

**HBOS Covered Bonds LLP Monthly Report**

Date of Report 16th December 2010

For Period from 1st November 2010 to 30th November 2010

**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>	£	29,080,684,991.14	The Adjusted Current Balance
<b>B =</b>	£	5,344,245,473.72	Principal Receipts that have not been applied to acquire further loans or otherwise applied in accordance with the Transaction Documents
<b>C =</b>	£	-	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>	£	2,120,535,497.87	5% of the aggregate Current Balance of the Loans in the Portfolio, on the relevant Calculation Date
<b>Y =</b>	£	18,442,093.75	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>	£	733,736,013.72	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>31,552,216,859.52</b>	
		<b>PASS</b>	Pass/Fail
<b>Method Used for Calculation</b>		<b>A(ii)</b>	A (i) Adjusted Current Balance less Deemed Reductions/ A(ii) Aggregate Current Balance less Deemed Reductions multiplied by the Asset Percentage
<b>Asset Percentage</b>		<b>70.00%</b>	
<b>Amount of Credit Support</b>		<b>£2,865,078,264.49</b>	Result of the Overcollateralisation in the Asset Coverage Test

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### Portfolio Characteristics

Total Outstanding Current Balance of Mortgages in the Portfolio £ 42,410,709,957.39  
 Number of Mortgages in Pool 432,900

Range of LTV ratios at end of reporting period*	Aggregate outstanding balance	% of Total	Number of accounts	% of Total
>= 0% - 29.99%	3,375,176,627.82	7.96%	98,777	22.82%
>= 30% - 34.99%	1,348,161,202.44	3.18%	22,261	5.14%
>= 35% - 39.99%	1,563,789,963.69	3.69%	22,525	5.20%
>= 40% - 44.99%	1,820,825,500.20	4.29%	23,137	5.34%
>= 45% - 49.99%	2,092,509,612.98	4.93%	23,529	5.44%
>= 50% - 54.99%	2,405,332,962.87	5.67%	24,207	5.59%
>= 55% - 59.99%	2,783,418,950.87	6.56%	25,250	5.83%
>= 60% - 64.99%	3,174,819,897.33	7.49%	26,375	6.09%
>= 65% - 69.99%	3,979,356,674.72	9.38%	30,205	6.98%
>= 70% - 74.99%	4,735,123,317.36	11.16%	33,294	7.69%
>= 75% - 79.99%	4,474,801,279.05	10.55%	31,078	7.18%
>= 80% - 84.99%	3,665,521,106.17	8.64%	24,700	5.71%
>= 85% - 89.99%	3,266,384,906.04	7.70%	21,687	5.01%
>= 90% - 94.99%	2,256,210,929.14	5.32%	15,558	3.59%
>= 95% - 99.99%	818,125,202.16	1.93%	6,132	1.42%
>= 100% - 104.99%	298,212,863.82	0.70%	2,038	0.47%
>= 105% - 109.99%	182,657,148.49	0.43%	1,141	0.26%
>= 110% - 114.99%	115,581,546.32	0.27%	689	0.16%
>= 115% - 119.99%	45,088,590.67	0.11%	258	0.06%
>= 120% - 124.99%	6,081,788.33	0.01%	31	0.01%
>=125%	3,529,886.92	0.01%	28	0.01%
<b>Total</b>	<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</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

The Weighted Average Current LTV is 64.56%

### Cash Ledgers

Revenue Ledger	£ -
Principal Ledger	£ 2,535,220,268.24
Reserve Ledger	£ 622,242,120.69
Pre-Maturity Liquidity Ledger	£ 2,809,025,205.48
Capital Account Ledger - Cash Capital Contribution	£ -
<b>Total</b>	<b>£ 5,966,487,594.41</b>

GIC Account	£ 5,966,487,594.41
Transaction Account	£ -
Authorised Investments/Substitution Assets	£ -
<b>Total</b>	<b>£ 5,966,487,594.41</b>

### LLP Balance Sheet

Cash	£ 5,966,487,594.41
Mortgages	£ 42,410,709,957.39
Authorised Investments/Substitution Assets	£ -
<b>Total</b>	<b>£ 48,377,197,551.80</b>

Capital Account Ledger - Bank of Scotland	£ 19,690,058,956.77
Capital Account Ledger - Connery Ltd	£ -
Intercompany Loan Outstanding	£ 28,687,138,595.03
<b>Total</b>	<b>£ 48,377,197,551.80</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

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### 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

Date	Yield
November 2010	0.84%
October 2010	0.83%
September 2010	0.82%

### Arrears & Possessions

Months in arrears	Aggregate outstanding balance	% of Total	Aggregate amount of Arrears	Number of Accounts	% of Total
Less than 1 month	40,750,139,001.60	96.08%	1,707,392.04	419,016	96.79%
1 - 2 months	558,182,501.03	1.32%	3,490,336.92	4,941	1.14%
2 - 3 months	225,273,858.97	0.53%	2,656,630.75	1,927	0.45%
3 - 6 months	390,538,589.14	0.92%	8,119,261.36	3,251	0.75%
6 - 12 months	319,343,802.58	0.75%	12,902,067.38	2,488	0.57%
12 months +	167,232,204.07	0.39%	13,377,060.53	1,277	0.29%
<b>Total</b>	<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>42,252,748.98</b>	<b>432,900</b>	<b>100.00%</b>

Range of Balances at end of reporting period of reporting period*	Aggregate outstanding balance	% of Total	Number of accounts	% of Total
>=0 - < 50,000	3,655,676,276.75	8.62%	132,730	30.66%
>=50,000 - < 100,000	10,217,280,714.50	24.09%	138,002	31.88%
>=100,000 - < 150,000	10,551,579,505.26	24.88%	86,593	20.00%
>=150,000 - < 200,000	6,550,134,012.14	15.44%	38,267	8.84%
>=200,000 - < 250,000	3,719,277,386.33	8.77%	16,801	3.88%
>=250,000 - < 300,000	2,077,747,267.68	4.90%	7,650	1.77%
>=300,000 - < 350,000	1,348,410,702.52	3.18%	4,194	0.97%
>=350,000 - < 400,000	957,135,276.55	2.26%	2,571	0.59%
>=400,000 - < 450,000	681,334,170.79	1.61%	1,616	0.37%
>=450,000 - < 500,000	586,640,162.34	1.38%	1,238	0.29%
>=500,000 - < 550,000	494,647,295.68	1.17%	958	0.22%
>=550,000 - < 600,000	325,962,530.35	0.77%	569	0.13%
>=600,000 - < 650,000	309,826,934.33	0.73%	499	0.12%
>=650,000 - < 700,000	222,355,719.44	0.52%	331	0.08%
>=700,000 - < 750,000	188,721,534.26	0.44%	262	0.06%
>=750,000 - < 800,000	159,076,007.92	0.38%	207	0.05%
>=800,000 - < 850,000	117,045,640.42	0.28%	143	0.03%
>=850,000 - < 900,000	80,365,345.65	0.19%	92	0.02%
>=900,000 - < 950,000	84,517,521.72	0.20%	92	0.02%
>=950,000 - < 1,000,000	81,974,734.25	0.19%	84	0.02%
>=1,000,000	1,001,218.51	0.00%	1	0.00%
<b>Total</b>	<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</b>	<b>100.00%</b>

Weighted Average Loan Balance

£ 175,862.45

Range of LTV ratios at end of reporting period*	Aggregate outstanding balance	% of Total	Number of accounts	% of Total
>= 0% - 29.99%	3,247,627,389.87	7.66%	101,758	23.51%
>= 30% - 34.99%	1,227,077,939.58	2.89%	21,197	4.90%
>= 35% - 39.99%	1,421,396,561.09	3.35%	21,137	4.88%
>= 40% - 44.99%	1,594,930,388.04	3.76%	20,668	4.77%
>= 45% - 49.99%	1,778,205,224.55	4.19%	20,478	4.73%
>= 50% - 54.99%	2,048,333,811.51	4.83%	20,847	4.82%
>= 55% - 59.99%	2,297,646,464.00	5.42%	21,103	4.87%
>= 60% - 64.99%	2,680,183,069.25	6.32%	22,286	5.15%
>= 65% - 69.99%	3,069,095,133.98	7.24%	23,740	5.48%
>= 70% - 74.99%	3,497,789,610.16	8.25%	25,570	5.91%
>= 75% - 79.99%	3,765,605,500.14	8.88%	26,715	6.17%
>= 80% - 84.99%	3,517,500,511.61	8.29%	24,145	5.58%
>= 85% - 89.99%	3,295,548,627.61	7.77%	22,144	5.12%
>= 90% - 94.99%	2,914,887,216.77	6.87%	19,638	4.54%
>= 95% - 99.99%	2,428,504,993.86	5.73%	16,896	3.90%
>= 100% - 104.99%	1,815,370,550.04	4.28%	12,321	2.85%
>= 105% - 109.99%	1,117,084,064.40	2.63%	7,658	1.77%
>= 110% - 114.99%	556,205,767.47	1.31%	3,608	0.83%
>= 115% - 119.99%	106,755,645.38	0.25%	786	0.18%
>= 120% - 124.99%	20,465,996.29	0.05%	144	0.03%
>=125%	10,495,491.79	0.02%	61	0.01%
<b>Total</b>	<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</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 (Indexed Valuation) is

69.37%

Region	Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
London & South East	12,889,073,662.58	30.39%	84,444	19.51%
Midlands & East Anglia	8,576,910,066.97	20.22%	86,641	20.01%
North	5,624,722,379.19	13.26%	74,385	17.18%
North West	4,872,661,362.38	11.49%	61,290	14.16%
Scotland	4,567,795,778.22	10.77%	68,027	15.71%
South West & Wales	5,846,087,333.74	13.78%	57,860	13.37%
Unknown	33,459,374.31	0.08%	253	0.06%
<b>Total</b>	<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</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	0.00	0.00%	0	0.00%
12 months	<18 months	0.00	0.00%	0	0.00%
18 months	<24 months	0.00	0.00%	0	0.00%
24 months	<30 months	2,821,465,712.19	6.65%	22,068	5.10%
30 months	<36 months	5,107,385,219.82	12.04%	42,565	9.83%
36 months	<42 months	8,495,493,085.79	20.03%	61,366	14.18%
42 months	<48 months	3,126,813,571.13	7.37%	23,823	5.50%
48 months	<54 months	4,165,074,046.57	9.82%	36,591	8.45%
54 months	<60 months	3,209,054,097.01	7.57%	31,541	7.29%
60 months	<66 months	3,112,691,725.49	7.34%	30,535	7.05%
66 months	<72 months	2,277,456,421.15	5.37%	25,213	5.82%
>=72 months		10,095,276,078.24	23.80%	159,198	36.77%
<b>Total</b>		<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</b>	<b>100.00%</b>

The weighted average seasoning of the loans is 59.01 Months

Years to Maturity		Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
0 Years	<5 Years	1,464,774,970.31	3.45%	30,906	7.14%
5 Years	<10 Years	3,836,107,275.56	9.05%	53,182	12.29%
10 Years	<15 Years	6,809,292,583.38	16.06%	78,885	18.22%
15 Years	<20 Years	12,152,144,555.75	28.65%	108,238	25.00%
20 Years	<25 Years	10,554,655,206.06	24.89%	77,704	17.95%
25 Years	<30 Years	3,409,767,574.47	8.04%	31,214	7.21%
30 Years	<35 Years	3,174,275,631.11	7.48%	41,497	9.59%
35 Years +		1,009,692,160.75	2.38%	11,274	2.60%
<b>Total</b>		<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</b>	<b>100.00%</b>

The weighted average remaining term of the loans is 18.76 Years

Property type		Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
Detached		12,807,435,038.87	30.20%	97,092	22.43%
Semi-Detached		12,478,177,773.08	29.42%	142,917	33.01%
Terraced		11,712,948,159.26	27.62%	137,770	31.82%
Other*		5,412,148,986.18	12.76%	55,121	12.73%
<b>Total</b>		<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</b>	<b>100.00%</b>

\*Primarily flats & Maisonettes

Repayment terms		Aggregate outstanding balance	% of Total	Number of Accounts	% of Total
Interest only		18,663,158,950.53	44.01%	131,877	30.46%
Repayment		23,747,551,006.86	55.99%	301,023	69.54%
<b>Total</b>		<b>42,410,709,957.39</b>	<b>100.00%</b>	<b>432,900</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	786,992,688.07	1.86%	5,696	1.06%
Fixed rate loans	14,238,288,199.32	33.67%	192,871	35.76%
Tracker rate loans	7,536,491,089.61	17.82%	107,920	20.01%
Loans on Standard Variable Rate	19,725,918,731.76	46.65%	232,911	43.18%
<b>Total</b>	<b>42,287,690,708.76</b>	<b>100.00%</b>	<b>539,398</b>	<b>100.00%</b>

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

Flexible loans	196,991,612.70	0.46%	1,930	0.45%
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### Notes Outstanding

Tranche	Closure Date	Issuance Amount	Rate	Expected Maturity Date	Sterling equivalent	ISIN
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
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
29	22-May-2008	£ 2,100,000,000.00	1m GBP LIBOR + 0.12%	22-Sep-11	£ 2,100,000,000	ISIN: XS0366238375
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
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	£ 1,800,000,000	ISIN: XS0391405783
40	2-Oct-2008	£ 500,000,000.00	1m GBP LIBOR + 0.12%	23-Aug-17	£ 500,000,000	ISIN: XS0391405940
41	24-Mar-2010	€ 850,000,000.00	3M Euribor + 0.95%	24-Mar-16	£ 766,615,000	ISIN: XS0496583468
					<b>£ 28,687,138,595</b>	

### Contact details and report distribution channels

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