

## HBOS Covered Bonds LLP Monthly Report

Date of Report 17th August 2009

For Period from 1 Jul 2009 to 31 Jul 2009

### Counterparties

Group Guarantors	HBOS plc
Servicer	Bank of Scotland Plc
Cash Manager	Bank of Scotland Plc
Covered Bond Swap Provider	Bank of Scotland Plc
Interest Rate Swap Provider	Bank of Scotland Plc
Bank Account Provider	Bank of Scotland Plc

### Asset Coverage test

<b>A =</b>	£	39,099,703,502.27	The Adjusted Current Balance
<b>B =</b>	£	980,221,698.01	Principal Receipts that have not been applied to acquire further loans or otherwise applied in accordance with the Transaction Documents
<b>C =</b>	£	3,401,458,729.22	Cash Capital Contributions made by the Members or proceeds of Term Advances that have not been applied to acquire further loans or otherwise applied in accordance with the Transaction Documents
<b>D =</b>	£	-	Outstanding Principal Balance of any Substitution Assets
<b>E =</b>	£	-	Amount of any Sale Proceeds standing to the credit of the GIC Account and credited to the Pre-maturity Liquidity Ledger
<b>X =</b>	£	2,509,818,551.95	5% of the aggregate Current Balance of the Loans in the Portfolio, on the relevant Calculation Date
<b>Y =</b>	£	19,542,711.66	8% (cost of refinancing the amount drawn) multiplied by the Flexible Redraw Capacity, (the excess of the Maximum amount that Borrowers may draw under Flexible Loans in the Portfolio (whether or not drawn) as determined, and the Aggregate Current Balance of all Flexible Loans in the Portfolio) multiplied by 3.
<b>Z =</b>	£	991,608,201.84	Weighted Average Maturity of all Covered Bonds outstanding, multiplied by the Sterling Equivalent of the Aggregate Principal Amount Outstanding of the Covered Bonds multiplied by 0.65%
<b>Total: A+B+C+D+E-(X+Y+Z)</b>	£	<b>39,960,414,464.05</b>	

### PASS

Pass/Fail

A (i) Adjusted Current Balance less Deemed Reductions/ A(ii) Aggregate Current Balance less Deemed Reductions multiplied by the Asset Percentage

**Method Used for Calculation**  
**Asset Percentage**

**A(i)**  
**90.00%**

**Amount of Credit Support**

**£4,476,890,869.02**

Result of the Overcollateralisation in the Asset Coverage Test

### Portfolio Characteristics

Total Outstanding Current Balance of Mortgages in the Portfolio	£	50,196,371,039.010
Number of Mortgages in Pool		498,790
Weighted Average Loan Balance	£	180,692.15
Weighted Average Current LTV		64.03%

Range of LTV ratios at end of reporting period*	Aggregate outstanding balance	% of Total	Number of accounts	% of Total
>= 0% - 29.99%	3,926,237,398.63	7.82%	110,231	22.10%
>= 30% - 34.99%	1,667,974,543.25	3.32%	26,181	5.25%
>= 35% - 39.99%	1,978,759,535.10	3.94%	27,358	5.48%
>= 40% - 44.99%	2,316,462,342.70	4.61%	28,101	5.63%
>= 45% - 49.99%	2,702,394,752.90	5.38%	28,990	5.81%
>= 50% - 54.99%	3,075,042,444.95	6.13%	29,378	5.89%
>= 55% - 59.99%	3,499,760,424.61	6.97%	30,366	6.09%
>= 60% - 64.99%	3,883,496,476.93	7.74%	30,952	6.21%
>= 65% - 69.99%	4,481,885,802.44	8.93%	32,839	6.58%
>= 70% - 74.99%	5,416,751,258.25	10.79%	37,209	7.46%
>= 75% - 79.99%	4,691,051,189.46	9.35%	31,676	6.35%
>= 80% - 84.99%	3,992,545,099.26	7.95%	26,797	5.37%
>= 85% - 89.99%	4,277,697,325.99	8.52%	28,244	5.66%
>= 90% - 94.99%	2,637,158,620.31	5.25%	18,106	3.63%
>= 95% - 99.99%	1,088,096,032.44	2.17%	8,753	1.75%
>= 100% - 104.99%	254,723,014.57	0.51%	1,715	0.34%
>= 105% - 109.99%	145,033,601.14	0.29%	935	0.19%
>= 110% - 114.99%	101,641,373.75	0.20%	602	0.12%
>= 115% - 119.99%	49,211,931.17	0.10%	275	0.06%
>= 120% - 124.99%	7,450,451.43	0.01%	46	0.01%
>=125%	2,997,419.73	0.01%	36	0.01%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>498,790</b>	<b>100.00%</b>

\*including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and using latest non-indexed valuation

### Cash Ledgers

Revenue Ledger	£	-
Principal Ledger	£	980,221,698.01
Reserve Ledger	£	779,305,604.37
Pre-Maturity Liquidity Ledger	£	3,401,458,729.22
Capital Account Ledger - Cash Capital Contribution	£	-
<b>Total</b>	<b>£</b>	<b>5,160,986,031.60</b>

GIC Account	£	5,160,986,031.60
Transaction Account	£	-
Authorised Investments/Substitution Assets	£	-
<b>Total</b>	<b>£</b>	<b>5,160,986,031.60</b>

### LLP Balance Sheet

Cash	£	5,160,986,031.60
Mortgages	£	50,196,371,039.01
Authorised Investments/Substitution Assets	£	-
<b>Total</b>	<b>£</b>	<b>55,357,357,070.61</b>

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Capital Account Ledger - Bank of Scotland	£ 19,873,833,475.58
Capital Account Ledger - Connery Ltd	£ -
Intercompany Loan Outstanding	£ 35,483,523,595.03
<b>Total</b>	<b>£ 55,357,357,070.61</b>

Credit ratings	Short Term (Moody's, S&P, Fitch)	Long Term (Moody's, S&P, Fitch)
Bank of Scotland plc	P-1, A-1, F1+	Aa3, A+, AA-

As of 06/03/2009 Bank of Scotland plc's credit rating provided by S&P was downgraded to: Short Term A-1 and Long Term A+ Therefore in accordance with the Pre-Maturity Test, the Pre-Maturity Liquidity Ledger has been credited with the Required Redemption Amounts and in accordance with the Credit Structure, the Reserve Fund Required Amount has been credited to the Reserve Ledger

HBOS Event of Default	No
LLP Event of Default	No

### Pool Assets Analysis

A small number of loans were repurchased from the Trust by the Seller during the period, for being in breach of the Representations and Warranties under the Mortgage Sale Agreement

Current Standard Variable Rates	Interest rate
HVR1	3.50%
HVR2	3.40%
Flexible Variable Rate	3.40%

Yield net of Interest Swaps over 1 Month Sterling Libor

Months in arrears	Yield
July 2009	0.56%
June 2009	0.50%
May 2009	0.50%

### Arrears & Possessions

Months in arrears	Aggregate outstanding balance	% of Total	Aggregate amount of Arrears	Number of Accounts	% of Total
Less than 1 month	48,569,028,255.12	96.76%	1,818,521.21	485,195	97.27%
1 - 2 months	663,372,861.02	1.32%	4,420,730.88	5,699	1.14%
2 - 3 months	235,265,200.18	0.47%	3,148,116.77	2,050	0.41%
3 - 6 months	373,725,576.69	0.74%	8,457,690.40	3,139	0.63%
6 - 12 months	286,784,792.85	0.57%	11,938,741.00	2,161	0.43%
12 months +	68,194,353.15	0.14%	5,605,269.48	546	0.11%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>35,389,069.74</b>	<b>498,790</b>	<b>100.00%</b>

Range of LTV ratios at end of reporting period*	Aggregate outstanding balance	% of Total	Number of accounts	% of Total
>= 0% - 29.99%	3,312,840,522.91	6.60%	106,681	21.39%
>= 30% - 34.99%	1,298,159,032.18	2.59%	23,329	4.68%
>= 35% - 39.99%	1,527,221,249.19	3.04%	23,817	4.77%
>= 40% - 44.99%	1,724,535,548.12	3.44%	23,516	4.71%
>= 45% - 49.99%	1,920,241,542.92	3.83%	23,125	4.64%
>= 50% - 54.99%	2,136,727,792.06	4.26%	22,975	4.61%
>= 55% - 59.99%	2,453,957,446.61	4.89%	23,517	4.71%
>= 60% - 64.99%	2,657,149,512.04	5.29%	23,609	4.73%
>= 65% - 69.99%	2,990,875,343.39	5.96%	24,290	4.87%
>= 70% - 74.99%	3,380,576,479.77	6.73%	25,462	5.10%
>= 75% - 79.99%	3,665,044,393.28	7.30%	26,414	5.30%
>= 80% - 84.99%	3,896,159,851.80	7.76%	26,533	5.32%
>= 85% - 89.99%	4,002,409,197.75	7.97%	26,605	5.33%
>= 90% - 94.99%	3,894,803,305.49	7.76%	24,984	5.01%
>= 95% - 99.99%	3,486,458,502.50	6.95%	22,777	4.57%
>= 100% - 104.99%	2,914,895,328.37	5.81%	19,578	3.93%
>= 105% - 109.99%	2,464,631,631.44	4.91%	16,264	3.26%
>= 110% - 114.99%	1,629,519,331.92	3.25%	10,261	2.06%
>= 115% - 119.99%	704,608,900.26	1.40%	4,172	0.84%
>= 120% - 124.99%	107,324,886.92	0.21%	701	0.14%
>=125%	28,231,240.09	0.06%	180	0.04%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>498,790</b>	<b>100.00%</b>

\*including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and using latest indexed valuation

The weighted average current LTV is 73.75%

Region	Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
London & South East	15,601,642,900.33	31.08%	99,025	19.85%
Midlands & East Anglia	10,148,877,998.70	20.22%	99,674	19.98%
North	6,507,038,900.55	12.96%	84,358	16.91%
North West	5,654,839,435.96	11.27%	69,513	13.94%
Scotland & Northern Ireland	5,305,143,683.99	10.57%	78,711	15.78%
South Wales & West	6,946,737,519.39	13.84%	67,257	13.48%
Unknown	32,090,600.09	0.06%	252	0.05%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>498,790</b>	<b>100.00%</b>

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Age of loans in months	Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
0 months <6 months	0.00	0.00%	0	0.00%
6 months <12 months	1,642,410,742.62	3.27%	11,777	2.36%
12 months <18 months	5,846,532,130.66	11.65%	48,090	9.64%
18 months <24 months	8,419,244,019.83	16.77%	59,529	11.93%
24 months <30 months	6,094,101,456.53	12.14%	42,089	8.44%
30 months <36 months	4,048,805,201.66	8.07%	33,480	6.71%
36 months <42 months	4,265,493,985.39	8.50%	39,062	7.83%
42 months <48 months	4,163,071,308.84	8.29%	38,557	7.73%
48 months <54 months	2,766,624,957.98	5.51%	29,576	5.93%
54 months <60 months	2,339,048,817.80	4.66%	26,173	5.25%
60 months <66 months	1,641,032,673.30	3.27%	19,233	3.86%
66 months <72 months	1,766,898,752.12	3.52%	22,081	4.43%
>=72 Months	7,203,106,992.28	14.35%	129,143	25.89%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>498,790</b>	<b>100.00%</b>

The weighted average seasoning of the loans is

43.33 Months

Property type	Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
Detached	15,483,147,030.77	30.85%	114,769	23.01%
Semi-Detached	14,648,523,935.88	29.18%	164,122	32.90%
Terraced	13,705,027,911.91	27.30%	156,597	31.40%
Other*	6,359,672,160.45	12.67%	63,302	12.69%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>498,790</b>	<b>100.00%</b>

\*Primarily flats & Maisonettes

Repayment terms	Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
Interest only	21,705,259,161.84	43.24%	152,075	30.49%
Repayment	28,491,111,877.17	56.76%	346,715	69.51%
<b>Total</b>	<b>50,196,371,039.01</b>	<b>100.00%</b>	<b>498,790</b>	<b>100.00%</b>

Special rate and flexible loans

Type of Loan	Aggregate outstanding IBB balance	% of Total	Number of holdings*	% of Total
Discounted variable rate loans	272,075,386.83	0.54%	2,664	0.43%
Fixed rate loans	24,914,961,897.10	49.80%	278,446	44.85%
Tracker rate loans	12,785,284,164.95	25.55%	155,172	24.99%
Loans on Standard Variable Rate	12,061,693,786.78	24.11%	184,583	29.73%
<b>Total</b>	<b>50,034,015,235.66</b>	<b>100.00%</b>	<b>620,865</b>	<b>100.00%</b>

\*An account may have more than one product holding.

Flexible loans	240,741,853.32	0.48%	2,296	0.46%
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### Notes Outstanding

Tranche	Closure Date	Issuance Amount	Rate	Expected Maturity Date	Sterling equivalent	ISIN
1	25-Jul-2003	€ 3,000,000,000.00	3.750%	26-Jul-10	£ 2,132,400,000	ISIN: XS0173128983
2	23-Oct-2003	€ 2,000,000,000.00	4.500%	23-Oct-13	£ 1,392,600,000	ISIN: XS0178952650
4	4-Jun-2004	€ 1,250,000,000.00	4.875%	04-Jun-19	£ 831,875,000	ISIN: XS0193640629
5	23-Sep-2004	€ 2,000,000,000.00	4.250%	23-Sep-14	£ 1,360,544,218	ISIN: XS0201674594
6	13-Dec-2004	£ 500,000,000.00	4.930%	13-Dec-14	£ 500,000,000	ISIN: XS0208047778
7	8-Feb-2005	€ 1,500,000,000.00	3.875%	07-Feb-20	£ 1,038,000,000	ISIN: XS0212074388
9	15-Aug-2005	€ 644,850,000.00	6M Euribor Flat	10-Oct-12	£ 446,881,050	ISIN: XS0226831799
10	15-Aug-2005	€ 189,100,000.00	3M Euribor Flat	30-Sep-13	£ 131,046,300	ISIN: XS0226832250
11	15-Aug-2005	\$ 70,200,000.00	3M USD -0.01%	30-Sep-13	£ 39,527,027	ISIN: XS0226831872
12	25-Nov-2005	£ 250,000,000.00	3M GBP Flat	26-Nov-12	£ 250,000,000	ISIN: XS0236528385
13	25-Nov-2005	£ 200,000,000.00	3M GBP Flat	28-May-13	£ 200,000,000	ISIN: XS0236528542
14	25-Nov-2005	£ 200,000,000.00	3M GBP Flat	25-Nov-13	£ 200,000,000	ISIN: XS0236527817
15	25-Jan-2006	€ 2,000,000,000.00	3.250%	25-Jan-13	£ 1,372,000,000	ISIN: XS0241851764
16	13-Jul-2006	€ 1,500,000,000.00	4.500%	13-Jul-21	£ 1,041,750,000	ISIN: XS0260981658
17	13-Jul-2006	€ 1,500,000,000.00	4.375%	13-Jul-16	£ 1,041,750,000	ISIN: XS0260981229
18	17-Nov-2006	€ 2,000,000,000.00	3.875%	15-Jan-14	£ 1,345,000,000	ISIN: XS0275093473
19	21-Nov-2006	\$ 2,000,000,000.00	5.000%	21-Nov-11	£ 1,050,000,000	ISIN: XS0275460052
20	15-Dec-2006	£ 500,000,000.00	3M GBP - 0.02%	31-Jan-12	£ 500,000,000	ISIN: XS0279552748
21	20-Feb-2007	\$ 3,000,000,000.00	5.250%	21-Feb-17	£ 1,520,000,000	ISIN: XS0286774483
22	8-Jun-2007	€ 1,250,000,000.00	4.625%	08-Jun-17	£ 850,000,000	ISIN: XS0304458721
23	8-Jun-2007	€ 1,250,000,000.00	4.750%	08-Jun-22	£ 850,000,000	ISIN: XS0304459026
24	10-Sep-2007	€ 2,000,000,000.00	4.500%	10-Sep-10	£ 1,350,000,000	ISIN: XS0320438442
25	26-Oct-2007	€ 2,000,000,000.00	4.750%	26-Jan-15	£ 1,396,000,000	ISIN: XS0327502224
26	18-Dec-2007	kr 4,680,000,000.00	6m DKK CIBOR + 0.29%	02-Jan-18	£ 453,550,000	ISIN: DK0030075023
28	18-Feb-2008	€ 780,000,000.00	3m Euribor + 0.23%	01-Mar-11	£ 580,600,000	ISIN: XS0347466301
29	22-May-2008	£ 2,100,000,000.00	1m GBP LIBOR + 0.12%	22-Sep-11	£ 2,100,000,000	ISIN: XS0366238375
31	28-May-2008	£ 2,800,000,000.00	1m GBP LIBOR + 0.12%	14-Nov-09	£ 2,800,000,000	ISIN: XS0366238961
32	5-Jun-2008	£ 2,800,000,000.00	1m GBP LIBOR + 0.12%	07-Mar-11	£ 2,800,000,000	ISIN: XS0366237724
33	26-Sep-2008	£ 1,000,000,000.00	1m GBP LIBOR + 0.12%	26-Mar-12	£ 1,000,000,000	ISIN: XS0390482213
34	26-Sep-2008	£ 500,000,000.00	1m GBP LIBOR + 0.12%	26-Mar-10	£ 500,000,000	ISIN: XS0390478963
35	26-Sep-2008	£ 500,000,000.00	1m GBP LIBOR + 0.12%	26-Sep-12	£ 500,000,000	ISIN: XS0390479185
36	26-Sep-2008	£ 500,000,000.00	1m GBP LIBOR + 0.12%	26-Mar-12	£ 500,000,000	ISIN: XS0390479268
37	2-Oct-2008	£ 500,000,000.00	1m GBP LIBOR + 0.12%	22-May-12	£ 500,000,000	ISIN: XS0391406591
38	2-Oct-2008	£ 410,000,000.00	1m GBP LIBOR + 0.12%	27-May-14	£ 410,000,000	ISIN: XS0391406088
39	2-Oct-2008	£ 2,000,000,000.00	1m GBP LIBOR + 0.12%	27-Jul-15	£ 2,000,000,000	ISIN: XS0391405783
40	2-Oct-2008	£ 500,000,000.00	1m GBP LIBOR + 0.12%	23-Aug-17	£ 500,000,000	ISIN: XS0391405940

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