes (together, the **Notes** or the **2018-1 notes**) of Permanent Master Issuer PLC (the **Master Issuer**) described herein and must be read in conjunction with the Base Prospectus. Prospective

¹ This conformed copy of the Drawdown Prospectus has not been approved by the FCA.

investors should read this Drawdown Prospectus and the Base Prospectus carefully before making an investment decision. Full information on the Master Issuer (also referred to as the **issuing entity**) and the offer of the 2018-1 notes the subject thereof is only available on the basis of the combination of this Drawdown Prospectus and the Base Prospectus. In accordance with Article 14 of the Prospectus Directive, this Drawdown Prospectus and the Base Prospectus are 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 2018-1 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 2018-1 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) except to persons that are Qualified Institutional Buyers within the meaning of Rule 144A of the Securities Act, or 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.

The 2018-1 notes are expected to be assigned ratings on issue by each of Standard & Poor's Credit Market Services Europe Limited (**S&P**), Fitch Ratings Ltd (**Fitch**) and Moody's Investors Service Limited (**Moody's**), each of which, as at the date of this Drawdown Prospectus, is a credit rating agency established and operating in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the **CRA Regulation**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to a revision, suspension or withdrawal at any time by the assigning rating organisation. Each of Moody's, Standard & Poor's and Fitch is established in the European Union and is a registered rating agency under the CRA Regulation. As such, each of the rating agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation. Standard & Poor's Credit Market Services Europe Limited operates under its trading name Standard & Poor's Rating Services.

This Drawdown Prospectus, together with the information incorporated by reference herein, has been approved by the United Kingdom Financial Conduct Authority (the **FCA**), which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom, as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the 2018-1 notes.

Arranger for the programme

Lloyds Bank Corporate Markets

Joint Lead Managers (with respect to the class A1 notes)

Lloyds Bank Corporate Markets

Lloyds Securities Inc.

Wells Fargo Securities, LLC

Joint Lead Managers (with respect to the class A2 notes)

Lloyds Bank Corporate Markets

National Australia Bank Limited

Joint Lead Manager (with respect to the class A3 notes)

Lloyds Bank Corporate Markets

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE MASTER ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE MASTER ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF BANK OF SCOTLAND, THE MANAGERS, THE DEALERS, THE ARRANGER, THE NOTE TRUSTEE, THE FUNDING 1 SECURITY TRUSTEE, THE FUNDING 2 SECURITY TRUSTEE, THE MASTER ISSUER SECURITY TRUSTEE, THE PREVIOUS FUNDING 1 ISSUING ENTITIES, FUNDING 1, FUNDING 2, THE MORTGAGES TRUSTEE, THE SUBORDINATED LOAN PROVIDER, THE FUNDING 2 Z LOAN PROVIDER, THE START-UP LOAN PROVIDER, THE CORPORATE SERVICES PROVIDER, THE MASTER ISSUER CORPORATE SERVICES PROVIDER, THE MORTGAGES TRUSTEE CORPORATE SERVICES PROVIDER, THE FUNDING 2 SWAP PROVIDER, THE MASTER ISSUER SWAP PROVIDERS OR THEIR GUARANTORS, AS APPLICABLE, THE PAYING AGENTS, THE REGISTRAR, THE TRANSFER AGENT, THE AGENT BANK OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS BANK OF SCOTLAND OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS, THEIR AFFILIATES OR ANY OTHER PARTY NAMED IN THIS DRAWDOWN PROSPECTUS OR THE BASE PROSPECTUS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE MASTER ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF BANK OF SCOTLAND, THE MANAGERS, THE DEALERS, THE ARRANGER, THE NOTE TRUSTEE, THE FUNDING 1 SECURITY TRUSTEE, THE FUNDING 2 SECURITY TRUSTEE, THE MASTER ISSUER SECURITY TRUSTEE, THE PREVIOUS FUNDING 1 ISSUING ENTITIES, FUNDING 1, FUNDING 2, THE MORTGAGES TRUSTEE, THE SUBORDINATED LOAN PROVIDER, THE FUNDING 2 Z LOAN PROVIDER, THE START-UP LOAN PROVIDER, THE CORPORATE SERVICES PROVIDER, THE MASTER ISSUER CORPORATE SERVICES PROVIDER, THE MORTGAGES TRUSTEE CORPORATE SERVICES PROVIDER, THE FUNDING 2 SWAP PROVIDER, THE MASTER ISSUER SWAP PROVIDERS OR THEIR GUARANTORS, AS APPLICABLE, THE PAYING AGENTS, THE REGISTRAR, THE TRANSFER AGENT, THE AGENT BANK OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS BANK OF SCOTLAND OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (BUT WITHOUT PREJUDICE TO THE OBLIGATIONS OF FUNDING 2 TO THE MASTER ISSUER UNDER THE MASTER INTERCOMPANY LOAN AGREEMENT), THEIR AFFILIATES OR ANY OTHER PARTY NAMED IN THIS DRAWDOWN PROSPECTUS OR THE BASE PROSPECTUS.

THE NOTES ARE NOT INTENDED TO BE SOLD AND SHOULD NOT BE SOLD TO RETAIL INVESTORS. PROSPECTIVE INVESTORS ARE REFERRED TO THE SECTION HEADED **“SUBSCRIPTION AND SALE—RETAIL INVESTOR RESTRICTION”** IN THE BASE PROSPECTUS.

The Master Issuer accepts responsibility for the information contained in the Base Prospectus and this Drawdown Prospectus. To the best of the knowledge of the Master Issuer (having taken all reasonable care to ensure that such is the case), the information contained in the Base Prospectus and this Drawdown Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information.

A copy of the Base Prospectus and this Drawdown Prospectus will be available for inspection at the registered office of the Master Issuer and at the specified office of the paying agents in accordance with the Prospectus Rules.

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in the Base Prospectus and this Drawdown Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of Bank of Scotland, the managers, the dealers, the arranger, the note trustee, the Funding 1 security trustee, the Funding 2 security trustee, the Master Issuer security trustee, the previous Funding 1 issuing entities, Funding 1, Funding 2, the mortgages trustee, the subordinated loan provider, the Funding 2 Z loan provider, the start-up loan provider, the corporate services provider, the Master Issuer corporate services provider, the mortgages trustee corporate services provider, the Funding 2 swap provider, the Master Issuer swap providers or their guarantors, as applicable, the paying agents, the registrar, the transfer agent, the agent bank or any company in the same group of companies as Bank of Scotland or any other party to the transaction documents, their affiliates or any other party named in the Base Prospectus and this Drawdown Prospectus.

Neither the delivery of the Base Prospectus and this Drawdown Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of Bank of Scotland, the managers, the dealers, the arranger, the note trustee, the Funding 1 security trustee, the Funding 2 security trustee, the Master Issuer security trustee, the previous Funding 1 issuing entities, Funding 1, Funding 2, the mortgages trustee, the subordinated loan provider, the start-up loan provider, the corporate services provider, the Master Issuer corporate services provider, the mortgages trustee corporate services provider, the Funding 2 swap provider, the Master Issuer swap providers or their guarantors, as applicable, the paying agents, the registrar, the transfer agent, the agent bank or any company in the same group of companies as Bank of Scotland or any other party to the transaction documents, their affiliates or any other party named in the Base Prospectus and this Drawdown Prospectus, or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof or that there has been no change in any other information supplied in connection with the programme as of any time subsequent to the date indicated in the document containing the same or that such information is correct at any time subsequent to the date thereof.

Other than the approval of the Base Prospectus and this Drawdown Prospectus by the UK Listing Authority, the filing of the Base Prospectus and this Drawdown Prospectus with the UK Listing Authority and making the Base Prospectus and this Drawdown Prospectus available to the public in accordance with the Prospectus Rules, no action has been or will be taken to permit a public offering of any Notes or the distribution of the Base Prospectus and this Drawdown Prospectus in any jurisdiction where action for that purpose is required. The distribution of the Base Prospectus and this Drawdown Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus and this Drawdown Prospectus (or any part hereof or thereof) comes are required by the Master Issuer, the dealers and/or the managers to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of notes and distribution of the Base Prospectus and this Drawdown Prospectus, see "**Subscription and sale**" in the Base Prospectus. Neither the Base Prospectus and this Drawdown Prospectus, nor any part hereof or thereof, constitutes an offer of, or an invitation by, or on behalf of, the Master Issuer, the dealers and/or the managers to subscribe for or purchase any of the Notes and neither the Base Prospectus and this Drawdown Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and none of the Base Prospectus or this Drawdown Prospectus, or any part hereof or thereof, nor any other offering document, prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

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INFORMATION INCORPORATED BY REFERENCE

The Base Prospectus dated 8 June 2018 prepared in relation to the Programme and approved as a base prospectus by the UK Listing Authority pursuant to Article 5.4 of the Prospectus Directive, and the information incorporated or deemed incorporated by reference therein, shall be deemed to be incorporated in and form part of this Drawdown Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in the Base Prospectus shall not form part of this Drawdown Prospectus.

Any statement contained in the Base Prospectus or in any document incorporated or deemed incorporated by reference into this Drawdown Prospectus shall be deemed to be modified or superseded for the purpose of this Drawdown Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Drawdown Prospectus.

Where any information incorporated by reference constitutes only certain parts of a document, the parts of such document not incorporated into this Drawdown Prospectus are either (i) not relevant to an investor in the Notes or (ii) covered elsewhere in this Drawdown Prospectus.

Full information on the Master Issuer and the Notes described herein is only available on the basis of a combination of this Drawdown Prospectus and any information incorporated by reference into this document.

DOCUMENTS AVAILABLE

From the date of this Drawdown Prospectus and for so long as the Base Prospectus is in effect, copies of the following documents may, when published, be inspected at the registered office of the Master Issuer and from the specified office of the principal paying agent during usual business hours, on any weekday (public holidays excepted):

- (A) the memorandum and articles of association of each of the Master Issuer, Funding 2, Holdings, the mortgages trustee, the post-enforcement call option holder and PECO Holdings;
- (B) a copy of the Base Prospectus and this Drawdown Prospectus;
- (C) any future offering circulars, prospectuses, final terms, drawdown prospectuses, information memoranda and supplements including final terms (as applicable) to the Base Prospectus, this Drawdown Prospectus and any other documents incorporated therein or therein by reference; and
- (D) each of the following documents:
 - the bank account agreement;
 - the cash management agreement;
 - the controlling beneficiary deed;
 - the corporate services agreement;
 - each deed of accession to the Funding 2 deed of charge;
 - each deed of accession to the Master Issuer deed of charge;
 - the Funding 2 deed of charge;
 - the Funding 2 guaranteed investment contract;
 - each Funding 2 start-up loan agreement;
 - the Funding 2 swap agreement;
 - each Funding 2 Z loan agreement;
 - each collateral security agreement;
 - each eligible custody agreement;
 - the Master Issuer deed of charge;
 - the master definitions and construction schedule;
 - the Master Issuer bank account agreement;
 - the Master Issuer cash management agreement;
 - the Master Issuer corporate services agreement;
 - the Master Issuer master definitions and constructions schedule;

- each Master Issuer start-up loan agreement;
- each Master Issuer subordinated loan agreement;
- each Master Issuer swap agreement;
- the master intercompany loan agreement;
- the mortgage sale agreement;
- the mortgages trust deed;
- the mortgages trustee corporate services agreement;
- the mortgages trustee guaranteed investment contract;
- the post-enforcement call option holder corporate services agreement;
- the Master Issuer paying agent and agent bank agreement;
- the Master Issuer post-enforcement call option agreement;
- the programme agreement;
- each Scottish declaration of trust;
- the seller mortgages trust assignment agreement;
- the servicing agreement;
- each subscription agreement;
- the Master Issuer trust deed;
- each underwriting agreement;
- any other deeds of accession or supplemental deeds relating to any such documents; and
- any other transaction document entered into from time to time.

RISK FACTORS

Prospective investors should read the entirety of this Drawdown Prospectus together with the documents incorporated herein by reference, including the Base Prospectus for the Permanent Master Issuer PLC mortgage backed note programme dated 8 June 2018. Investing in the notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the notes are discussed under “*Risk Factors*” at pages 25 to 79 of the Base Prospectus (and such risk factors shall be deemed to be incorporated into and form part of this Drawdown Prospectus).

TERMS AND CONDITIONS

The terms and conditions (the **Conditions**) for the Notes can be found at pages 287 to 328 of the Base Prospectus (and such Conditions shall be deemed to be incorporated into and form part of this Drawdown Prospectus).

THE 2018-1 NOTES

	Class A1	Class A2	Class A3
GENERAL PROVISIONS APPLICABLE TO THE NOTES			
(1) Issuer of the Notes:	Permanent Master Issuer PLC (Legal Entity Identifier (LEI): 213800MVG7MLQM2LF25)	Permanent Master Issuer PLC (Legal Entity Identifier (LEI): 213800MVG7MLQM2LF25)	Permanent Master Issuer PLC (Legal Entity Identifier (LEI): 213800MVG7MLQM2LF25)
(2) Series and Class:	2018-1 Series 1 Class A1	2018-1 Series 1 Class A2	2018-1 Series 1 Class A3
(3) Specified Currency or Currencies:	US Dollars	Sterling	Sterling
(4) Initial principal amount:	\$1,000,000,000	£500,000,000	£1,000,000,000
(5) (a) Issue price:	100% of the initial principal amount	100 % of the initial principal amount	100% of the initial principal amount
(b) Gross proceeds:	\$1,000,000,000	£500,000,000	£1,000,000,000
(6) Closing Date:	28 June 2018	28 June 2018	28 June 2018
(7) Final Maturity Date:	Interest Payment Date falling in July 2058	Interest Payment Date falling in July 2058	Interest Payment Date falling in July 2058
(8) Specified Denominations:	\$250,000 and integral multiples of \$1,000 in excess thereof	£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:	Thee-month USD 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>)	Compounded Daily SONIA
(10) Change of interest basis:	Not Applicable	Not Applicable	Not Applicable
(11) Redemption/payment basis:	Scheduled Redemption	Scheduled Redemption	Pass-through
(12) Change of redemption/payment basis:	Not Applicable	Not Applicable	Not Applicable

	Class A1	Class A2	Class A3
(13) Call Option Date:	Applicable Interest Payment Date occurring in October 2020 and each subsequent Interest Payment Date thereafter	Applicable Interest Payment Date occurring in July 2021 and each subsequent Interest Payment Date thereafter	Applicable Interest Payment Date occurring in April 2025 and each subsequent Interest Payment Date thereafter
(14) Step-Up Date:	Interest Payment Date occurring in October 2020 (further particulars specified below under “Provisions Relating to Interest (if any) Payable”)	Interest Payment Date occurring in July 2021 (further particulars specified below under “Provisions Relating to Interest (if any) Payable”)	Interest Payment Date occurring in April 2025 (further particulars specified below under “Provisions Relating to Interest (if any) Payable”)
(15) Form of Notes:	Registered Notes: Rule 144A Global Note registered in the name of a nominee for DTC Reg S Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg	Registered Notes: Rule 144A Global Note and 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)	AAA(sf) / Aaa(sf) / AAA(sf)
(17) Post-enforcement call option/Limited recourse:			
(a) Condition 10.2 (Post-Enforcement Call Option):	Not Applicable	Not Applicable	Not Applicable
(b) Condition 10.3 (Limited Recourse):	Applicable	Applicable	Applicable

		Class A1	Class A2	Class A3
(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 2018-1 notes, an aggregate amount of £15,750.	
(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:	For all 2018-1 notes, 7 June 2018	

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

(20)	Interest Commencement Date:	28 June 2018	28 June 2018	28 June 2018
(21)	Fixed Rate Note provisions:	Not Applicable	Not Applicable	Not Applicable
(22)	Floating Rate Note provisions:	Applicable	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 15th October 2018.	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 15th October 2018.
	(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

	Class A1	Class A2	Class A3
(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent Bank / Calculation Agent):	Not Applicable	Not Applicable	Not Applicable
(f) Screen Rate Determination:	Applicable	Applicable	Applicable
• Reference Rate:	Three-month USD LIBOR (or, in respect of the first Interest Period, the linear interpolation of three-month USD LIBOR and six-month USD LIBOR)	Three-month Sterling LIBOR (or, in respect of the first Interest Period, the linear interpolation of three-month Sterling LIBOR and six-month Sterling LIBOR)	SONIA
• Calculation Method	Not Applicable	Not Applicable	Compounded Daily
• Observation Method	Not Applicable	Not Applicable	Lag
• Observation Look-back Period	Not Applicable	Not Applicable	Five Business Days
• D:	Not Applicable	Not Applicable	365
• Determination Date(s):	The second business day on which commercial banks are open for general business (including dealings in foreign currency deposits) in London prior to the start of each Interest Period	The first day of each Interest Period	Five Business Days prior to the end 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	Reuters Monitor Money Rates Service at the page designated as SONIA
(g) Margin(s):	0.38% per annum	0.38% per annum	0.70% per annum
(h) Minimum Rate of Interest:	0% per annum	0% per annum	0% per annum
(i) Maximum Rate of Interest:	Not Applicable	Not Applicable	Not Applicable
(j) Step-Up Date:	Interest Payment Date occurring in October 2020	Interest Payment Date occurring in July 2021	Interest Payment Date occurring in April 2025

	Class A1	Class A2	Class A3
(k) Step-Up Margin(s):	0.76% per annum	0.76% per annum	0.70% per annum
(l) Day Count Fraction:	Actual/360	Actual/365	Not Applicable
(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	Not Applicable	Not Applicable
(23) Zero Coupon Note Provisions:	Not Applicable	Not Applicable	Not Applicable
(24) Other special provisions relating to Interest Payment Dates:	Not Applicable	Not Applicable	Not Applicable
(25) Talons for future coupons to be attached to Definitive Notes (and dates on which talons mature):	No	No	No
PROVISIONS RELATING TO REPAYMENT			
(26) Details relating to bullet redemption notes:	Not Applicable	Not Applicable	Not Applicable
(27) Details relating to scheduled redemption notes:	Applicable	Applicable	Not Applicable
(a) Scheduled redemption dates:	Interest Payment Dates occurring in January 2020, April 2020, July 2020 and October 2020	Interest Payment Dates occurring in January 2021, April 2021 and July 2021	Not Applicable
(b) Scheduled amortisation instalments:	January 2020: \$250,000,000.00 April 2020: \$250,000,000.00 July 2020: \$250,000,000.00 October 2020: \$250,000,000.00	January 2021: £166,666,666.66 April 2021: £166,666,666.67 July 2021: £166,666,666.67	Not Applicable
(28) Details relating to pass-through notes:	Not Applicable	Not Applicable	Applicable

	Class A1	Class A2	Class A3
(a) Pass-through repayment dates:	Not Applicable	Not Applicable	To be redeemed in full or in part on each Interest Payment Date falling on or after the Interest Payment Date in April 2025
(29) Maturity Purchase Notes:	Not Applicable	Not Applicable	Not Applicable
(30) Redemption Amount:	Condition 5.6 applies	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	Not Applicable
(32) Redenomination, renominatisation and reconventioning provisions applicable:	Redenomination not applicable	Redenomination not applicable	Redenomination not applicable

PROVISIONS RELATING TO MASTER ISSUER SWAPS

(33) Master Issuer Swap Provider(s):	National Australia Bank Limited	Not Applicable	Not Applicable
(a) Specified Currency Exchange Rate (Sterling/specified currency) specified in the Master Issuer Swap Agreement relating to the Notes:	GBP 1.00 / USD 1.3238	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	Not Applicable
(c) Specified interest rate exchange rate specified in the Master Issuer Swap Agreement relating to the Notes:	Not Applicable	Not Applicable	Not Applicable

		Class A1	Class A2	Class A3
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	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	£0	£0
(36)	Issuing entity subordinated loan to be advanced on the Closing Date:	Not Applicable	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	£0	£0
PROVISIONS RELATING TO SUBORDINATION/CREDIT ENHANCEMENT AT THE FUNDING 2 LEVEL				
(38)	Required subordinated loan tranche principal amount outstanding:	£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:	For all Notes issued by the Master Issuer, £150,000,000		
(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:	£3,860,000.00		

	Class A1	Class A2	Class A3
(c) Interest rate:	(i) in the case of the rate of interest to the Funding 2 Interest Payment Date falling in October 2018, the linear interpolation of LIBOR for three month sterling deposits and LIBOR for six month sterling deposits plus a margin of 2% per annum and (ii) thereafter, LIBOR for three month sterling deposits 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:	£237,708,512		
(43) Funding 2 Z Loan required amount as at the Closing Date:	£116,000,000		
(44) Funding 2 Z loan to be advanced on the Closing Date:	Not Applicable		
(a) Funding 2 Z loan provider:	Not Applicable		
(b) Initial outstanding principal balance:	Not Applicable		
(c) Interest rate:	Not Applicable		
(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	£116,000,000		
(46) Funding 2 Yield Reserve Notes:	Not Applicable	Not Applicable	Not Applicable
(47) Funding 2 yield reserve required amount:	Not Applicable	Not Applicable	Not Applicable
(48) Funding 2 yield reserve reduction amount:	Not Applicable	Not Applicable	Not Applicable
(49) Funding 2 yield reserve reduction date:	Not Applicable	Not Applicable	Not Applicable
PROVISIONS RELATING TO SELLING RESTRICTIONS AND US TAX			
(50) Additional selling restrictions:	Not Applicable	Not Applicable	Not Applicable

	Class A1	Class A2	Class A3
(51) U.S. tax treatment:	Will be debt for United States federal income tax purposes subject to the considerations in “ United States federal income taxation ” in the Base Prospectus	Will be debt for United States federal income tax purposes subject to the considerations in “ United States federal income taxation ” in the Base Prospectus	Not Applicable (these Notes are not being offered or sold in the United States)
(52) ERISA eligible:	Rule 144A: Yes, subject to the considerations in “ ERISA considerations ” in the Base Prospectus Reg S: No, Benefit Plan Investors will not be permitted to purchase Regulation S Notes	Rule 144A: Yes, subject to the considerations in “ ERISA considerations ” in the Base Prospectus Reg S: No, Benefit Plan Investors will not be permitted to purchase Regulation S Notes	No, Benefit Plan Investors will not be permitted to purchase Regulation S Notes
(53) U.S. Credit Risk Retention:	The seller expects the seller share on the Closing Date to be equal to approximately £2,068,000,000, representing approximately 28.0% of the aggregate outstanding principal balance of all notes issued by the issuing entity as of 28 June 2018, measured in accordance with the provisions of the U.S. Credit Risk Retention Requirements		

OPERATIONAL INFORMATION

(54) Any clearing system(s) other than DTC, Euroclear or Clearstream, Luxembourg and the relevant identification numbers:	Not Applicable	Not Applicable	Not Applicable
(55) Delivery:	Rule 144A: Delivery free of payment Reg S: Delivery against payment	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	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	Not Applicable

		Class A1	Class A2	Class A3
(58)	ISIN:	Rule 144A: US71419GAX88 Reg S: XS1835961878	Rule 144A: XS1836233038 Reg S: XS1835962173	Reg S: XS1835962330
(59)	Common Code:	Rule 144A: 183966693 Reg S: 183596187	Rule 144A: 183623303 Reg S: 183596217	Reg S: 183596233
(60)	CUSIP:	Rule 144A: 71419G AX8 Reg S: Not Applicable	Not Applicable	Not Applicable
(61)	CFI:	<i>DGVXFR</i>	<i>DGVXFR</i>	<i>DGVXFR</i>
(62)	FISN:	<i>PERMANENT MASTE/VARMBS 20580715</i>	<i>PERMANENT MASTE/VARMBS 20580715</i>	<i>PERMANENT MASTE/VARMBS 20580715</i>
(63)	Eurosystem Eligibility:	Rule 144A: No Reg S: 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	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	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

Class A1
being satisfied that Eurosystem
eligibility criteria have been met

Class A2

Class A3

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 and 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.

(64)	Borrower:	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited
(65)	The rated loan tranche(s) are as follows:	Series 1 Class A1 AAA Loan Tranche	Series 1 Class A2 AAA Loan Tranche	Series 1 Class A3 AAA Loan Tranche
(66)	Designated rated loan tranche rating:	AAA Loan Tranche	AAA Loan Tranche	AAA Loan Tranche
(67)	Designation of rated loan tranche:	Scheduled Amortisation Loan Tranche	Scheduled Amortisation Loan Tranche	Pass-through Loan Tranche
(68)	Initial principal amount:	£755,401,118	£500,000,000	£1,000,000,000
(69)	Closing Date:	28 June 2018	28 June 2018	28 June 2018
(70)	Interest commencement date:	28 June 2018	28 June 2018	28 June 2018
(71)	Rated loan tranche payment dates:	Each scheduled loan tranche repayment date	Each scheduled loan tranche repayment date	Each pass-through loan tranche repayment date
(72)	Rated loan tranche rate:	Sum of (b), (g) and (h):	Sum of (b), (g) and (h):	Sum of (a), (g) and (h):
(a)	Rated Loan Tranche Reference Rate	Thee-month USD LIBOR Floating Rate	Thee-month USD LIBOR Floating Rate	SONIA
(b)	Reuters 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	Reuters Monitor Money Rates Service at the page designated as SONIA
(c)	Calculation Method	Not Applicable	Not Applicable	Compounded Daily
(d)	Observation Method	Not Applicable	Not Applicable	Lag
(e)	Observation Look-back Period	Not Applicable	Not Applicable	Five Business Days
(f)	D	Not Applicable	Not Applicable	365

		Class A1	Class A2	Class A3
	(g) Rated loan tranche rate margin:	0.4704% per annum	0.38% per annum	0.70% per annum
	(h) Funding 2 yield reserve primary revenue margin:	Not Applicable	Not Applicable	Not Applicable
	(i) Loan tranche rate of interest subject to a zero floor:	Applicable	Applicable	Applicable
(73)	Step-Up Date (if any):	The Funding 2 Interest Payment Date occurring in October 2020	The Funding 2 Interest Payment Date occurring in July 2021	The Funding 2 Interest Payment Date occurring in April 2025
(74)	Stepped-up loan tranche rate:	0.9408% per annum	0.76% per annum	0.70% per annum
(75)	Details relating to bullet loan tranches:	Not Applicable	Not Applicable	Not Applicable
(76)	Details relating to scheduled amortisation loan tranches:	Applicable	Applicable	Not Applicable
	(a) Scheduled loan tranche repayment dates:	The Funding 2 Interest Payment Dates occurring in January 2020, April 2020, July 2020 and October 2020	The Funding 2 Interest Payment Dates occurring in January 2021, April 2021 and July 2021	Not Applicable
	(b) Relevant accumulation amounts:	January 2020: £188,850,279.50 April 2020: £188,850,279.50 July 2020: £188,850,279.50 October 2020: £188,850,279.50	January 2021: £166,666,666.66 April 2021: £166,666,666.67 July 2021: £166,666,666.67	Not Applicable
(77)	Details relating to pass-through loan tranches:	Not Applicable	Not Applicable	Applicable
	(a) Pass-through loan tranche repayment dates:	Not Applicable	Not Applicable	Pass-through Loan Tranches will be due and payable from, and including, the Funding 2 Interest Payment Dates occurring in April 2025
	(b) Final repayment date:	Not Applicable	Not Applicable	The Funding 2 Interest Payment Date falling in July 2058
(78)	Details relating to subordinated loan tranches:	Not Applicable	Not Applicable	Not Applicable

MASTER ISSUER SWAP PROVIDER

NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937)

The information contained in this section related to National Australia Bank Limited (ABN 12 004 044 937) ("NAB") has been obtained from National Australia Bank Limited and is furnished solely to provide limited information regarding National Australia Bank Limited and does not purport to be comprehensive.

NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act 2001 (Cth). Its registered office is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia.

NAB is the holding company for the NAB Group (comprising NAB and its controlled entities), as well as being the main operating company. As at 30 September 2017, NAB Group had total assets of A\$788,325 million and total equity of A\$51,317 million.

The NAB Group is a financial services organisation with approximately 33,000 employees, operating through a network of more than 900 locations, with more than 571,000 shareholders and serving over nine million customers. The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom (UK) and the United States (US). The principal activities of NAB Group are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management services, funds management and custodian, trustee and nominee services.

Further information on NAB and its subsidiaries, including its consolidated audited financial statements and accompanying notes thereto, may be accessed through <https://www.nab.com.au/about-us/shareholder-centre/financial-disclosuresandreporting/financial-results>.

The material contained on that website does not form part of this Drawdown Prospectus.

The information contained in this section relating to NAB has been provided by NAB for use in this Drawdown Prospectus. Except for the information in the foregoing paragraphs in this section relating to NAB, NAB and its respective affiliates have not been involved in the preparation of, and do not have responsibility for, any information contained in this Drawdown Prospectus.

RATING TRIGGERS TABLE

<p>Issuing entity swap provider, or any credit support provider of the issuing entity swap provider, in respect of the 2018-1 series 1 class A1 issuing entity swaps</p>	<p>Loss of:</p> <p>Long-term issuer credit rating of A (or its equivalent) or Short-term issuer credit rating of A-1 (or its equivalent) by S&P;</p> <p>Long-term, unsecured and unsubordinated debt of A3 by Moody's and counterparty risk assessment of A3(cr) by Moody's; or</p> <p>Short-term issuer default rating of F1 by Fitch (or its equivalent) and long-term issuer default rating of A (or its equivalent) by Fitch.</p>	<ul style="list-style-type: none"> • Relevant issuing entity swap provider must post collateral and may/or must, depending on which rating agency's relevant rating has not been maintained (and with the exception of the Moody's relevant rating), transfer its rights and obligations to a replacement third party with the required rating, procure a third party with the required rating to become a co-obligor or guarantee its rights and obligations, or take such other action as is required to maintain, or restore, the rating of the relevant notes by the relevant rating agency. • Termination of the relevant issuing entity swap if the above requirements are not satisfied in accordance with the relevant issuing entity swap agreement.
<p>Issuing entity swap provider, or any credit support provider of the issuing entity swap provider, in respect of the 2018-1 series 1 class A1 issuing entity swaps</p>	<p>Loss of:</p> <p>Long-term issuer credit rating of A- (or its equivalent) by S&P;</p> <p>Long-term, unsecured and unsubordinated debt rating of Baa1 by Moody's and counterparty risk assessment of Baa1(cr) by Moody's; or</p> <p>Short-term issuer default rating of F3 (or its equivalent) by Fitch and long-term issuer default rating of BBB- (or its equivalent) by Fitch.</p>	<ul style="list-style-type: none"> • Relevant issuing entity swap provider must transfer its rights and obligations to a replacement third party with the required rating, procure a third party with the required rating to become a co-obligor or guarantee its rights and obligations, or (with the exception of where the Moody's relevant rating has not been maintained) take such other action as is required to maintain, or restore, the rating of the relevant notes by the relevant rating agency (and in the interim, post collateral). • Termination of the relevant issuing entity swap if the above requirements are not satisfied in accordance with the relevant issuing entity swap agreement.

GENERAL INFORMATION

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuing entity is aware) during the 12 months preceding the date of this Drawdown Prospectus, which may have or have had in the recent past, a significant effect on the financial position or profitability of the issuing entity, Funding 2, Holdings, the post-enforcement call option holder, PECO Holdings or the mortgages trustee.

Significant or material change

Since 31 December 2017 (being the date of the last published financial statements), there has been (1) no material adverse change in the financial position or prospects of the issuing entity, PECO Holdings, Funding 2, Holdings, the post-enforcement call option holder or the mortgages trustee and (2) no significant change in the financial or trading position of the issuing entity, PECO Holdings, Funding 2, Holdings, the post-enforcement call option holder or the mortgages trustee.

OTHER INFORMATION

Interests of natural and legal persons involved in the issue:

Save as discussed in this Drawdown Prospectus, 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 2018-1 notes described herein, will be as follows:

£7,385,751,118

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:

£7,385,751,118

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.

Issue	Current outstanding principal balance	Interest rate
2006-1	£4,275,370.14	Compounded Daily SONIA plus 0.65% per annum
2007-1	£3,387,767.10	Compounded Daily SONIA plus 0.65% per annum
2008-1	£7,584,319.62	Compounded Daily SONIA plus 0.65% per annum
2008-2	£42,355.11	Compounded Daily SONIA plus 0.40% per annum per annum

2010-1	£367,319.59	Compounded Daily SONIA plus 0.40% per annum
2010-2	£11,962,493.36	Compounded Daily SONIA plus 0.40% per annum
2011-1	£25,263,076.07	Compounded Daily SONIA plus 0.40% per annum
2011-2	£4,074,960.37	Compounded Daily SONIA plus 0.40% per annum
2013-1	£105,620.62	Compounded Daily SONIA plus 0.40% per annum
2015-1	£330,607.64	Compounded Daily SONIA plus 2.15% per annum
2016-1	£1,233,934.46	Compounded Daily SONIA plus 2.15% per annum
2018-1	£1,582,522.58	Compounded Daily SONIA plus 2.15% per annum
2019-1	£2,366,578.81	Compounded Daily SONIA plus 2.00%

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. No Funding 2 Z loan will be advanced to Funding 2 on the Closing Date.

Current outstanding principal balance² Interest rate

£440,000,000	Compounded Daily SONIA plus 1.05% per annum
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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.

² Taking into account any repayment of Funding 2 Z loans 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 £472,000,000;
- the Funding 1 share will be approximately £0, representing approximately 0 per cent. of the trust property;
- the Funding 2 share will be approximately £7,377,000,000, representing approximately 78.0 per cent. of the trust property; and
- the seller share will be approximately £2,068,000,000, representing approximately 22.0 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 this Drawdown Prospectus.

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.

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 May 2018; and
- (b) the final maturity date of each loan in the portfolio is no later than June 2058.

Information relating to EU risk retention requirements

The seller in its capacity as the originator, will, if it sells one or more new loans and their related security to the mortgages trustee on or after the date of this Pricing Supplement, (i) on or immediately following the relevant sale date of the new loans and their related security, retain, on an on-going basis, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures in accordance with the text of Article 405 of Regulation (EU) No 575/2013 (the **CRR**), Article 51 of Regulation (EU) No 231/2013 (the **AIFM Regulation**) and Article 254 of Regulation (EU) No 2015/35 (**Solvency II Regulation**) and, together with the CRR and the AIFM Regulation, the **EU Risk Retention Requirements**) (which, in each case, does not take into account any relevant national measures), (ii) agree not to hedge, sell or otherwise mitigate such retained interest and (iii) disclose via an RNS announcement or in an investor report (or in such other manner as the seller may determine) such retained interest and the manner in which it is held as contemplated by the relevant rules, provided that the seller would only be required to do so to the extent that the retention and disclosure requirements under the relevant rules remain in effect at the time of the relevant sale date of the new loans and their related security. The seller initially intends to satisfy the EU Risk Retention Requirements by maintaining a seller share in the master trust in an amount at least equal to 5 per cent. of the aggregate outstanding principal balance of all loans in the portfolio, calculated in all cases in accordance with EU Risk Retention Requirements. Any change to the manner in which such

interest is held will be notified to noteholders. Please refer to the section entitled “**Certain Regulatory Requirements—EU risk retention requirements**” in the Base Prospectus.

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 2.00 per cent.;
- (b) item (b) of the Fitch portfolio test values is not applicable;
- (c) the margin by which the current weighted average LTV ratio may exceed that at the Closing Date shall be 2.00 per cent.;
- (d) the margin by which the weighted average debt to income multiple may exceed that at the Closing Date shall be 0.35; 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 60 per cent.

USE OF PROCEEDS

The gross proceeds from the issue of the 2018-1 notes equal approximately £2,255,401,118 and (after exchanging, where applicable, the proceeds of the 2018-1 class A1 notes for sterling, calculated by reference to the applicable specified currency exchange rate) 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 (i) towards repayment of the Funding 2 Z loans and (ii) to pay the purchase price to the seller for the sale of part of its share in the trust property to Funding 2, in each case on the Closing Date.

MATURITY AND PREPAYMENT CONSIDERATIONS

The average lives of any series and class of the 2018-1 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 2018-1 notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of each series and class of the 2018-1 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 £125,000,000 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 the 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 “Aa3” 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 June 2018.

CPR and possible average lives of each series and class of issue 2018-1 notes (in years)

Based upon the foregoing assumptions, the approximate average life in years of each series and class of issue 2018-1 notes, at various assumed rates of repayment of the loans, would be as follows:

Constant payment rate ⁽¹⁾ (per annum)	Series 1 class A1 Notes	Series 1 class A2 Notes	Series 1 class A3 Notes
5 per cent	2.00	2.89	6.80
10 per cent.....	1.95	2.80	6.80
15 per cent.....	1.95	2.80	6.80
20 per cent.....	1.95	2.80	6.80
25 per cent.....	1.95	2.80	6.80
30 per cent.....	1.95	2.80	6.80
35 per cent.....	1.95	2.80	6.80

(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 2018-1 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 2018-1 notes would be extended.

The average lives of the 2018-1 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 this Drawdown Prospectus 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 2018-1 notes and all other notes of the issuing entity as at 31 March 2018 (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 this Drawdown Prospectus. 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 40 in this Drawdown Prospectus 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 154,854 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 £10,250,821,703.05 as at that date. The loans in the expected portfolio as at the cut-off date were originated between February 1996 and October 2010.

As at 31 March 2018, HVR 1 was 3.99% per annum, HVR 2 was 3.89% per annum, HHVR was 3.99% per annum and the Halifax flexible variable rate was 3.89% per annum.

Approximately 2.02% 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	534,693,068.51	5.22	44,786	28.92
£25,000 – <£50,000	1,313,347,584.61	12.81	35,451	22.89
£50,000 – <£75,000	1,603,595,643.95	15.64	26,012	16.80
£75,000 – <£100,000	1,421,619,378.82	13.87	16,421	10.60
£100,000 – <£125,000	1,167,687,244.63	11.39	10,447	6.75
£125,000 – <£150,000	971,230,542.99	9.47	7,095	4.58
£150,000 – <£175,000	744,994,460.12	7.27	4,616	2.98
£175,000 – <£200,000	558,928,245.30	5.45	2,996	1.93

£200,000 – <£225,000	431,032,768.18	4.20	2,039	1.32
£225,000 – <£250,000	331,579,957.65	3.23	1,402	0.91
£250,000 – <£275,000	247,693,569.54	2.42	949	0.61
£275,000 – <£300,000	188,325,363.70	1.84	656	0.42
£300,000 – <£350,000	279,615,076.88	2.73	868	0.56
£350,000 – <£400,000	198,144,906.67	1.93	531	0.34
£400,000 – <£450,000	151,558,242.92	1.48	359	0.23
£450,000 – <£500,000	106,104,298.47	1.04	225	0.15
>=£500,000	671,350.11	0.01	1	0.00
Total	<u>10,250,821,703.05</u>	<u>100.00</u>	<u>154,854</u>	<u>100.00</u>

* 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 £671,350.11 and the smallest mortgage account had an outstanding current balance as at the cut-off date of -£49,053.36. 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 £130,745.14.

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.

Range of LTV Ratios at origination*	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
<25%	127,344,371.41	1.24	5,869	3.79
25% – <50%	987,503,514.95	9.63	26,421	17.06
50% – <75%	3,709,064,011.19	36.18	54,551	35.23
75% – <80%	1,161,997,391.50	11.34	13,173	8.51
80% – <85%	835,010,086.39	8.15	10,086	6.51
85% – <90%	1,211,239,474.33	11.82	14,082	9.09
90% – <95%	1,363,128,470.77	13.30	16,941	10.94
95% – <100%	855,534,382.51	8.35	13,731	8.87
>=100%	-	0.00	-	0.00
Total	<u>10,250,821,703.05</u>	<u>100.00</u>	<u>154,854</u>	<u>100.00</u>

* 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 73.63%. 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.

Range of LTV Ratios as at the cut-off date*	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
<25%.....	2,062,226,123.79	20.12	72,835	47.03
25% – <50%.....	4,639,414,753.43	45.26	53,079	34.28
50% – <75%.....	3,096,276,802.59	30.21	25,670	16.58
75% – <80%.....	201,245,665.73	1.96	1,449	0.94
80% – <85%.....	127,705,910.78	1.25	905	0.58
85% – <90%.....	81,250,072.84	0.79	582	0.38
90% – <95%.....	27,950,461.15	0.27	225	0.15
95% – <100%.....	11,466,054.86	0.11	85	0.05
100% – <105%.....	2,161,597.62	0.02	15	0.01
105% – <110%.....	726,803.12	0.01	6	0.00
110% – <115%.....	263,270.88	0.00	2	0.00
115% – <120%.....	134,186.26	0.00	1	0.00
120% – <125%.....	-	0.00	-	0.00
>=125%.....	-	0.00	-	0.00
Total.....	10,250,821,703.05	100.00	154,854	100.00

* 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 42.16%. The highest LTV ratio of any mortgage account (including any capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) was 117.72% and the lowest was -16.63%.

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 at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
East Midlands.....	625,380,286.46	6.10	11,163	7.21
East of England.....	933,645,508.07	9.11	11,904	7.69
London.....	1,870,037,139.53	18.24	17,152	11.08
North East.....	410,018,465.59	4.00	8,494	5.49
North West.....	997,453,412.23	9.73	19,384	12.52
Scotland.....	987,328,495.52	9.63	18,905	12.21
South East.....	1,515,781,020.52	14.79	16,939	10.94
South West.....	723,390,308.82	7.06	9,780	6.32
Wales.....	373,780,473.13	3.65	7,051	4.55
West Midlands.....	890,383,040.46	8.69	15,474	9.99
Yorkshire & The Humber.....	921,814,888.38	8.99	18,575	12.00
Unknown*.....	1,808,664.34	0.02	33	0.02
Total.....	10,250,821,703.05	100.00	154,854	100.00

* 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.

Age of loans in months as at the cut-off date	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
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	-	0.00	-	0.00
72 to <84	-	0.00	-	0.00
84 to <96	223,034,888.27	2.18	3,161	2.04
96 to <108	736,650,412.63	7.19	9,608	6.20
108 to <120	1,728,932,181.83	16.87	17,224	11.12
>=120	7,562,204,220.32	73.77	124,861	80.63
Total	10,250,821,703.05	100.00	154,854	100.00

The maximum, minimum and weighted average seasoning of loans as at the cut-off date is 265.43, 89.03 and 143.92 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.

Remaining years to maturity	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
<5	1,221,372,443.69	11.91	32,502	20.99
5 to <10	2,543,350,802.75	24.81	47,197	30.48
10 to <15	4,141,455,601.52	40.40	49,074	31.69
15 to <20	1,901,243,883.85	18.55	20,869	13.48
20 to <25	442,644,859.41	4.32	5,205	3.36
25 to <30	536,233.32	0.01	5	0.00
>=30	217,878.51	0.00	2	0.00
Total	10,250,821,703.05	100.00	154,854	100.00

The maximum, minimum and weighted average remaining term of the loans as at the cut-off date was 34.00, 0 and 11.31 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 at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Purchase	6,375,167,530.45	62.19	104,253	67.32
Remortgage	3,875,654,172.60	37.81	50,601	32.68
Total	10,250,821,703.05	100.00	154,854	100.00

As at the cut-off date, the weighted average balance of loans used to finance the purchase of a new property was £119,314.18 and the weighted average balance of loans used to remortgage a property already owned by the borrower was £149,548.24.

Property type

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

Property type	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Detached house.....	2,430,277,726.46	23.71	26,147	16.88
Semi-detached house.....	2,941,789,743.48	28.70	49,076	31.69
Terraced house.....	2,945,264,559.08	28.73	52,089	33.64
House – detachment type unknown ¹	21,952,432.68	0.21	288	0.19
Flat or maisonette.....	1,396,203,223.43	13.62	19,598	12.66
Bungalow.....	338,537,425.23	3.30	4,270	2.76
Unknown ²	176,796,592.69	1.72	3,386	2.19
Total	10,250,821,703.05	100.00	154,854	100.00

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

2 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 £181,243.69, £114,235.57, £105,975.87 and £127,707.58, respectively.

Origination channel

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

Origination channel	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Direct.....	3,783,042,829.97	36.90	72,803	47.01
Intermediary / Other.....	6,467,778,873.08	63.10	82,051	52.99
Total	10,250,821,703.05	100.00	154,854	100.00

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 £100,755.95 and £148,286.00, 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 at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Repayment.....	5,075,070,784.92	49.51	109,781	70.89
Interest Only.....	5,175,750,918.13	50.49	45,073	29.11
Total	10,250,821,703.05	100.00	154,854	100.00

As at the cut-off date, the weighted average balance of repayment loans and interest-only loans was £79,447.84 and £181,044.60, 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	9,395,792,584.46	91.66	141,920	91.65
Other	855,029,118.59	8.34	12,934	8.35
Total	10,250,821,703.05	100.00	154,854	100.00

* 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.....	66,700,028.94	0.65	813	0.53
Discounted variable rate loans	43,212,358.79	0.42	457	0.30
Fixed rate loans	3,198,276,824.30	31.20	39,797	25.70
Tracker rate loans	677,946,255.48	6.61	13,200	8.52
Standard variable rate loans	6,264,686,235.54	61.11	100,587	64.96
Total	10,250,821,703.05	100.00	154,854	100.00
<i>Of which</i> Flexible loans	46,871,462.65	0.46	575	0.37

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	3,079,394,524.94	96.28	38,124	95.80
4.00 – <5.00	60,135,109.80	1.88	583	1.46
5.00 – <6.00	31,261,537.27	0.98	564	1.42
6.00 – <7.00	27,457,448.41	0.86	525	1.32
>=7.00	28,203.88	0.00	1	0.00
Total	3,198,276,824.30	100.00	39,797	100.00

Year in which current fixed rate period ends	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
2016	-	0.00	-	0.00
2017	37,713.49	0.00	1	0.00
2018	1,130,449,944.15	35.35	14,427	36.25

2019	1,000,339,299.50	31.28	11,468	28.82
2020	485,053,009.19	15.17	5,710	14.35
2021	87,739,939.48	2.74	1,164	2.92
2022	188,757,092.86	5.90	2,480	6.23
>=2023	305,899,825.63	9.56	4,547	11.43
Total	<u>3,198,276,824.30</u>	<u>100.00</u>	<u>39,797</u>	<u>100.00</u>

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.

As of month-end	one-month annualised	three-month annualised	12-month annualised
March 2018	29.74%	21.32%	18.59%

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 £144,562,844.77 as at 31 March 2018.

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 2013	31 Jan 2014	31 Jan 2015 [*]	31 Jan 2016 [*]	31 Jan 2017 [*]	31 Jan 2018 [*]
Outstanding balance (£)....	27,496,049,173.11	23,328,732,109.80	19,090,038,911.69	15,804,194,604.50	13,001,650,222.25	10,742,610,699.03
Number of loans outstanding.....	349,962	305,094	260,276	220,099	187,963	160,715
Outstanding balance of loans in arrears (£)						
1 - <2 months.....	455,608,148.49	409,141,640.68	341,142,238.28	266,430,228.63	156,194,358.37	97,736,801.26
2 - <3 months.....	219,157,247.83	222,977,386.89	164,466,999.54	81,310,576.02	50,317,816.53	30,028,866.65
3 - <6 months.....	380,755,626.34	352,564,822.52	46,454,955.49	21,401,919.95	15,077,499.94	7,890,433.97
6 - <12 months.....	318,932,185.97	273,871,450.34	250,866.93	55,138.33	0.00	0.00
12+ months.....	166,505,053.02	147,712,446.80	0.00	0.00	0.00	0.00
Total outstanding balance of loans in	<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>	<u>221,589,674.84</u>	<u>135,656,101.88</u>

arrears						
Total outstanding balance of loans in arrears as % of the outstanding balance	5.60	6.03	2.89	2.34	1.70	1.26
Outstanding balance of loans relating to properties in Possession.....	24,735,568.01	20,053,478.24	243,118.95	43,334.41	76,354.73	71,602.37
Outstanding balance of loans relating to properties sold during the period ⁽¹⁾	82,006,997.51	85,684,002.80	70,389,893.43	1,891,696.75	273,731.15	0.00
Net loss on sales of all repossessed properties ⁽²⁾	17,694,767.57	17,504,959.04	11,889,930.48	363,010.22	66,231.15	0.00
Ratio of aggregate net losses to aggregate outstanding Balance of loans	0.064	0.075	0.062	0.002	0.00000509406	0.00000000000
Average net loss on all properties sold	25,460.10	25,150.80	19,115.64	21,353.54	22,077.05	0.00
Number of loans outstanding in arrears						
1 - <2 months.....	4,477	4,170	3,475	2,846	1,819	1,140
2 - <3 months.....	2,158	2,139	1,646	902	576	350
3 - <6 months.....	3,622	3,435	467	219	163	98
6 - <12 months.....	2,922	2,632	2	1	0	0
12+ months.....	1,588	1,354	0	0	0	0
Total number of loans outstanding in arrears	14,767	13,730	5,590	3,968	2,558	1,588
Total number of loans outstanding in arrears as % of the number of loans Outstanding.....	4.220	4.500	2.148	1.803	1.36	0.99
Number of properties in Possession.....	209	197	4	1	1	1
Number of properties sold during the period	695	696	622	17	3	1

(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 2009	13.49	18.02
December 1999	16.79	15.88	June 2009	11.90	15.58
March 2000	13.91	16.21	September 2009	13.34	13.68
June 2000	15.63	16.05	December 2009	12.53	12.81
September 2000	16.31	15.66	March 2010	9.97	11.94
December 2000	16.02	15.47	June 2010	11.01	11.71
March 2001	15.76	15.93	September 2010	11.76	11.32
June 2001	18.67	16.69	December 2010	11.39	11.03
September 2001	20.74	17.80	March 2011	10.40	11.14
December 2001	20.56	18.93	June 2011	11.00	11.14
March 2002	19.24	19.80	September 2011	12.37	11.29
June 2002	21.63	20.54	December 2011	11.86	11.41
September 2002	24.22	21.41	March 2012	10.97	11.55
December 2002	23.47	22.14	June 2012	11.27	11.62
March 2003	21.80	22.78	September 2012	11.53	11.41
June 2003	23.00	23.12	December 2012	11.82	11.40
September 2003	24.63	23.22	March 2013	11.38	11.50
December 2003	25.49	23.73	June 2013	13.00	11.93
March 2004	21.77	23.72	September 2013	14.67	12.72
June 2004	23.52	23.85	December 2013	14.94	13.50
September 2004	24.90	23.92	March 2014	13.53	14.03
December 2004	21.37	22.89	June 2014	14.21	14.34
March 2005	18.44	22.06	September 2014	15.16	14.46
June 2005	21.89	21.65	December 2014	14.24	14.28
September 2005	24.96	21.66	March 2015	13.01	14.15
December 2005	25.32	22.65	June 2015	13.99	14.10
March 2006	22.95	23.78	September 2015	15.19	14.11
June 2006	24.11	24.34	December 2015	15.45	14.41
September 2006	25.73	24.53	March 2016	15.10	14.93
December 2006	25.63	24.61	June 2016	15.11	15.21
March 2007	24.56	25.01	September 2016	15.85	15.38
June 2007	25.64	25.39	December 2016	15.36	15.35
September 2007	26.32	25.54	March 2017	14.81	15.28
December 2007	24.36	25.22	June 2017	14.83	15.21
March 2008	20.26	24.15	September 2017	16.00	15.25
June 2008	21.65	23.15	December 2017	16.38	15.50
September 2008	20.94	21.80	March 2018	15.06	15.57
December 2008	15.99	19.71			

Source of repayment and outstanding mortgage information: UK Finance (formerly 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	2016	0.07
1995	0.47	2006	0.18	2017	0.07

Source: UK Finance (formerly Council of Mortgage Lenders)

All information contained in this Drawdown Prospectus in respect of industry PPR rates and repossession rates has been reproduced from information published by UK Finance (formerly Council of Mortgage Lenders). The issuing entity confirms that all information in this Drawdown Prospectus 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 UK Finance, 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
2015	62,230	276,555	4.44
2016	61,516	282,511	4.59

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 2016 in order to produce a house price to earnings ratio for each region.

Regions	Average annual earnings (£)	Average house price (£)	House price to earnings ratio
North	47,117	170,480	3.62
North West.....	51,859	198,099	3.82
Yorkshire & Humberside	49,466	192,075	3.88
East Midlands	50,769	206,744	4.07
West Midlands	52,594	219,365	4.17
East Anglia	56,122	260,141	4.64
London	98,762	534,272	5.41
South East.....	72,378	372,786	5.15
South West.....	56,595	270,430	4.78
Wales	46,995	181,877	3.87
Scotland	51,754	187,250	3.62

Source: Office for National Statistics

All information contained in this Drawdown Prospectus 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 this Drawdown Prospectus 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
2016	263.1	1.8	405.7	4.9	696.7	7.5
2017	272.5	3.6	417.5	2.9	719.6	3.3

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	367.8	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	325.9	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	325.0	(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

Quarter	Retail Price Index		Nationwide House Price Index (SA)		Halifax House Price Index (SA)*	
	Index	% annual change	Index	% annual change	Index	% annual change
March 2015.....	256.4	1.0	380.3	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	388.4	3.7	655.5	1.9
December 2015	260.0	1.0	394.3	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	404.2	5.1	696.4	1.6
September 2016	264.2	1.9	409.4	5.4	693.1	(0.5)
December 2016	265.8	2.2	412.1	4.5	711.2	2.8
March 2017.....	267.7	3.0	416.5	4.1	710.6	(0.1)
June 2017.....	271.5	3.5	415.7	2.8	713.4	0.4
September 2017	274.2	3.8	419.9	2.6	721.0	1.1
December 2017	276.4	4.0	423.1	2.7	730.5	1.3
March 2018.....	277.5	3.7	426.7	2.5	730.8	0.1

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 this Drawdown Prospectus in respect of the Retail Price Index has been reproduced from information published by the Office for National Statistics. All information contained in this Drawdown Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society. All information contained in this Drawdown Prospectus 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 this Drawdown Prospectus 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 Joint Lead Managers 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 43 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.

There are currently no loans in the mortgages trust that were originated between 2011 and 2018. The following tables show, for loans originated between 2008 and 2010, the distribution of loans in the mortgages trust originated in that year by delinquency category as at each year-end starting in 2013.

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
Total	41,257	5,263,127,229.98	100.00	100.00

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
Total	36,417	4,532,174,052.59	100.00	100.00

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
Total	32,126	3,922,094,243.88	100.00	100.00

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
Total	28,317	3,376,555,978.13	100.00	100.00

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
Total	24,857	2,868,777,444.76	100.00	100.00

31 December 2016

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	18,057	1,954,852,254.41	98.51	98.33
1 to <2 months	213	26,021,648.98	1.16	1.31
2 to <3 months	46	5,522,293.70	0.25	0.28
3 to <6 months	14	1,658,282.51	0.08	0.08
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
Total	18,330	1,988,054,479.60	100.00	100.00

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
Total	21,228	2,375,208,018.44	100.00	100.00

31 December 2017

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	15,798	1,654,976,278.08	98.81	98.56
1 to <2 months	142	18,585,029.28	0.57	1.11
2 to <3 months	43	5,137,530.98	0.17	0.31
3 to <6 months	5	478,691.95	0.02	0.03
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
Total	15,988	1,679,177,530.29	100.00	100.00

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
Total	29,549	3,201,158,106.97	100.00	100.00

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
Total	26,381	2,636,156,723.21	100.00	100.00

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
Total	20,013	1,861,131,763.17	100.00	100.00

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
Total	30,902	3,211,650,728.97	100.00	100.00

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
Total	23,316	2,249,863,978.32	100.00	100.00

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
Total	16,913	1,507,359,994.28	100.00	100.00

31 December 2016

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	14,368	1,226,884,595.20	98.69	98.45
1 to <2 months	142	14,437,096.28	0.98	1.16
2 to <3 months	44	4,441,933.70	0.30	0.36
3 to <6 months	5	385,682.45	0.03	0.03
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
Total	14,559	1,246,149,307.63	100.00	100.00

31 December 2017

	Volume	Principal balance (£)	% by volume	% by balance
<1 month	12,484	1,025,836,007.32	98.91	98.74
1 to <2 months	111	10,529,788.87	0.88	1.01
2 to <3 months	17	1,750,680.59	0.13	0.17
3 to <6 months	9	758,953.19	0.07	0.07
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
Total	12,621	1,038,875,429.97	100.00	100.00

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
Total	1,708	197,081,304.30	100.00	100.00

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
Total	11,962	1,271,738,925.25	100.00	100.00

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
Total	10,136	1,021,218,776.50	100.00	100.00

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
Total	8,836	840,335,035.64	100.00	100.00

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
Total	7,703	689,984,219.49	100.00	100.00

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
Total	6,478	548,022,273.87	100.00	100.00

31 December 2016

	<u>Volume</u>	<u>Principal balance (£)</u>	<u>% by volume</u>	<u>% by balance</u>
<1 month	5,488	430,021,183.52	98.33	97.96
1 to <2 months	74	6,701,625.57	1.33	1.53
2 to <3 months	18	1,909,196.06	0.32	0.43
3 to <6 months	1	329,309.87	0.02	0.08
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
Total	<u>5,581</u>	<u>438,961,315.02</u>	<u>100.00</u>	<u>100.00</u>

31 December 2017

	<u>Volume</u>	<u>Principal balance (£)</u>	<u>% by volume</u>	<u>% by balance</u>
<1 month	4,793	352,781,580.02	98.97	98.75
1 to <2 months	35	3,166,672.55	0.72	0.89
2 to <3 months	14	1,236,508.30	0.29	0.35
3 to <6 months	1	53,838.01	0.02	0.02
6 to <12 months	0	0.00	0.00	0.00
≥12 months	0	0.00	0.00	0.00
Total	<u>4,843</u>	<u>357,238,598.88</u>	<u>100.00</u>	<u>100.00</u>

Signed on behalf of the issuing entity:

By:

Duly authorised