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You are reminded that the final terms delivered with this electronic transmission has been delivered to you on the basis that you are a person into whose possession the final terms 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 final terms 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 the final terms, 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 final terms 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**"). These final terms must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these final terms relate is available only to relevant persons and will be engaged in only with relevant persons.

These final terms have been sent to you in an 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, J.P. Morgan Securities Ltd., Lloyds TSB Bank plc, The Royal Bank of Scotland plc or NATIXIS or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the final terms 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, J.P. Morgan Securities Ltd., Lloyds TSB Bank plc, The Royal Bank of Scotland plc or NATIXIS.

PERMANENT MASTER ISSUER PLC
(Incorporated with limited liability in England and Wales with registered number 5922774)
Mortgage Backed Note Programme
2011-1 Issue

Series	Class	Interest rate	Initial principal amount	Issue price	Bullet redemption dates	Final Maturity date
1	A1	1.4000% over 3 month USD LIBOR	\$2,600,000,000	100%	15 January 2014	15 July 2042
1	A2	1.4000% over 3 month Sterling LIBOR	£400,000,000	100%	15 January 2014	15 July 2042
1	A3	1.3000% over 3 month EURIBOR	€900,000,000	100%	15 January 2014	15 July 2042
2	A1	1.4000% over 3 month EURIBOR	€200,000,000	100%	15 January 2016	15 July 2042
2	A2	1.5000% over 3 month Sterling LIBOR	£200,000,000	100%	15 January 2016	15 July 2042
2	A3	1.5000% over 3 month Sterling LIBOR	£500,000,000	100%	15 January 2016	15 July 2042

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 April 2011 (the **Base Prospectus**) which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the final terms (the **Final Terms**) of the series (each a **Series**) and classes (each a **Class**) of notes (the **Notes**) of Permanent Master Issuer PLC (the **Master Issuer**) described herein for the purposes of Article 5.4 of the Prospectus Directive (together, the Notes or the **2011-1 notes**) and must be read in conjunction with the Base Prospectus. This document is not a prospectus for the purposes of Section 12(a)(2) or any other provision or rule under the Securities Act. Full information on the Master Issuer (also referred to as the **issuing entity**) and the offer of the 2011-1 notes the subject thereof is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and copies may be obtained from the registered office of the Master Issuer at 35 Great St. Helen's, London, EC3A 6AP.

To be eligible to read this document you either must (i) be a "Qualified Institutional Buyer" within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or (ii) be located outside the United States and not be a "U.S. Person" within the meaning of Regulation S under the Securities Act.

Arranger for the programme



Joint Lead Managers with respect to the Series 1 Class A1 Notes, Series 1 Class A3 Notes and Series 2 Class A1 Notes

J.P. Morgan

Lloyds TSB Bank plc

The Royal Bank of Scotland plc

Joint Lead Managers with respect to the Series 1 Class A2 Notes and Series 2 Class A2 Notes

J.P. Morgan

Lloyds TSB Bank plc

Lead Manager with respect to the Series 2 Class A3 Notes

Lloyds TSB Bank plc

**Co-Manager with respect to the Series 1 Class A2 Notes, Reg S Series 1 Class A3 Notes, Reg S Series 2 Class A1 Notes
and Series 2 Class A2 Notes**

NATIXIS

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

(1) Master Issuer:	Permanent Master Issuer PLC	Permanent Master Issuer PLC	Permanent Master Issuer PLC	Permanent Master Issuer PLC	Permanent Master Issuer PLC	Permanent Master Issuer PLC
(2) Specified Currency or Currencies:	U.S. Dollar	Sterling	Euro	Euro	Sterling	Sterling
(3) Initial Principal Amount:	\$2,600,000,000	£400,000,000	€900,000,000	€200,000,000	£200,000,000	£500,000,000
(4) (a) Issue Price	100% of the Initial Principal Amount	100% of the Initial Principal Amount	100% of the Initial Principal Amount	100% of the Initial Principal Amount	100% of the Initial Principal Amount	100% of the Initial Principal Amount
(b) Gross Proceeds:	\$2,600,000,000	£400,000,000	€900,000,000	€200,000,000	£200,000,000	£500,000,000
(5) Funding 2 Reserve Required Amount:	For all notes issued by the Master Issuer, £2,184,400,000					
(6) 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	AAA (sf)/Aaa (sf)/AAA sf	AAA (sf)/Aaa (sf)/AAA sf	AAA (sf)/Aaa (sf)/AAA sf
(7) 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.	€100,000 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.

Each such credit rating agency is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 (the CRA Regulation), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

(8) Closing Date: 20 April 2011 20 April 2011 20 April 2011 20 April 2011 20 April 2011

(a) Interest Comment- cement Date: 20 April 2011 20 April 2011 20 April 2011 20 April 2011 20 April 2011

(9) Final Maturity Date: Interest Payment Date falling in July 2042 Interest Payment Date falling in July 2042 Interest Payment Date falling in July 2042 Interest Payment Date falling in July 2042 Interest Payment Date falling in July 2042

(10) Interest Basis: Three-month USD LIBOR Floating Rate Three-month Sterling LIBOR Floating Rate Three-month EURIBOR Floating Rate Three-month EURIBOR Floating Rate Three-month Sterling LIBOR Floating Rate

(11) Redemption / Payment Basis: Bullet Redemption Bullet Redemption Bullet Redemption Bullet Redemption Bullet Redemption

(12) Change of Interest Basis or Redemption / Payment Basis: Not Applicable Not Applicable Not Applicable Not Applicable Not Applicable

(13) (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. 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. 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 2011-1 Notes an aggregate amount of £2,500

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

(14) Status of the Notes	Direct, secured and unconditional obligation of the issuing entity.	Direct, secured and unconditional obligation of the issuing entity.	Direct, secured and unconditional obligation of the issuing entity.	Direct, secured and unconditional obligation of the issuing entity.	Direct, secured and unconditional obligation of the issuing entity.	Direct, secured and unconditional obligation of the issuing entity.
Date of Board approval for issuance of the Notes	6 April 2011	6 April 2011	6 April 2011	6 April 2011	6 April 2011	6 April 2011
(15) Method of distribution:	Syndicated	Syndicated	Syndicated	Syndicated	Syndicated	Non-Syndicated
						Lloyds TSB Bank plc (or one of its affiliates) intends to purchase £500,000,000 of the Series 2 Class A3 notes on the Closing Date
(16) Fixed Rate Note Provisions:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(17) Floating Rate Note Provisions:	Applicable	Applicable	Applicable	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 15 July 2011.	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 July 2011.	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 July 2011.	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 July 2011.	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 July 2011.	15th January, 15th April, 15th July and 15th October in each year up to and including the Final Maturity Date. The first Interest Payment Date will be 15 July 2011.
(b) Business Day Convention:	Following Business Day Convention	Following Business Day Convention	Following Business Day Convention	Following Business Day Convention	Following Business Day Convention	Following Business Day Convention

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

(c) Additional Business Centre(s):	Not Applicable	Not Applicable	Not Applicable	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	Screen Rate Determination	Screen Rate Determination	Screen Rate Determination
(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent Bank):	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
(f) Screen Rate Determination:	Three-month USD LIBOR (or, in respect of the first Interest Period the linear interpolation of 2-month USD LIBOR and 3-month USD LIBOR)	Three-month Sterling LIBOR (or, in respect of the first Interest Period the linear interpolation of 2-month Sterling LIBOR and 3-month Sterling LIBOR)	Three-month EURIBOR (or, in respect of the first Interest Period the linear interpolation of 2-month EURIBOR and 3-month EURIBOR)	Three-month Sterling LIBOR (or, in respect of the first Interest Period the linear interpolation of 2-month Sterling LIBOR and 3-month Sterling LIBOR)	Three-month Sterling LIBOR (or, in respect of the first Interest Period the linear interpolation of 2-month Sterling LIBOR and 3-month Sterling LIBOR)
• Interest Determination Date(s):	The second business day on which commercial banks are open for general business (including dealings in foreign	The first day of each Interest Period	The second business day that the TARGET2 system is open prior to the start of each Interest Period	The second business day that the TARGET2 system is open prior to the start of each Interest Period	The first day of each Interest Period

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

currency deposits) in London prior to the start 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 EURIBOR 01	Reuters Monitor Money Rates Service at the page designated as LIBOR 01	Reuters Monitor Money Rates Service at the page designated as LIBOR 01
(g)	ISDA Determination:				
•	Floating Rate Option:	Not Applicable	Not Applicable	Not Applicable	Not Applicable
•	Designated Maturity:	Not Applicable	Not Applicable	Not Applicable	Not Applicable
•	Reset Date:	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(h)	Margin(s):	+ 1.4000% per annum	+ 1.4000% per annum	+ 1.3000% per annum	+ 1.4000% per annum
(i)	Minimum Rate of Interest:	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(i)	Maximum Rate of Interest:	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(k)	Step-Up Date:	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016
•	Step-Up Margin(s)	0.40% per annum. Investors should note that the Step-up Margin is lower than the Margin	0.40% per annum. Investors should note that the Step-up Margin is lower than the Margin	0.40% per annum. Investors should note that the Step-up Margin is lower than the Margin	0.40% per annum. Investors should note that the Step-up Margin is lower than the Margin
(l)	Day Count Fraction:	Actual/360	Actual/365	Actual/360	Actual/365

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

Series and Class:	2011-1 Series 1 Class A1	2011-1 Series 1 Class A2	2011-1 Series 1 Class A3	2011-1 Series 2 Class A1	2011-1 Series 2 Class A2	2011-1 Series 2 Class A3
(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	Not Applicable	Not Applicable	Not Applicable
(18) Zero Coupon Note Provisions:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(19) 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 depository for Euroclear and Clearstream, Luxembourg	Registered Notes: Reg S Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg	Registered Notes: Rule 144A Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg. 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 registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg. 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 depository for Euroclear and Clearstream, Luxembourg	Registered Notes: Reg S Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

(20) Details relating to Bullet Redemption Notes:	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
(a) Redemption Amount:	\$2,600,000,000	£400,000,000	€900,000,000	€200,000,000	£200,000,000	£500,000,000
(b) Bullet Redemption Date:	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016
(21) Details relating to Scheduled Redemption Notes:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(22) Details relating to Pass-Through Notes:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(23) Redemption Amount:	Condition 5.6 applies	Condition 5.6 applies	Condition 5.6 applies	Condition 5.6 applies	Condition 5.6 applies	Condition 5.6 applies
(24) Interest Payment Date for Regulatory Call:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(a) Call Option Date:	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
	Interest Payment Date occurring in January 2014 and each subsequent Interest Payment Date thereafter	Interest Payment Date occurring in January 2014 and each subsequent Interest Payment Date thereafter	Interest Payment Date occurring in January 2014 and each subsequent Interest Payment Date thereafter	Interest Payment Date occurring in January 2016 and each subsequent Interest Payment Date thereafter	Interest Payment Date occurring in January 2016 and each subsequent Interest Payment Date thereafter	Interest Payment Date occurring in January 2016 and each subsequent Interest Payment Date thereafter

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

Series and Class:	2011-1 Series 1 Class A1	2011-1 Series 1 Class A2	2011-1 Series 1 Class A3	2011-1 Series 2 Class A1	2011-1 Series 2 Class A2	2011-1 Series 2 Class A3
(25) Issuing Entity Swap Providers:	Natixis and Bank of Scotland plc	Not Applicable	Bank of Scotland plc	Bank of Scotland plc	Not Applicable	Not Applicable
(26) Specified Currency Exchange Rate	GBP 1.00 / USD 1.63312	Not Applicable	GBP 1.00 / EUR 1.13199	GBP 1.00 / EUR 1.13199	Not Applicable	Not Applicable
(27) Talons for future coupons to be attached to Definitive Notes (and dates on which talons mature):	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(28) Redenomination, renomination and reconventioning provisions applicable:	Redenomination Not Applicable	Redenomination Not Applicable	Redenomination Not Applicable	Redenomination Not Applicable	Redenomination Applicable	Redenomination Applicable
(29) U.S. tax treatment:	Rule 144A Notes 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)	Rule 144A Notes will be debt for United States federal income tax purposes subject to the considerations in "United States federal income taxation" in the Base Prospectus	Rule 144A Notes 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)	Not Applicable (These Notes are not being offered or sold in the United States)
(30) ERISA eligible:	Yes, subject to the considerations in "ERISA"	Not Applicable (These Notes are not being offered or sold in the United States)	Yes, subject to the considerations in "ERISA"	Yes, subject to the considerations in "ERISA"	Not Applicable (These Notes are not being offered or sold in the United States)	Not Applicable (These Notes are not being offered or sold in the United States)

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

	considerations" in the Base Prospectus	offered or sold in the United States)	considerations" in the Base Prospectus	considerations" in the Base Prospectus	offered or sold in the United States)	offered or sold in the United States)
(31) Other final terms:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(32) Money Market Notes (2a-7)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(33) Maturity Purchase Notes	Yes	Yes	Yes	Yes	Yes	Yes
(a) Scheduled Transfer Date:	13 February 2014	13 February 2014	13 February 2014	15 February 2016	15 February 2016	15 February 2016
(b) Loss Calculation Date	The third Business Day after the Bullet Redemption Date	The third Business Day after the Bullet Redemption Date	The third Business Day after the Bullet Redemption Date	The third Business Day after the Bullet Redemption Date	The third Business Day after the Bullet Redemption Date	The third Business Day after the Bullet Redemption Date
(c) Maturity Purchaser:	Lloyds TSB Bank plc	Lloyds TSB Bank plc	Lloyds TSB Bank plc	Lloyds TSB Bank plc	Lloyds TSB Bank plc	Lloyds TSB Bank plc
(34) Yield Reserve Notes:	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
(a) Primary Funding 2 Yield Reserve Required Amount:				£324,500,000		
(b) Secondary Funding 2 Yield Reserve Required Amount:				Nil		
(c) Post 2010 Funding 2 Yield	£67,600,000	£0	£44,600,000	£7,600,000	£0	£0

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

Reserve Reduction Amount:	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016
(d) Post 2010 Funding 2 Yield Reserve Reduction Date:	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016
(35) Post-Enforcement Call Option/Limited Recourse:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(a) Condition 10.2 (Post-Enforcement Call Option):	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(b) Condition 10.3 (Limited Recourse):	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
(36) If syndicated, names of Managers:	Rule 144A Notes: J.P. Morgan Securities Ltd., Lloyds TSB Bank plc and The Royal Bank of Scotland plc Reg S Notes: J.P. Morgan Securities Ltd., Lloyds TSB Bank plc and The Royal Bank of Scotland plc	J.P. Morgan Securities Ltd., Lloyds TSB Bank plc and NATIXIS	Rule 144A Notes: J.P. Morgan Securities Ltd., Lloyds TSB Bank plc and The Royal Bank of Scotland plc Reg S Notes: J.P. Morgan Securities Ltd., Lloyds TSB Bank plc, The Royal Bank of Scotland plc and NATIXIS	Rule 144A Notes: J.P. Morgan Securities Ltd., Lloyds TSB Bank plc and The Royal Bank of Scotland plc Reg S Notes: J.P. Morgan Securities Ltd., Lloyds TSB Bank plc, The Royal Bank of Scotland plc and NATIXIS	J.P. Morgan Securities Ltd., Lloyds TSB Bank plc and NATIXIS	Not Applicable
(a) Stabilising Manager (if any):	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Series and Class:	2011-1 Series 1 Class A1	2011-1 Series 1 Class A2	2011-1 Series 1 Class A3	2011-1 Series 2 Class A1	2011-1 Series 2 Class A2	2011-1 Series 2 Class A3
(37) If non-syndicated, name of relevant Dealer:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Lloyds TSB Bank plc
(38) Total commission and concession:	In respect of the Series 1 Class A1 notes, the total commission and concession to be paid to the Series 1 Class A1 Lead Managers, for acting as Lead Managers, shall be an amount equal to 0.25% of the Principal Amount Outstanding of the Series 1 Class A1 notes underwritten by the Series 1 Class A1 Lead Managers	In respect of the Series 1 Class A2 notes, the total commission and concession to be paid to the Series 1 Class A2 Lead Managers, for acting as Lead Managers, shall be an amount equal to 0.25% of the Principal Amount Outstanding of the Series 1 Class A2 notes underwritten by the Series 1 Class A2 Lead Managers	In respect of the Series 1 Class A3 notes, the total commission and concession to be paid to the Series 1 Class A3 Lead Managers, for acting as Lead Managers, shall be an amount equal to 0.25% of the Principal Amount Outstanding of the Series 1 Class A3 notes underwritten by the Series 1 Class A3 Lead Managers	In respect of the Series 2 Class A1 notes, the total commission and concession to be paid to the Series 2 Class A1 Lead Managers, for acting as Lead Managers, shall be an amount equal to 0.25% of the Principal Amount Outstanding of the Series 2 Class A1 notes underwritten by the Series 2 Class A1 Lead Managers	In respect of the Series 2 Class A2 notes, the total commission and concession to be paid to the Series 2 Class A2 Lead Managers, for acting as Lead Managers, shall be an amount equal to 0.25% of the Principal Amount Outstanding of the Series 2 Class A2 notes underwritten by the Series 2 Class A2 Lead Managers	In respect of the Series 2 Class A3 notes, the total commission and concession to be paid to the Series 2 Class A3 Lead Managers, for acting as Lead Managers, shall be an amount equal to 0.25% of the Principal Amount Outstanding of the Series 2 Class A3 notes underwritten by the Series 2 Class A3 Lead Managers
(39) Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(40) Additional selling restrictions:	Not Applicable	Not Applicable	Not Applicable	Israel The Notes have not been registered under Israel's Securities Law, 5728-1968 (the Israeli Securities Law). Each of the Master Issuer, Funding 2 and Bank of Scotland and each Manager with respect to	Not Applicable	Not Applicable

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

the Series 2 Class A1 Notes will represent and agree that it will not offer the Notes (1) to the public in Israel within the meaning of the Israeli Securities Law; and (2) to more than 35 offerees resident in Israel that are not "institutional investors" of the type specified in the First Appendix to the Israeli Securities Law. Israeli purchasers of the Notes should consult their own legal and tax advisers with respect to the tax consequences of an investment in the Notes in their particular circumstances and with respect to the eligibility of the Notes for investment by the purchaser under relevant Israeli legislation.

(41) Any clearing system(s) other than DTC, Euroclear or Clearstream, Luxembourg and the relevant identification numbers:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(42) Delivery:	144A: Delivery free of payment Reg S: Delivery against payment	Delivery against payment	Delivery against payment	Delivery against payment	Delivery against payment
(43) Name and address of	Citibank, N.A. Citigroup Centre	Citibank, N.A. Citigroup Centre	Citibank, N.A. Citigroup Centre	Citibank, N.A. Citigroup Centre	Citibank, N.A. Citigroup Centre

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

initial Paying Agent:	Canada Square Canary Wharf London E14 5LB	Canada Square Canary Wharf London E14 5LB	Canada Square Canary Wharf London E14 5LB	Canada Square Canary Wharf London E14 5LB	Canada Square Canary Wharf London E14 5LB
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(44) Names and addresses of additional Paying Agent(s) (if any):
 Not Applicable Not Applicable Not Applicable Not Applicable Not Applicable

(45) ISIN Code:
 Rule 144A Global Note registered in the name of a nominee for DTC: US71419GAQ38
 Reg S Notes: XS0618260920
 Rule 144A Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg: XS0617235360
 Reg S Notes: XS0617234801
 Rule 144A Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg: XS0617235873
 Reg S Notes: XS0617235790
 Reg S Notes: XS0617236251

(46) Common Code:
 Rule 144A Global Note registered in the name of a nominee for DTC: 061882430
 Reg S Notes: 061826092
 Rule 144A Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg: 061723536
 Reg S Notes: 061723480
 Rule 144A Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg: 061723587
 Reg S Notes: 061723579
 Rule 144A Global Note registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg: 061723595
 Reg S Notes: 061723625

(47) CUSIP: 71419GAQ3 Not Applicable Not Applicable Not Applicable Not Applicable

(48) Intended to be held in a manner which would allow
 No Yes No No
 Note that the designation "yes" simply means that the notes are intended upon issue to be deposited with one of Euroclear or

Series and Class: 2011-1 Series 1 Class A1 2011-1 Series 1 Class A2 2011-1 Series 1 Class A3 2011-1 Series 2 Class A1 2011-1 Series 2 Class A2 2011-1 Series 2 Class A3

Class:

Eurosystem eligibility:

Euroclear or Clearstream, Luxembourg as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS, 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 satisfaction of the Eurosystem eligibility criteria.

Clearstream, Luxembourg as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS, 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 satisfaction of the Eurosystem eligibility criteria.

(49) Rated Loan Tranche:	Series 1 Class A1 AAA Loan Tranche	Series 1 Class A2 AAA Loan Tranche	Series 1 Class A3 AAA Loan Tranche	Series 2 Class A1 AAA Loan Tranche	Series 2 Class A2 AAA Loan Tranche	Series 2 Class A3 AAA Loan Tranche
(50) Borrower:	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited	Permanent Funding (No. 2) Limited
(51) Designated Rated Loan Tranche rating:	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA
(52) Designation of Rated Loan Tranche:	Bullet Loan Tranche	Bullet Loan Tranche	Bullet Loan Tranche	Bullet Loan Tranche	Bullet Loan Tranche	Bullet Loan Tranche
(53) Initial Principal Amount:	£1,592,045,000	£400,000,000	£795,060,000	£176,680,000	£200,000,000	£500,000,000
(a) Closing Date:	20 April 2011	20 April 2011	20 April 2011	20 April 2011	20 April 2011	20 April 2011
(b) Interest Commence-	20 April 2011	20 April 2011	20 April 2011	20 April 2011	20 April 2011	20 April 2011

ment Date:	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):
(54) Rated Loan Tranche rate:	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):	Sum of (a), (b) and (c):
(a) 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 LIBOR 01	Reuters Monitor Money Rates Service at the page designated as LIBOR 01
(b) Rated Loan Tranche Rate Margin:	+1.3462% prior to the Step-Up Date unless a Trigger Event occurs prior to such Step-Up Date in which case the Rated Loan Tranche Margin will be 1.6862%	+1.0000%	+1.4420%	+1.5930%
(c) Funding 2 Yield Reserve Revenue Margin	+ 0.4000%	+ 0.4000%	+ 0.4000%	+ 0.4000%
(55) Step-Up Date (if any):	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2014	Interest Payment Date occurring in January 2016	Interest Payment Date occurring in January 2016
(56) Stepped-up Loan Tranche rate:	1.0620%	0.4000%	1.2753%	1.3754%
(57) Details relating to Bullet Loan Tranches:	Applicable	Applicable	Applicable	Applicable
(a) Bullet Repayment Date:	The Funding 2 Interest Payment Date occurring in January 2014	The Funding 2 Interest Payment Date occurring in January 2014	The Funding 2 Interest Payment Date occurring in January 2016	The Funding 2 Interest Payment Date occurring in January 2016

Series and Class:	2011-1 Series 1 Class A1	2011-1 Series 1 Class A2	2011-1 Series 1 Class A3	2011-1 Series 2 Class A1	2011-1 Series 2 Class A2	2011-1 Series 2 Class A3
(b) Relevant Accumulation Amount:	£1,592,045,000	£400,000,000	£795,060,000	£176,680,000	£200,000,000	£500,000,000
(58) Details relating to Scheduled Amortisation Loan Tranches:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(59) Details relating to Pass-Through Loan Tranches:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(60) Final Repayment Date:	The Funding 2 Interest Payment Date falling in July 2042	The Funding 2 Interest Payment Date falling in July 2042	The Funding 2 Interest Payment Date falling in July 2042	The Funding 2 Interest Payment Date falling in July 2042	The Funding 2 Interest Payment Date falling in July 2042	The Funding 2 Interest Payment Date falling in July 2042
(61) Loan Payment Dates:	The Bullet Repayment Date	The Bullet Repayment Date	The Bullet Repayment Date	The Bullet Repayment Date	The Bullet Repayment Date	The Bullet Repayment Date
(62) Details relating to Subordinated Loan Tranches:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(63) Details relating to Start-up Loan Tranches:	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

OTHER INFORMATION

Interests of natural and legal persons involved in the issue:

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

Documents incorporated by reference

The audited annual accounts of the issuing entity and Funding 2 for the years ended 31 December 2008 and 31 December 2009 and the auditors reports thereon and (i) the audited consolidated annual financial statements of Lloyds TSB Bank plc for the financial year ended 31 December 2010, together with the audit report thereon, as set out on pages 12 to 129 and 10 to 11, respectively, of Lloyds TSB Bank plc's Annual Report and Accounts 2010, (ii) the audited consolidated annual financial statements of Lloyds TSB Bank plc for the financial year ended 31 December 2009, together with the audit report thereon, as set out on pages 10 to 106 and 9, respectively, of Lloyds TSB Bank plc's Annual Report and Accounts 2009; and (iii) the audited consolidated annual financial statements of Lloyds TSB Bank plc for the financial year ended 31 December 2008, together with the audit report thereon, as set out on pages 11 to 107 and 9 to 10, respectively, of Lloyds TSB Bank plc's Annual Report and Accounts 2008, in each case, which have previously been published and have been filed with the FSA shall be deemed to be incorporated in, and to form part of, these Final Terms save that any statement contained herein or any of the documents incorporated by reference in, and forming part of, these Final Terms shall be deemed to be modified or superseded for the purpose of these Final Terms to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of a supplement to the Base Prospectus pursuant to Article 16 of the Prospectus Directive. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of these Final Terms.

The issuing entity will provide, without charge, to each person to whom a copy of these Final Terms has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the issuing entity at its registered office as set out at the end of the Base Prospectus.

Use of proceeds

The gross proceeds from the issue of the 2011-1 notes equal approximately £3,663,785,000 and (after exchanging, where applicable, the proceeds of the 2011-1 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 to pay the purchase price to the seller for the sale of part of its share in the trust property to Funding 2 on the closing date.

Issuing Entity Swap Providers

Bank of Scotland plc is an issuing entity swap provider (an **Issuing Entity Swap Provider**) for the Series 1 Class A3 and Series 2 Class A1 2011-1 Notes. Bank of Scotland plc is also an issuing entity swap provider in respect of approximately 23.08% of the principal amount outstanding of the Series 1 Class A1 2011-1 Notes. Bank of Scotland plc and NATIXIS have severally committed to provide the issuing entity swap in relation to the Series 1 Class A1 2011-1 Notes. In the event that NATIXIS defaults on the issuing entity swap provided by it in relation to the Series 1 Class A1 2011-1 Notes, Bank of Scotland plc will not be liable in whole or in part for NATIXIS' obligations under such issuing entity swap provided by NATIXIS. Consequently, in relation to the issuing entity swap for the Series 1 Class A1 2011-1 Notes, please also refer to the disclosure concerning NATIXIS set out below.

Bank of Scotland plc (**Bank of Scotland**) (incorporated in Scotland with limited liability, registration number SC327000) is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. The registered office of Bank of Scotland is located at The Mound, Edinburgh EH1 1YZ, Scotland.

As at the date hereof, the short term senior unsecured and unguaranteed obligations of Bank of Scotland were rated P-1 by Moody's, A-1 by S&P and F1+ by Fitch and the long-term senior, unsecured and unguaranteed obligations of Bank of Scotland were rated Aa3 by Moody's, A+ by S&P and AA- by Fitch.

Further information on Bank of Scotland, including certain audited financial statements and the accompanying notes thereto, may be accessed through <http://www.lloydsbankinggroup.com/investors.asp>. The material contained on this website does not form part of these Final Terms.

We refer you to the description of Bank of Scotland plc within the "**Overview**" and "**History and development of Bank of Scotland**" paragraphs of the "Bank of Scotland plc" section of the Base Prospectus.

NATIXIS is an issuing entity swap provider (an **Issuing Entity Swap Provider**) in respect of approximately 76.92% of the principal amount outstanding of the Series 1 Class A1 2011-1 Notes. NATIXIS and Bank of Scotland have severally committed to provide the issuing entity swap in relation to the Series 1 Class A1 2011-1 Notes. In the event that Bank of Scotland defaults on the issuing entity swap provided by it in relation to the Series 1 Class A1 2011-1 Notes, NATIXIS will not be liable in whole or in part for Bank of Scotland's obligations under such issuing entity swap provided by Bank of Scotland. Consequently, in relation to the issuing entity swap for the Series 1 Class A1 2011-1 Notes, please also refer to the disclosure concerning Bank of Scotland set out above.

NATIXIS (formerly known as Natexis Banques Populaires) is a French limited liability company (*société anonyme à conseil d'administration*) registered with the *Registre du Commerce et des Sociétés de Paris* under No. 542 044 524 (**NATIXIS**).

With effect as of 31 July 2009 (non-inclusive), NATIXIS is affiliated with BPCE, the central body of Groupe BPCE. This affiliation with BPCE replaces, with effect as of same date, the dual affiliation of NATIXIS with Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE) and Banque Fédérale des Banques Populaires (BFBP), which was governed by a dual affiliation agreement terminated on the same date.

NATIXIS is the corporate, investment and financial services arm of Groupe BPCE, the 2nd-largest banking player in France with 22% of total bank deposits and 37 million clients spread over two networks, Banques Populaires and Caisses d'Epargne.

With around 22,000 employees, NATIXIS has a number of areas of expertise which are organised in three main business lines: Corporate and Investment Banking, Investment Solutions (asset management, private banking, insurance) and Specialized Financial Services.

NATIXIS has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-size businesses of BPCE's two retail banking networks.

Listed on Euronext Paris, it has total Tier 1 capital of €16.8 billion, a Tier 1 ratio of 11.4 % and quality long-term ratings (Standard & Poor's and Fitch Ratings: A+; Moody's:Aa3) .¹

The distribution of the capital of NATIXIS as at 31 December 2010 is as follows:

	% of capital	% of voting rights
BPCE	71.54	71.65
Employee shareholders (RSOPs)	0.95	0.96
Own shares	0.16	0.00
Public	27.35	27.39
TOTAL	100	100

Further information on NATIXIS, including links to the registration document containing certain audited financial statements and accompanying notes thereto, may be accessed through http://www.natixis.com/jcms/c_5066/shareholders-and-investors. The material contained on this website does not form part of these Final Terms.

Neither J.P. Morgan Securities Ltd. nor The Royal Bank of Scotland plc makes any representation as to the accuracy or completeness of the information regarding the Issuing Entity Swap Providers set out above and neither J.P. Morgan Securities Ltd. nor The Royal Bank of Scotland plc accepts responsibility for such information, including, without limitation, the audited financial statements and accompanying notes available at <http://www.lloydsbankinggroup.com/investors.asp> or http://www.natixis.com/jcms/c_5066/shareholders-and-investors. The material contained on these websites does not form part of these Final Terms.

¹ Figures as at 31 December 2010

Maturity Purchaser

Lloyds TSB Bank plc (**Lloyds TSB Bank**) is the maturity purchaser (the **Maturity Purchaser**) for the issue of the 2011-1 notes, which are maturity purchase notes.

Lloyds TSB Bank was incorporated in England and Wales on 20 April 1865 (registration number 2065). Lloyds TSB Bank's registered office is at 25 Gresham Street, London EC2V 7HN. Lloyds TSB Bank is authorised and regulated by the Financial Services Authority.

Overview

The businesses of Lloyds Banking Group are in or owned by Lloyds TSB Bank. Lloyds Banking Group is a leading UK-based financial services group providing a wide range of banking and financial services, primarily in the UK to personal and corporate customers.

Lloyds Bank plc was incorporated in 1865 and has undertaken a number of mergers and acquisitions, including, in 1995 the merger with TSB Group plc and the acquisition of Cheltenham & Gloucester Building Society and, in 2000, the acquisition of Scottish Widows.

On 18 September 2008, with the support of the UK Government, the boards of Lloyds TSB Group plc and HBOS plc announced that they had reached agreement on the terms of a recommended acquisition by Lloyds TSB Group plc of HBOS plc. The shareholders of Lloyds TSB Group plc approved the acquisition at the company's general meeting on 19 November 2008. On 16 January 2009 the acquisition was completed and Lloyds TSB Group plc changed its name to Lloyds Banking Group plc.

Pursuant to two placing and open offers which were completed by Lloyds Banking Group plc in January and June 2009 and a rights issue completed in December 2009, the UK Government acquired 43.4 per cent. of the issued ordinary share capital of Lloyds Banking Group plc. Following further issues of ordinary shares, the UK Government's holding has been reduced to approximately 40.6 per cent.

On 1 January 2010, Lloyds Banking Group plc transferred its holding in HBOS plc to Lloyds TSB Bank (the **Group Reorganisation**). As a result of the Group Reorganisation, Lloyds TSB Bank has become the immediate parent of HBOS plc. Lloyds Banking Group plc continues to own Lloyds TSB Bank directly but, as a result of the Group Reorganisation, owns HBOS plc indirectly, as Lloyds TSB Bank is the immediate parent of HBOS plc.

The short term senior unsecured and unguaranteed obligations of Lloyds TSB Bank are as at the date of these Final Terms rated P-1 by Moody's, A-1 by S&P and F1+ by Fitch and the long-term senior, unsecured and unguaranteed obligations of Lloyds TSB Bank are as at the date of these Final Terms rated Aa3 by Moody's, A+ by S&P and AA- by Fitch.

Business and activities

Lloyds Banking Group's activities are organised into four segments: Retail; Wholesale; Wealth and International; and Insurance.

Retail

Retail operates the largest retail bank in the UK and is the leading provider of current accounts, savings, personal loans, credit cards and mortgages. With its strong stable of brands including Lloyds TSB, Halifax, Bank of Scotland, Birmingham Midshires and Cheltenham & Gloucester and one of the largest branch and fee free ATM networks in the UK, at 31 December 2010 Retail served over 30 million customers.

Wholesale

The Wholesale division serves in excess of a million businesses, ranging from start-ups and small enterprises to global corporations, with a range of propositions fully segmented according to customer need. The division comprises Corporate Markets, Treasury and Trading and Asset Finance.

Wealth and International

The Wealth business comprises private banking, wealth and asset management business in the UK and overseas. The International business comprises the Lloyds Banking Group's international banking businesses

outside the UK, with the exception of corporate business in North America which is managed through the Group's Wholesale division. These largely comprise corporate, commercial and asset finance businesses in Australia and Continental Europe and retail businesses in Germany and the Netherlands.

Insurance

The Insurance division offers life assurance, pensions, investment products and general insurance.

Lloyds Banking Group Capital Restructuring

On 3 November 2009 Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, **Lloyds Banking Group**) announced proposals intended to meet its current and long term capital requirements including a rights issue (the **Rights Issue**) and two separate exchange offers (the **Exchange Offers**, and together with the Rights Issue, the **Proposals**). The Proposals, which were fully underwritten, were approved by shareholders on 26 November 2009. The Rights Issue, which raised £13.5 billion (£13 billion net of the expenses of the Proposals) was completed on 14 December 2009 with 95.3 per cent. of shares placed with shareholders. The remaining 4.7 per cent. rump was placed with investors and settled on 17 December 2009. The Exchange Offers were substantially completed during December 2009 and generated approximately £7.5 billion in nominal value of contingent core tier 1 capital at that time.

State Funding and State Aid

The Lloyds Banking Group has made a number of undertakings to HM Treasury arising from the capital and funding support, including the provision of additional lending to certain mortgage and business sectors, and other matters relating to corporate governance and staff remuneration. However the commitments in respect of lending are subject to normal prudent commercial lending criteria and pricing, the availability of funding to support such lending and sufficient demand from customers and potential customers.

As part of the European Commission's decision approving state aid to the Lloyds Banking Group, Lloyds Banking Group was required to work with HM Treasury to submit a restructuring plan to the European Commission in the context of a state aid review. The plan was required to contain measures to limit any competition distortions resulting from the state aid received by Lloyds Banking Group. The College of Commissioners announced its formal approval of Lloyds Banking Group's restructuring plan on 18 November 2009.

The restructuring plan consists of the following principal elements: (i) the disposal of a retail banking business with at least 600 branches, a 4.6 per cent. share of the personal current accounts market in the UK and approximately 19 per cent. of Lloyds Banking Group's mortgage assets; (ii) an asset reduction programme to achieve £181 billion reduction in a specified pool of assets by 31 December 2014; and (iii) behavioural commitments, including commitments not to make certain acquisitions for approximately three to four years and not to make discretionary payments of coupons or to exercise voluntary call options on hybrid securities from 31 January 2010 until 31 January 2012, which will prevent Lloyds Banking Group from paying dividends on its ordinary shares for the same duration.

The business referred to in (i) above will need to be disposed of before the end of November 2013 and consists of the TSB brand, the branches, savings accounts and branch-based mortgages of Cheltenham & Gloucester, the branches and branch-based customers of Lloyds TSB Scotland and a related banking licence, additional Lloyds TSB branches in England and Wales, with branch-based customers and Intelligent Finance. The Lloyds Banking Group is working closely with the EU Commission, HM Treasury and the Monitoring Trustee appointed by the EU Commission.

Legal and regulatory proceedings

Unarranged overdraft charges

In April 2007, the OFT commenced an investigation into the fairness of personal current accounts and unarranged overdraft charges. At the same time, it commenced a market study into wider questions about competition and price transparency in the provision of personal current accounts.

The Supreme Court of the United Kingdom published its judgment in respect of the fairness of unarranged overdraft charges on personal current accounts on 25 November 2009, finding in favour of the litigant banks.

On 22 December 2009, the OFT announced that it will not continue its investigation into the fairness of these charges. Lloyds Banking Group is working with the regulators to ensure that outstanding customer complaints are concluded as quickly as possible and anticipate that most cases in the county courts will be discontinued. Lloyds Banking Group expects that some customers will argue that despite the test case ruling they are entitled to a refund of unarranged overdraft charges on the basis of other legal arguments or challenges. Lloyds Banking Group is robustly defending any such complaints or claims and does not expect any such complaints or claims to have a material effect on Lloyds Banking Group.

The OFT, however, continued to discuss its concerns in relation to the personal current account market with the banks, consumer groups and other organisations under the auspices of its Market Study into personal current accounts. In October 2009, the OFT published voluntary initiatives agreed with the industry and consumer groups to improve transparency of the costs and benefits of personal current accounts and improvements to the switching process. On 16 March 2010 the OFT published a further update announcing several further voluntary industry wide initiatives to improve a customer's ability to control whether they used an unarranged overdraft and to assist those in financial difficulty. However, in light of the progress it noted in the unarranged overdraft market since July 2007 and the progress it expects to see over the next two years, it has decided to take no further action at this time and will review the unarranged overdraft market again in 2012.

Interchange fees

The European Commission has adopted a formal decision finding that an infringement of European Commission competition laws has arisen from arrangements whereby MasterCard issuers charged a uniform fallback interchange fee in respect of cross border transactions in relation to the use of a MasterCard or Maestro branded payment card. The European Commission has required that the fee be reduced to zero for relevant cross-border transactions within the European Economic Area. This decision has been appealed to the General Court of the European Union (the **General Court**). Lloyds TSB Bank plc and Bank of Scotland plc (along with certain other MasterCard issuers) have successfully applied to intervene in the appeal in support of MasterCard's position that the arrangements for the charging of a uniform fallback interchange fee are compatible with European Commission competition laws. MasterCard has announced that it has reached an understanding with the European Commission on a new methodology for calculating intra European Economic Area multi-lateral interchange fees on an interim basis pending the outcome of the appeal. Meanwhile, the European Commission and the OFT are pursuing investigations with a view to deciding whether arrangements adopted by other payment card schemes for the levying of uniform fallback interchange fees in respect of domestic and/or cross-border payment transactions also infringe European Commission and/or UK competition laws. As part of this initiative the OFT will also intervene in the General Court appeal supporting the European Commission position and Visa reached an agreement with the European Commission to reduce the level of interchange for cross-border debit card transactions to the interim level agreed by MasterCard. The ultimate impact of the investigations on the Lloyds Banking Group can only be known at the conclusion of these investigations and any relevant appeal proceedings.

Payment Protection Insurance

There has been extensive scrutiny of the Payment Protection Insurance ("**PPI**") market in recent years.

In October 2010, the UK Competition Commission ("**Competition Commission**") confirmed its decision to prohibit the active sale of PPI by a distributor to a customer within 7 days of a sale of credit. This followed the completion of its formal investigation into the supply of PPI services (other than store card PPI) to non-business customers in the UK in January 2009 and a referral of the proposed prohibition to the Competition Appeal Tribunal. Following an earlier decision to stop selling single premium PPI products, Lloyds Banking Group ceased to offer PPI products to its customers in July 2010.

On 1 July 2008, the Financial Ombudsman Service ("**FOS**") referred concerns regarding the handling of PPI complaints to the Financial Services Authority ("**FSA**") as an issue of wider implication. On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling. The FSA proposed new guidance on the fair assessment of a complaint and the calculation of redress and a new rule requiring firms to reassess historically rejected complaints. The FSA published its Policy Statement on 10 August 2010, setting out a new set of rules for PPI complaints handling and redress which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers Association ("**BBA**"), the principal trade association for the UK banking and financial services sector, filed an application for permission to seek judicial review against the FSA and the FOS. The BBA is seeking an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to determine PPI sales in accordance with the guidance published on its website in November 2008. The Judicial Review hearing was held in late January 2011 and the judgment (which may be subject to appeal) is expected shortly.

This legal challenge has affected the implementation of the Policy Statement, since the challenge has called into question the standards to be applied when assessing PPI complaints. As a result of that challenge, a large number of complaints cannot be decided until the outcome of the legal challenge is clear and implemented.

The ultimate impact on Lloyds Banking Group of the FSA's complaints handling policy (if implemented in full) and the FOS's most recent approach to PPI complaints could be material to Lloyds Banking Group's financial position, although the precise effect can only be assessed once the legal proceedings have been finally determined and the steps Lloyds Banking Group may be required to take identified and implemented. In addition, it is not practicable to quantify the potential financial impact of the implementation of the Policy Statement given the material uncertainties around, for example, applicable time periods, the extent of application of root cause analysis, the treatment of evidence and the ultimate emergence period for complaints, driven in large part by the activities of the claims management companies, all of which will significantly affect complaints volumes, uphold rates and redress costs. No provision has been made in the Lloyds Banking Group 2010 accounts to reflect implementation of the FSA's complaints handling policy in its current form.

Following concerns expressed by the FSA, it announced in its statement on 29 September 2009 that several firms had agreed to carry out reviews of past sales of single premium loan protection insurance. Lloyds Banking Group has agreed in principle that it will undertake a review in relation to sales of single premium loan protection insurance made through its branch network since 1 July 2007. The precise details of the review are still being discussed with the FSA. The ultimate impact on Lloyds Banking Group of any review could be material but can only be known at the conclusion of these discussions.

Customer goodwill payments provision

Lloyds Banking Group has been in discussion with the FSA regarding the application of an interest variation clause in certain Bank of Scotland variable rate mortgage contracts where the wording in the offer documents received by certain customers had the potential to cause confusion. The relevant mortgages were written between 2004 and 2007 by Bank of Scotland under the 'Halifax' brand. In February 2011, Lloyds Banking Group reached agreement with the FSA in relation to initiating a customer review and contact programme and making goodwill payments to affected customers. In order to make these goodwill payments, Bank of Scotland has applied for a Voluntary Variation of Permission to carry out the customer review and contact programme to bring it within section 404F(7) of FSMA 2000. Lloyds Banking Group has made a provision of £500 million in relation to this programme within its 2010 accounts which is expected to fully cover the payments.

Other Legal Actions

In the course of its business, the Lloyds Banking Group is engaged in discussions with the FSA in relation to a range of conduct of business matters, especially in relation to retail products including packaged bank accounts, mortgages, structured products and pensions. The Lloyds Banking Group is keen to ensure that any regulatory concerns regarding product governance or contract terms are understood and addressed. The ultimate impact on the Lloyds Banking Group of these discussions can only be known at the conclusion of such discussions.

In addition, during the ordinary course of business the Lloyds Banking Group is subject to other threatened and actual legal proceedings (which may include class action lawsuits brought on behalf of customers, shareholders or other third parties), regulatory investigations, regulatory challenges and enforcement actions both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Lloyds Banking Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required to settle the obligation at the relevant balance sheet date. In some cases, it will not be possible to form a view, either because the facts are

unclear or because further time is needed properly to assess the merits of the matter and no provisions are held against such matters. However the Lloyds Banking Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

The maturity purchaser is also one of the dealers for the notes.

Debt securities issued by the maturity purchaser are listed on the London Stock Exchange. Information relating to the maturity purchaser is available at www.lloydsbankinggroup.com. The material contained on this website does not form part of these Final Terms.

Hard copies of the audited financial statements and accompanying notes of the maturity purchaser will be sent to those investors who have requested them. Such requests can be made by contacting Investor Relations, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

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

As of the closing date, the aggregate principal amount outstanding of notes issued by the issuing entity (converted, where applicable, into sterling at the applicable specified currency exchange rate), including the issue of the 2011-1 notes described herein, will be as follows:

GBP 18,781,749,626.10

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:

GBP 18,781,749,626.10

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

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

GBP 6,344,970,000

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:

GBP 6,344,970,000

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

The Funding 2 start-up loan to be made available to Funding 2 on the closing date in connection with the 2011-1 notes will have the following terms.

Funding 2 start-up loan provider:	Bank of Scotland
Initial outstanding principal balance:	GBP 811,500,000
Interest rate:	Three-month sterling LIBOR plus 0.25% per annum

The following start-up loans have been 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 for the stated current outstanding principal balance and interest rate. 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	GBP 80,765,482.66	Three-month sterling LIBOR plus 0.25% per annum
2007-1	GBP 63,998,055.94	Three-month sterling LIBOR plus 0.25% per annum
2008-1	GBP 142,563,979.16	Three-month sterling LIBOR plus 0.50% per annum
2008-2	GBP 814,347.75	Three-month sterling LIBOR plus 0.25% per annum
2009-1	GBP 236,048,340.62	Three-month sterling LIBOR plus 0.25% per annum
2009-1	GBP 1,360,974,566.09	Three-month sterling LIBOR plus 0.25% per annum
2010-1	GBP 150,292,526.81	Three-month sterling LIBOR plus 0.25% per annum
2010-1	GBP 7,062,332.13	Three-month sterling LIBOR plus 0.25% per annum
2010-2	GBP 280,733,085.28	Three-month sterling LIBOR plus 0.25% per annum
2010-2	GBP 229,998,904.27	Three-month sterling LIBOR plus 0.25% per annum

Previous Funding 1 start-up loans

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

Funding 1 issuing entity	Current outstanding principal balance
Permanent Financing (No.1) plc	GBP 26,544,758.28
Permanent Financing (No.2) plc	GBP 26,793,379.05
Permanent Financing (No.3) plc	GBP 11,579,814.28
Permanent Financing (No.4) plc	GBP 23,693,156.19
Permanent Financing (No.5) plc	GBP 13,690,389.30
Permanent Financing (No.6) plc	GBP 2,026,106.63
Permanent Financing (No.7) plc	GBP 28,959,231.30
Permanent Financing (No.8) plc	GBP 12,756,830.57
Permanent Financing (No.9) plc	GBP 1,998,000.82
In connection with the issue of the 2009-1 Notes	GBP 437,718,612.73
In connection with the issue of the 2010-1 Notes	GBP 158,907,681.97
In connection with the refinancing of excess spread in the Funding 1 General Reserve Fund	GBP 93,015,576.65

Issuing entity start-up loan

No issuing entity start-up loan has been advanced to the issuing entity as at the date hereof and no issuing entity start-up loan will be advanced to the issuing entity on the closing date.

Issuing entity subordinated loan

No issuing entity subordinated loan has been advanced to the issuing entity as at the date hereof and no issuing entity subordinated loan will be advanced to the issuing entity on the closing date.

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 £4,055,000,000;
- the Funding 1 share will be approximately £5,392,000,000, representing approximately 14.1 per cent. of the trust property;
- the Funding 2 share will be approximately £17,431,000,000, representing approximately 45.7 per cent. of the trust property; and
- the seller share will be approximately £15,347,000,000, representing approximately 40.2 per cent. of the trust property.

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

For the purposes of paragraph (d) of the definition of **non-asset trigger event**, the aggregate outstanding balance of loans comprising the trust property must from the period up to (but excluding) the interest payment date in June 2011 be at least £35,000,000,000, during the period from (and including) the interest payment date falling in June 2011 up to (but excluding) the interest payment date in September 2011

be at least £30,000,000,000 and during the period from (and including) the interest payment date falling in September 2011 up to (but excluding) the interest payment date in December 2012 the aggregate outstanding balance of loans comprising the trust property must be at least £25,000,000,000. See “**The mortgages trust – Cash management of trust property – distribution of principal receipts to Funding 2**” in the Base Prospectus.

For the purposes of paragraph (c) of the definition of **product switch** (See “**Sale of the loans and their related security – Product switches**” in the Base Prospectus) any variation to the maturity date of a loan must not extend beyond 30 June 2040 while any rated loan tranche under the master intercompany loan is outstanding.

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

- each loan in the portfolio was made no earlier than 1 February 1996 and no later than 31 October 2010; and
- the final maturity date of each loan is no later than 30 June 2040.

The Funding 2 reserve required amount will be, as at the closing date, £2,184,400,000.

Maturity and prepayment considerations

The average lives of any series and class of the 2011-1 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 2011-1 notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of each series and class of the 2011-1 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 and the loans are assumed to amortise in accordance with the assumed constant payment rate indicated in the table below (subject to assumption (4) below);
- (4) the seller sells to the mortgages trustee sufficient new loans and their related security (i) in the period up to (but excluding) the interest payment date in June 2011, such that the aggregate principal amount outstanding of loans in the portfolio at any time is not less than £35,000,000,000 and (ii) during the period from and including the interest payment date falling in June 2011 up to (but excluding) the interest payment date in September 2011, such that the aggregate principal amount outstanding of the loans in the portfolio at any time is not less than £30,000,000,000 and (iii) during the period from and including the interest payment date falling in September 2011 up to (but excluding) the interest payment date in December 2012, such that the aggregate principal amount outstanding of the loans in the portfolio at any time is not less than £25,000,000,000 or (in each case) such higher amount as may be required to be maintained as a result of any new Funding 1 issuing entities providing new term advances to Funding 1 and/or the issuing entity advancing new rated loan tranches or subordinated loan tranches to Funding 2 which Funding 1 and/or Funding 2, as the case may be, uses to pay to the seller and/or Funding 1 or Funding 2, as the case may be, for an increase in its share of the trust property and/or to pay the seller for the sale of new loans to the mortgages trustee;
- (5) neither an asset trigger event nor a non-asset trigger event occurs;
- (6) no event occurs that would cause payments on scheduled amortisation loan tranches or 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);
- (7) the annualised CPR as at the closing date is assumed to be the same as the various assumed rates in the table below;
- (8) there is a balance of £0 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;
- (9) the issuing entity exercises its option to redeem the 2011-1 notes on the step-up date, relating to the 2011-1 notes; and
- (10) the closing date is 20 April 2011.

CPR and possible average lives of each series and class of issue 2011-1 notes (in years)

Based upon the foregoing assumptions, the approximate average life in years of each series and class of issue 2011-1 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	series 2 class A1 notes	series 2 class A2 notes	series 2 class A3 notes
5 per cent	2.74	2.74	2.74	4.74	4.74	4.74
10 per cent	2.74	2.74	2.74	4.74	4.74	4.74
15 per cent	2.74	2.74	2.74	4.74	4.74	4.74
20 per cent	2.74	2.74	2.74	4.74	4.74	4.74
25 per cent	2.74	2.74	2.74	4.74	4.74	4.74
30 per cent	2.74	2.74	2.74	4.74	4.74	4.74
35 per cent	2.74	2.74	2.74	4.74	4.74	4.74

(1) Includes both scheduled and unscheduled payments.

Assumptions (1), (2), (3), (4), (5), (6), (9) and (10) relate to circumstances which are not predictable. No assurance can be given that the issuing entity will be in a position to redeem the 2011-1 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 2011-1 notes would be extended.

The average lives of the 2011-1 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.

The statistical and other information contained in these Final Terms has been compiled by reference to the loans in the portfolio as at the cut-off date that, subject as provided, are expected to indirectly secure the 2011-1 notes and all other notes of the issuing entity and the Funding 1 issuing entities as at 17 February 2011 (the **cut-off date**). Columns stating percentage amounts may not add up to 100% due to rounding. A loan will be removed from any new portfolio (a portfolio of loans sold on an assignment date which comprises a portion of the portfolio as at the cut-off date) if, in the period up to (and including) the assignment date relating to such new portfolio, the loan is repaid in full or if the loan does not comply with the terms of the mortgage sale agreement on or about the applicable assignment date. Once such loans are removed, the seller will then randomly select from the loans remaining in the new portfolio those loans to be assigned on the applicable assignment date once the determination has been made as to the anticipated principal balances of the notes to be issued and the corresponding size of the trust that would be required ultimately to support payments on the notes and all other notes of the issuing entity and the Funding 1 issuing entities. The loans in the mortgages trust are selected on the basis of the seller's selection criteria for inclusion in the mortgages trust. The material aspects of the seller's lending criteria are described under “**The loans – Underwriting –**” and “**The loans – Lending criteria**” in the Base Prospectus. Standardised credit scoring is not used in the UK mortgage market. For an indication of the credit quality of borrowers in respect of the loans, investors may refer to such lending criteria and to the historical performance of the loans in the mortgages trust as set forth in these Final Terms. One significant indicator of obligor credit quality is arrears and losses. The information presented under “**Delinquency and loss experience of the portfolio (including loans which previously formed part of the portfolio)**” on pages 44-47 in these Final Terms reflects the arrears and repossession experience for loans in the expected portfolio as at the cut-off date, including loans that were contained in the portfolio since the inception of the mortgages trust. All of the loans in the table were originated by Halifax or by Bank of Scotland under the “Halifax” brand (the **Halifax loans**), but not all of the loans form part of the portfolio. It is not expected that the characteristics of the portfolio as at the closing date will differ materially from the characteristics of the portfolio as at the cut-off date. Except as otherwise indicated, these tables have been prepared using the current balance as at the cut-off date, which includes all principal and accrued interest for the loans in the portfolio.

The expected portfolio as at the cut-off date consisted of 469,609 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 £39,311,661,814.74 as at that date. The loans in the expected portfolio as at the cut-off date were originated between 1 February 1996 and 31 October 2010.

As at 1 March 2011, HVR 1 was 3.50% per annum, HVR 2 was 3.40% per annum, HHVR was 3.99% per annum and the Halifax flexible variable rate was 3.40% per annum.

Approximately 1.80% of the aggregate outstanding principal balance of the loans in the portfolio as at the cut-off date were extended to the relevant borrowers in connection with the purchase by those borrowers of properties from local authorities or certain other landlords under the **right-to-buy** schemes governed by the Housing Act 1985 (as amended by the Housing Act 2004) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001).

Outstanding balances as at the cut-off date

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

Range of outstanding balances as at the cut-off date*	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
£0 – <£25,000	£1,081,708,523.14	2.75%	84,329	17.96%
£25,000 – <£50,000	£3,493,748,467.08	8.89%	94,110	20.04%
£50,000 – <£75,000	£5,028,035,665.42	12.79%	80,879	17.22%
£75,000 – <£100,000	£5,595,562,613.49	14.23%	64,418	13.72%
£100,000 – <£125,000	£5,264,704,846.76	13.39%	47,123	10.03%
£125,000 – <£150,000	£4,445,812,726.24	11.31%	32,527	6.93%
£150,000 – <£175,000	£3,513,051,223.03	8.94%	21,777	4.64%
£175,000 – <£200,000	£2,606,174,266.19	6.63%	13,969	2.97%
£200,000 – <£225,000	£1,981,832,316.15	5.04%	9,377	2.00%
£225,000 – <£250,000	£1,416,135,478.10	3.60%	5,987	1.27%
£250,000 – <£300,000	£1,905,208,946.44	4.85%	7,010	1.49%
£300,000 – <£350,000	£1,199,274,057.50	3.05%	3,732	0.79%
£350,000 – <£400,000	£771,637,266.08	1.96%	2,077	0.44%
£400,000 – <£450,000	£603,822,326.03	1.54%	1,434	0.31%
£450,000 – <£500,000	£401,850,760.52	1.02%	854	0.18%
>=£500,000	£3,102,332.58	0.01%	6	0.00%
Totals	£39,311,661,814.74	100.00%	469,609	100.00%

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

The largest mortgage account (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) had an outstanding current balance as at the cut-off date of £599,825.74 and the smallest mortgage account had an outstanding current balance as at the cut-off date of £0.00. The weighted average current balance (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the cut-off date was approximately £142,636.83.

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 origination (£)	% of total	Number of mortgage accounts	% of total
0% – <25%	£1,944,824,305.00	4.38%	50,146	10.68%
25% – <50%	£9,978,891,491.48	22.48%	148,415	31.60%
50% – <75%	£16,428,621,091.05	37.00%	146,983	31.30%
75% – <80%	£3,911,298,119.00	8.81%	29,311	6.24%
80% – <85%	£3,304,606,881.00	7.44%	24,510	5.22%
85% – <90%	£3,709,991,876.00	8.36%	27,428	5.84%
90% – <95%	£3,163,285,723.00	7.12%	24,961	5.32%
95% – <=97%	£1,296,191,575.00	2.92%	13,870	2.95%
>97%	£661,915,020.00	1.49%	3,985	0.85%
Totals	£44,399,626,081.53	100.00%	469,609	100.00%

* 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 64.13%. 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 137.73% and the lowest was 0.04%.

Cut-off date LTV ratios

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

Range of LTV Ratios as at the cut-off date*	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
0% – <25%	£2,696,369,199.98	6.86%	112,520	23.96%
25% – <50%	£8,098,384,586.89	20.60%	127,887	27.23%
50% – <75%	£12,495,628,910.93	31.79%	112,951	24.05%
75% – <80%	£3,079,545,323.00	7.83%	23,333	4.97%
80% – <85%	£3,076,216,670.61	7.83%	22,964	4.89%
85% – <90%	£3,009,010,017.00	7.65%	22,098	4.71%
90% – <95%	£2,455,916,878.51	6.25%	17,742	3.78%
95% – <100%	£1,731,982,545.60	4.41%	12,171	2.59%
100% – <105%	£1,282,035,071.80	3.26%	8,767	1.87%
105% – <110%	£767,123,386.67	1.95%	5,121	1.09%
110% – <115%	£419,127,746.38	1.07%	2,706	0.58%
115% – <120%	£153,019,453.75	0.39%	1,022	0.22%
120% – <125%	£30,287,837.78	0.08%	219	0.05%
>=125%	£17,014,185.84	0.04%	108	0.02%
Totals	£39,311,661,814.74	100.00%	469,609	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 65.83%. The highest LTV ratio of any mortgage account (including any capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) was 144.63% and the lowest was 0%.

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.

Halifax Regions	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
London & South East	11,512,492,305.29	29.29%	92,277	19.65%
Midlands & East Anglia	8,405,527,790.79	21.38%	101,163	21.54%
North.....	5,348,452,301.26	13.61%	84,427	17.98%
North West	4,562,260,474.70	11.61%	68,455	14.58%
Scotland.....	3,967,749,798.64	10.09%	59,227	12.61%
South Wales & West	5,481,552,362.23	13.94%	63,778	13.58%
Unknown*	33,626,781.84	0.09%	282	0.06%
Totals	39,311,661,814.74	100.00%	469,609	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 as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
<6	£428,212,776.76	1.09%	3,885	0.83%
6 to <12	£687,342,540.51	1.75%	6,378	1.36%
12 to <18	£1,811,118,914.80	4.61%	16,979	3.62%
18 to <24	£1,585,213,976.54	4.03%	15,285	3.25%
24 to <30	£3,734,906,498.12	9.50%	30,448	6.48%
30 to <36	£1,683,764,927.08	4.28%	12,800	2.73%
36 to <42	£2,193,728,386.53	5.58%	16,538	3.52%
42 to <48	£4,795,087,968.83	12.20%	37,368	7.96%
48 to <54	£2,364,663,218.18	6.02%	21,174	4.51%
54 to <60	£2,861,302,959.24	7.28%	29,783	6.34%
60 to <66	£2,152,920,509.91	5.48%	22,963	4.89%
66 to <72	£1,602,966,564.81	4.08%	19,603	4.17%
>=72	£13,410,432,573.46	34.11%	236,405	50.34%
Totals	£39,311,661,814.74	100.00%	469,609	100.00%

The maximum, minimum and weighted average seasoning of loans as at the cut-off date was 180.04, 3.65 and 60.97 months, respectively.

Years to maturity of loans

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

Years to maturity	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
<5	£1,671,348,882.24	4.25%	51,784	11.03%
5 to <10	£3,925,698,134.66	9.99%	72,269	15.39%
10 to <15	£6,928,231,302.45	17.62%	98,162	20.90%
15 to <20	£13,043,372,356.06	33.18%	135,003	28.75%
20 to <25	£10,415,324,434.93	26.49%	82,736	17.62%
25 to <30	£3,322,724,274.41	8.45%	29,603	6.30%
>=30	£4,962,430.00	0.01%	52	0.01%
Totals.....	£ 39,311,661,814.74	100.00%	469,609	100.00%

The maximum, minimum and weighted average remaining term of the loans as at the cut-off date was 40.08, 0 and 17.11 years, respectively.

Purpose of loan

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

Use of proceeds	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Purchase	£24,871,205,383.11	63.27%	307,375	65.45%
Remortgage.....	£14,440,456,431.63	36.73%	162,234	34.55%
Totals.....	£39,311,661,814.74	100.00%	469,609	100.00%

As at the cut-off date, the weighted average balance of loans used to finance the purchase of a new property was £137,812.93 and the weighted average balance of loans used to remortgage a property already owned by the borrower was £150,945.15.

Property type

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

Property type	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Detached house	£6,621,605,455.54	16.84%	45,216	9.63%
Semi-detached house	£7,608,181,502.02	19.35%	74,922	15.95%
Terraced house	£7,425,513,207.27	18.89%	76,910	16.38%
House – detachment type unknown ¹	£60,846,750.76	0.15%	516	0.11%
Flat or maisonette.....	£4,492,559,346.70	11.43%	42,649	9.08%
Bungalow.....	£1,329,512,703.16	3.38%	13,815	2.94%
Unknown ²	£11,773,442,849.31	29.95%	215,581	45.91%
Totals.....	£39,311,661,814.74	100.00%	469,609	100.00%

Detachment type of Unknown property type	Aggregate outstanding balance at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Detached	£3,520,125,692.84	29.90%	50,892	23.61%
Semi-detached	£3,776,064,397.44	32.07%	75,894	35.20%
Terraced	£3,530,657,222.88	29.99%	71,981	33.39%
Other ³	£946,595,536.16	8.04%	16,814	7.80%
Totals.....	£11,773,442,849.31	100.00%	215,581	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.
3 Primarily flats or maisonettes.

As at the cut-off date, the weighted average balance of loans secured by detached houses, semi-detached houses, terraced houses and flats was £206,525.86, £142,630.71, £136,890.95 and £155,797.57, respectively.

Origination channel

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

Origination channel	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Direct origination by Halifax and Bank of Scotland	£16,217,142,315.57	41.25%	232,997	49.62%
Intermediaries.....	£23,046,928,256.59	58.63%	235,300	50.11%
Other channels	£47,591,242.59	0.12%	1,312	0.28%
Totals.....	£39,311,661,814.74	100.00%	469,609	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, intermediaries and other channels was £118,328.90, £159,875.74 and £77,518.99, respectively.

Repayment terms

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

Repayment terms	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Repayment	£22,145,425,168.99	56.33%	314,851	67.05%
Interest-only	£17,166,236,645.76	43.67%	154,758	32.95%
Totals	£39,311,661,814.74	100.00%	469,609	100.00%

As at the cut-off date, the weighted average balance of repayment loans and interest-only loans was £115,007.10 and £178,280.76, respectively.

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

Payment method	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Direct debit	£36,820,970,720.04	93.66%	432,745	92.15%
Other	£2,490,691,094.70	6.34%	36,864	7.85%
Totals	£39,311,661,814.74	100.00%	469,609	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 as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total
Added variable rate loans	£9,605,573.24	0.02%	112	0.02%
Discounted variable rate loans	£468,044,226.36	1.19%	3,411	0.73%
Fixed rate loans	£13,635,962,228.49	34.69%	152,678	32.51%
Tracker rate loans	£7,722,604,136.34	19.64%	90,616	19.30%
Standard variable rate loans	£17,475,445,650.32	44.45%	222,792	47.44%
Totals	£39,311,661,814.74	100.00%	469,609	100.00%
<i>Of which</i> Flexible loans	£208,318,398.99	0.53%	2,041	0.43%

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 fixed rate holdings
0 – <4.00	£447,768,394.41	3.28%	8,901	5.83%
4.00 – <5.00	£3,724,828,209.83	27.32%	38,736	25.37%
5.00 – <6.00	£6,098,161,243.57	44.72%	65,998	43.23%
6.00 – <7.00	£3,054,741,040.74	22.40%	35,007	22.93%
>=7.00	£310,463,339.94	2.28%	4,036	2.64%
Totals	£ 13,635,962,228.49	100.00%	152,678	100.00%

Year in which current fixed rate period ends	Aggregate outstanding balance as at the cut-off date (£)	% of total	Number of mortgage accounts	% of total fixed rate holdings
2011.....	£6,019,459,049.39	44.14%	61,727	40.43%
2012.....	£3,669,296,109.45	26.91%	40,854	26.76%
2013.....	£1,756,763,913.98	12.88%	18,386	12.04%
2014.....	£1,369,824,908.69	10.05%	14,489	9.49%
2015.....	£223,339,408.08	1.64%	3,863	2.53%
2016.....	£125,890,370.69	0.92%	1,777	1.16%
2017.....	£222,630,813.60	1.63%	3,297	2.16%
2018.....	£175,227,752.79	1.29%	2,166	1.42%
>=2019	£73,529,901.83	0.54%	6,119	4.01%
Totals	£13,635,962,228.49	100.00%	152,678	100.00%

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
February 2011	15.38%	15.17%	15.51%

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 previously formed part of the portfolio)

Since the establishment of the mortgages trust, total losses on loans in the portfolio (including loans which previously formed part of the portfolio) were £82,522,962.90 as at 28 February 2011.

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

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

LOANS IN THE PORTFOLIO (INCLUDING LOANS WHICH PREVIOUSLY FORMED PART OF THE PORTFOLIO)

	31 Jan 07	31 Jan 08	31 Jan 09	31 Jan 10	31 Jan 11
Outstanding balance	£50,544,127,165.60	£48,978,380,003.21	£44,198,875,848.08	£43,531,836,546.10	39,697,817,767.99
Number of loans outstanding	646,390	586,431	523,150	511,647	474,117
Outstanding balance of loans in arrears					
1 – <2 months	£527,083,941.21	£539,139,333.78	£544,634,751.01	£491,379,008.79	£503,612,578.36
2 – <3 months	£161,577,871.04	£184,891,774.32	£230,757,585.77	£197,385,684.74	£213,257,390.01
3 – <6 months	£233,271,908.07	£245,462,870.67	£323,418,620.36	£296,546,648.58	£344,757,983.24
6 – <12 months	£146,426,692.91	£165,568,536.56	£238,136,946.34	£260,469,450.96	£254,520,548.20
12+ months	£59,345,435.89	£76,743,514.90	£97,752,143.36	£151,721,522.67	£168,424,680.95
Total outstanding balance of loans in arrears	£1,127,705,849.12	£1,211,806,030.23	£1,434,700,046.84	£1,397,502,315.74	£1,484,573,180.76
Total outstanding balance of loans in arrears as % of the outstanding balance	2.23%	2.47%	3.25%	3.21%	3.74%
Outstanding balance of loans relating to properties in possession....	£20,433,920.36	£31,467,372.39	£54,268,966.80	£34,621,127.26	£28,162,007.73
Outstanding balance of loans relating to properties sold during the period ⁽¹⁾	£41,221,611.73	£69,396,097.76	£115,919,921.24	£144,095,606.05	£86,264,900.25
Net loss on sales of all repossessed properties⁽²⁾ ..	£3,549,112.14	£5,230,967.80	£23,429,456.02	£31,171,538.40	£17,416,577.06

	31 Jan 07	31 Jan 08	31 Jan 09	31 Jan 10	31 Jan 11
Ratio of aggregate net losses to aggregate outstanding balance of loans	0.00702	0.01068	0.05301	0.07161	0.04387
Average net loss on all properties sold	£10,287.28	£9,832.65	£27,531.68	£29,214.19	£24,987.92
Number of loans					
outstanding in arrears					
1 – <2 months.....	5,741	5,479	5,370	4,803	4,975
2 – <3 months.....	1,728	1,847	2,271	1,942	2,061
3 – <6 months.....	2,427	2,572	3,086	2,876	3,269
6 – <12 months.....	1,518	1,686	2,246	2,401	2,393
12+ months.....	549	694	876	1,340	1,520
Total number of loans outstanding in arrears.....	11,963	12,278	13,849	13,362	14,218
Total number of loans outstanding in arrears as % of the number of loans	1.85%	2.09%	2.65%	2.61%	3.00%
Outstanding	174	253	415	297	247
Number of properties in possession.....	345	532	851	1,067	697
Number of properties sold during the period					

1 Properties sold may relate to properties taken into possession in prior periods.

2 Net loss is net of recoveries in the current period on properties sold in prior periods.

There can be no assurance that the arrears experience with respect to the loans comprising the portfolio in the future will correspond to the experience of the portfolio as set forth in the foregoing table. If the property market experiences 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 current arrears levels have not risen to the levels experienced in the early nineties.

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 (%)
December 1998.....	15.00	14.24	March 2005.....	17.96	21.50
March 1999.....	12.32	14.41	June 2005.....	21.32	21.10
June 1999.....	15.96	14.85	September 2005.....	24.29	21.10
September 1999.....	17.55	15.21	December 2005.....	24.61	22.04
December 1999.....	16.47	15.57	March 2006.....	22.27	23.12
March 2000.....	13.62	15.90	June 2006.....	23.37	23.64
June 2000.....	15.31	15.73	September 2006.....	24.95	23.80
September 2000.....	15.97	15.34	December 2006.....	24.87	23.87
December 2000.....	15.67	15.14	March 2007.....	23.80	24.25
March 2001.....	15.38	15.58	June 2007.....	24.84	24.61
June 2001.....	18.23	16.31	September 2007.....	25.48	24.74
September 2001.....	20.25	17.39	December 2007.....	23.55	24.42
December 2001.....	20.06	18.48	March 2008.....	19.56	23.36
March 2002.....	18.75	19.32	June 2008.....	20.88	22.37
June 2002.....	21.10	20.04	September 2008.....	20.15	21.03
September 2002.....	23.63	20.89	December 2008.....	15.33	18.98
December 2002.....	22.89	21.59	March 2009.....	12.91	17.32
March 2003.....	21.24	22.22	June 2009.....	11.39	14.95
June 2003.....	22.43	22.55	September 2009.....	12.77	13.10
September 2003.....	24.03	22.65	December 2009.....	11.99	12.27
December 2003.....	24.87	23.14	March 2010.....	9.60	11.44
March 2004.....	21.22	23.14	June 2010.....	10.60	11.24
June 2004.....	22.93	23.26	September 2010.....	11.30	10.87
September 2004.....	24.27	23.32	December 2010.....	10.96	10.62
December 2004.....	20.85	22.32			

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

Repossession rate

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

<u>Year</u>	<u>Repossessions (%)</u>	<u>Year</u>	<u>Repossessions (%)</u>	<u>Year</u>	<u>Repossessions (%)</u>
1985.....	0.25	1994	0.47	2003.....	0.07
1986.....	0.30	1995	0.47	2004.....	0.07
1987.....	0.32	1996	0.40	2005.....	0.12
1988.....	0.22	1997	0.31	2006.....	0.18
1989.....	0.17	1998	0.31	2007.....	0.22
1990.....	0.47	1999	0.27	2008.....	0.34
1991.....	0.77	2000	0.20	2009.....	0.42
1992.....	0.69	2001	0.16	2010.....	0.32
1993.....	0.58	2002	0.11		

Source: Council of Mortgage Lenders

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.....	57,996	251,634	4.34

Source: Department for Communities and Local Government

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 2010 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.....	44,994	164,861	3.66
North West.....	47,347	181,073	3.82
Yorkshire & Humberside.....	46,738	182,383	3.90
East Midlands.....	47,165	184,958	3.92
West Midlands.....	49,358	201,498	4.08
East Anglia.....	51,722	219,984	4.25
London.....	82,811	385,180	4.65
South East.....	62,261	287,167	4.61
South West.....	53,605	240,245	4.48
Wales.....	45,162	171,784	3.80
Scotland.....	49,749	185,715	3.73

Source: Department for Communities and Local Government

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 in the recent past. (Nationwide is a United Kingdom building society and Halifax is a brand name of Bank of Scotland, a United Kingdom bank.)

The United Kingdom housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and the mid-1990s through to mid-2007 and decreases occurring in the early 1990s and mid-2007 through late 2009.

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	20.7
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	3.9	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	19.4	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	361.8	9.2	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	5.82	539.6	2.9

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 (monthly indices not available for the period prior to 1991).

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	353.8	9.5	623.5	11.3
June 2007	206.3	4.4	360.1	10.2	639.4	11.2
September 2007	207.1	3.9	365.1	9.3	646.5	11.1
December 2007	209.8	4.2	367.8	6.8	638.8	5.4
March 2008	211.1	4.0	361.8	2.3	630.0	1.0
June 2008	215.3	4.4	345.7	(4.0)	597.6	(6.5)
September 2008	217.4	5.0	327.3	(10.3)	564.0	(12.8)
December 2008	215.5	2.7	313.5	(14.8)	534.6	(16.3)
March 2009	210.9	(0.1)	302.4	(16.4)	517.7	(17.8)
June 2009	212.6	(1.3)	305.1	(11.7)	510.6	(14.6)
September 2009	214.4	(1.4)	317.0	(3.1)	523.6	(7.2)
December 2009	216.9	0.6	324.2	3.4	540.4	1.1
March 2010	219.3	4.0	329.3	8.9	543.8	5.0
June 2010	223.5	5.1	334.0	9.5	542.4	6.2
September 2010	224.5	4.7	331.0	4.4	536.8	2.5
December 2010	227.0	4.7	326.6	0.8	531.8	(1.6)

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.

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Static Pool Data

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

The issuing entity has not included static pool information in this annex in respect of prepayments, as this information is not separately identified by the servicer. However, payment 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, payment 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 48 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.

Date	Balance of loans substituted or sold	Number of loans substituted or sold	In connection with previous issue by
June 2002.....	£10,117,255,819	173,505	Permanent Financing (No. 1) PLC (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
June 2003.....	£1,576,963,369	25,652	N/A
September 2003.....	£1,688,468,552	23,426	N/A
October 2003.....	£2,735,667,398	37,770	N/A
January 2004.....	£2,670,143,154	35,418	N/A
March 2004.....	£9,376,972,811	134,716	Permanent Financing (No. 4) PLC
July 2004.....	£3,698,396,657	48,652	N/A
November 2004.....	£9,582,315,930	104,569	Permanent Financing (No. 6) PLC
March 2005.....	£6,625,343,617	70,542	Permanent Financing (No. 7) PLC
June 2005.....	£9,483,670,772	101,317	Permanent Financing (No. 8) PLC
December 2005.....	£5,786,749,656	65,460	N/A
March 2006.....	£9,637,574,095	101,599	Permanent Financing (No. 9) PLC
October 2006.....	£8,838,288,141	86,769	Permanent Master Issuer 2006-1 Notes
December 2006.....	£6,373,073,080	60,773	N/A
July 2007.....	£5,691,369,649	51,310	N/A
November 2007.....	£8,686,106,961	70,107	N/A
April 2008.....	£5,919,444,424	45,479	N/A
January 2009.....	£2,997,445,751	23,102	N/A
September 2009.....	£5,004,406,381	43,970	N/A
May 2010.....	£4,975,100,475	44,756	N/A
March 2011.....	£2,606,665,774	26,244	N/A

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

The following tables show, for each of the last five years of origination, the distribution of loans in the mortgages trust originated in that year by delinquency category as at each year-end starting in 2005.

Static pool information set out in these Final Terms is not deemed part of these Final Terms to the extent that the static pool information relates to loans originated by Halifax prior to 1 January 2006.

**Loans originated in 2005
as at each specified date**

	31 December 2006			31 December 2007			31 December 2008		
	Number	Principal balance	% by number	Number	Principal balance	% by number	Number	Principal balance	% by number
< 1 month	117,402	£11,777,961,985.89	98.79%	71,349	£6,743,950,599.09	97.23%	54,037	£4,840,202,563.35	96.04%
1 - < 2 months	767	£84,525,416.88	0.65%	892	£100,267,637.68	1.22%	783	£85,996,465.96	1.39%
2 - < 3 months	231	£23,516,928.73	0.19%	354	£39,171,084.11	0.48%	338	£39,076,709.13	0.60%
3 - < 6 months	277	£30,603,318.38	0.23%	415	£46,175,852.00	0.57%	510	£60,226,760.13	0.91%
6 - < 12 months	139	£16,491,054.25	0.12%	288	£33,976,110.71	0.39%	438	£51,847,367.15	0.78%
12+ months	27	£3,886,124.87	0.02%	82	£10,607,617.36	0.11%	159	£20,441,642.37	0.28%
Total	118,843	£11,936,984,829.00	100.00%	73,380	£6,974,148,900.95	100.00%	56,265	£5,097,791,508.09	100.00%

	31 December 2009			31 December 2010		
	Number	Principal balance	% by number	Number	Principal balance	% by number
< 1 month	47,524	£4,170,379,076.81	95.99%	42,046	£3,593,620,115.90	95.66%
1 - < 2 months	605	£63,147,606.84	1.22%	648	£68,026,338.40	1.47%
2 - < 3 months	270	£28,951,694.17	0.55%	240	£27,980,383.73	0.55%
3 - < 6 months	448	£50,898,304.63	0.91%	427	£46,991,200.80	0.97%
6 - < 12 months	420	£49,142,695.69	0.85%	350	£40,020,335.35	0.80%
12+ months	243	£29,719,530.48	0.49%	244	£29,979,795.08	0.56%
Total	49,511	£4,992,238,908.62	100.00%	43,955	£3,806,628,169.26	100.00%

**Loans originated in 2006
as at each specified date**

	31 December 2006			31 December 2007			31 December 2008					
	Number	Principal balance	% by number	% by balance	Number	Principal balance	% by number	% by balance	Number	Principal balance	% by number	% by balance
< 1 month	73,306	£8,195,375,388.54	99.68%	99.67%	95,117	£10,733,351,277.61	99.12%	99.07%	59,552	£6,271,601,231.58	97.49%	97.16%
1 - < 2 months	208	£22,849,034.06	0.28%	0.28%	502	£60,500,157.75	0.53%	0.56%	706	£84,204,495.45	1.16%	1.30%
2 - < 3 months	25	£2,816,012.64	0.03%	0.03%	128	£15,580,802.96	0.13%	0.14%	258	£31,101,645.89	0.42%	0.48%
3 - < 6 months	15	£1,413,844.40	0.02%	0.02%	150	£16,529,281.60	0.16%	0.15%	299	£35,602,585.18	0.49%	0.55%
6 - < 12 months					58	£6,940,263.24	0.06%	0.06%	224	£26,689,519.08	0.37%	0.41%
12+ months					5	£1,114,643.27	0.01%	0.01%	49	£5,781,581.03	0.08%	0.09%
Total	73,554	£8,222,454,279.66	100.00%	100.00%	95,960	£10,834,016,426.43	100.00%	100.00%	61,088	£6,454,981,058.21	100.00%	100.00%

	31 December 2009			31 December 2010				
	Number	Principal balance	% by number	% by balance	Number	Principal balance	% by number	% by balance
< 1 month	53,423	£5,455,104,940.79	97.02%	96.55%	48,097	£4,801,382,083.80	96.59%	96.04%
1 - < 2 months	593	£70,398,740.78	1.08%	1.25%	633	£74,337,986.25	1.27%	1.49%
2 - < 3 months	240	£26,311,377.09	0.44%	0.47%	258	£29,476,589.11	0.52%	0.59%
3 - < 6 months	352	£42,008,881.63	0.64%	0.74%	377	£42,889,719.97	0.76%	0.86%
6 - < 12 months	323	£40,153,708.37	0.59%	0.71%	271	£32,393,246.92	0.54%	0.65%
12+ months	134	£16,097,014.00	0.24%	0.28%	158	£18,623,044.90	0.32%	0.37%
Total	55,065	£5,650,074,662.66	100.00%	100.00%	49,794	£4,989,102,670.95	100.00%	100.00%

**Loans originated in 2007
as at each specified date**

	31 December 2006		31 December 2007		31 December 2008			
	Number	% by number	Principal balance	% by balance	Number	% by number	Principal balance	% by balance
< 1 month	49,637	97.55%	£6,671,230,039.34	99.46%	69,932	98.54%	£9,426,481,992.77	98.48%
1 - < 2 months	204	0.41%	£28,036,008.72	0.41%	580	0.82%	£31,680,656.44	0.85%
2 - < 3 months	46	0.09%	£5,857,038.49	0.09%	166	0.23%	£22,367,569.93	0.23%
3 - < 6 months	19	0.04%	£1,826,236.28	0.03%	189	0.27%	£28,091,104.81	0.29%
6 - < 12 months	1	0.00%	£51,545.27	0.00%	93	0.13%	£11,933,498.47	0.12%
12+ months					9	0.01%	£1,848,278.96	0.02%
Total	49,907	100.00%	£6,707,000,868.10	100.00%	70,969	100.00%	£9,572,403,101.38	100.00%

	31 December 2009		31 December 2010	
	Number	% by number	Principal balance	% by balance
< 1 month	54,267	97.41%	£6,959,257,092.04	97.17%
1 - < 2 months	622	0.96%	£86,076,627.66	1.11%
2 - < 3 months	212	0.41%	£28,048,284.04	0.38%
3 - < 6 months	353	0.54%	£48,452,250.93	0.63%
6 - < 12 months	242	0.48%	£32,614,155.20	0.45%
12+ months	151	0.16%	£23,685,852.17	0.27%
Total	55,847	100.00%	£7,178,134,262.04	100.00%

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

	31 December 2006		31 December 2007		31 December 2008			
	Number	% by number	Principal balance	% by balance	Number	Principal balance	% by number	% by balance
< 1 month								
1 - < 2 months								
2 - < 3 months								
3 - < 6 months								
6 - < 12 months								
12+ months								
Total					4,047	£547,208,613.73	100.00%	100.00%

	31 December 2009		31 December 2010	
	Number	% by number	Principal balance	% by balance
< 1 month				
1 - < 2 months				
2 - < 3 months				
3 - < 6 months				
6 - < 12 months				
12+ months				
Total	39,018	100.00%	£4,983,120,198.06	100.00%

**Loans originated in 2009
as at each specified date**

	31 December 2006		31 December 2007		31 December 2008	
	Number	% by number	Number	% by number	Number	% by number
< 1 month						
1 - < 2 months						
2 - < 3 months						
3 - < 6 months						
6 - < 12 months						
12+ months						
Total						

	31 December 2006		31 December 2007		31 December 2008	
	Principal balance	% by balance	Principal balance	% by balance	Principal balance	% by balance
< 1 month						
1 - < 2 months						
2 - < 3 months						
3 - < 6 months						
6 - < 12 months						
12+ months						
Total						

	31 December 2006		31 December 2007		31 December 2008	
	Number	% by number	Number	% by number	Number	% by number
< 1 month						
1 - < 2 months						
2 - < 3 months						
3 - < 6 months						
6 - < 12 months						
12+ months						
Total						

	31 December 2006		31 December 2007		31 December 2008	
	Principal balance	% by balance	Principal balance	% by balance	Principal balance	% by balance
< 1 month						
1 - < 2 months						
2 - < 3 months						
3 - < 6 months						
6 - < 12 months						
12+ months						
Total						

**Loans originated in 2010
as at each specified date**

	31 December 2006		31 December 2007		31 December 2008			
	Number	% by number	Principal balance	% by balance	Number	% by number	Principal balance	% by balance
< 1 month								
1 - < 2 months								
2 - < 3 months								
3 - < 6 months								
6 - < 12 months								
12+ months								
Total								

	31 December 2009		31 December 2010	
	Number	% by number	Principal balance	% by balance
< 1 month	1,680	98.36%	£193,974,121.48	98.42%
1 - < 2 months	19	1.11%	£1,991,605.01	1.01%
2 - < 3 months	5	0.29%	£584,866.39	0.30%
3 - < 6 months	3	0.18%	£488,863.82	0.25%
6 - < 12 months	1	0.06%	£411,817.60	0.02%
Total	1,708	100.00%	£197,081,304.30	100.00%

**All loans in the mortgages trust
as at each specified date**

	31 December 2006			31 December 2007			31 December 2008		
	Number	Principal balance	% by number	Number	Principal balance	% by number	Number	Principal balance	% by number
< 1 month	618,083	£47,445,892,789.31	98.24%	551,598	£44,556,244,768.94	97.90%	466,416	£37,224,032,569.02	97.19%
1 - < 2 months	5,138	£463,210,363.13	0.82%	5,278	£305,757,502.62	0.94%	5,559	£549,662,047.43	1.16%
2 - < 3 months	1,678	£151,249,768.79	0.27%	1,902	£183,445,192.91	0.34%	2,151	£220,796,709.79	0.45%
3 - < 6 months	2,256	£217,181,379.81	0.36%	2,335	£218,802,589.38	0.41%	2,833	£294,194,575.89	0.59%
6 - < 12 months	1,521	£149,064,273.65	0.24%	1,647	£162,713,477.08	0.29%	2,137	£227,390,850.24	0.45%
12+ months	511	£36,123,962.66	0.08%	663	£72,830,463.34	0.12%	803	£89,085,851.36	0.17%
Total	629,187	£48,482,722,537.35	100.00%	563,423	£45,699,793,994.27	100.00%	479,899	£38,605,162,603.73	100.00%

	31 December 2009			31 December 2010		
	Number	Principal balance	% by number	Number	Principal balance	% by number
< 1 month	457,351	£37,511,510,068.03	97.14%	437,569	£36,008,557,141.42	96.79%
1 - < 2 months	4,854	£487,448,366.26	1.03%	5,476	£556,692,649.37	1.21%
2 - < 3 months	1,938	£201,693,493.30	0.41%	2,055	£212,511,936.17	0.45%
3 - < 6 months	2,885	£297,428,785.56	0.61%	3,188	£333,617,923.56	0.71%
6 - < 12 months	2,496	£273,295,872.35	0.53%	2,311	£247,674,942.07	0.51%
12+ months	1,300	£145,836,974.49	0.28%	1,472	£162,063,629.54	0.33%
Total	470,824	£38,917,213,599.99	100.00%	462,071	£37,521,118,222.13	100.00%

Listing and admission to trading application

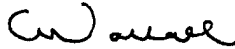
These Final Terms comprise the Final Terms required for issue and admission to listing on the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange's Regulated Market pursuant to the Mortgage Backed Note Programme of Permanent Master Issuer PLC.

Responsibility

The issuing entity accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the issuing entity:

By:



Permanent Master Issuer PLC
Director

Duly authorised