

Bank of Scotland plc €60 billion Covered Bond Programme

Monthly Report May 2017

Administration

Name of issuer	Bank of Scotland plc
Name of RCB programme	€60 billion Covered Bond Programme
Name, job title and contact details of person validating this form	Tracey Hill Head of Securitisation traceyhill@halifax.co.uk 0113 235 2176
Date of form submission	16 Jun 2017
Start Date of reporting period	1 May 2017
End Date of reporting period	31 May 2017
Web links - prospectus, transaction documents, loan-level data	http://www.lloydsbankinggroup.com/investors/covered-bonds

Counterparties, Ratings

	Counterparty/ies	Fitch		Moody's		S&P		DBRS	
		Rating trigger	Current rating	Rating trigger	Current rating	Rating trigger	Current rating	Rating trigger	Current rating
Covered bonds		n/a	AAA	n/a	Aaa	n/a	AAA	n/a	n/a
Issuer	Bank of Scotland plc	n/a	F1 / A+	n/a	P-1 / A1	n/a	A-1 / A	n/a	R-1(middle)/ A(high) ⁽¹⁾
Seller(s)	Bank of Scotland plc	n/a	F1 / A+	n/a	P-1 / A1	n/a	A-1 / A	n/a	R-1(middle)/ A(high) ⁽¹⁾
Cash manager	Bank of Scotland plc	n/a	F1 / A+	n/a	P-1 / A1	n/a	A-1 / A	n/a	R-1(middle)/ A(high) ⁽¹⁾
Account bank	Bank of Scotland plc	<F1 / <A	F1 / A+	<P-1 / -	P-1 / A1	- / <A	A-1 / A	n/a	R-1(middle)/ A(high)
Stand-by account bank	None	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Servicer(s)	Bank of Scotland plc	<BBB- / -	F1 / A+	<Baa3 / -	P-1 / A1	<BBB- / -	A-1 / A	n/a	R-1(middle)/ A(high)
Stand-by servicer(s)	None	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Swap provider(s) on cover pool	Bank of Scotland plc	<F1 / <A	F1 / A+	<P-1 / <A2	P-1 / A1	<A-1 / <A	A-1 / A	n/a	R-1(middle)/ A(high) ⁽²⁾
Stand-by swap provider(s) on cover pool	None	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Swap notional amount(s) (GBP)	£ 8,425,302,293 ⁽³⁾								
Swap notional maturity/ies	n/a ⁽³⁾								
LLP receive rate/margin	1.56% ⁽³⁾								
LLP pay rate/margin	3.43% ⁽³⁾								
Collateral posting amount(s) (GBP)	£ - ⁽³⁾								

Accounts, Ledgers

	Value as of End Date of reporting period	Value as of Start Date of reporting period	Targeted Value
Revenue receipts (please disclose all parts of waterfall)			
Revenue Receipts (on the Loans)	£ 22,990,639	n/a	n/a
Bank Interest	£ 732	n/a	n/a
Excess amount released from Reserve Fund	£ -	n/a	n/a
Available Revenue Receipts	£ 22,991,371	n/a	n/a
Senior fees (including Cash Manager & Servicer)	£ 719,455	n/a	n/a
Amounts due under cover pool swap	£ 13,335,981	n/a	n/a
Amounts due under Intercompany Loan	£ 913,368	n/a	n/a
Deferred Consideration	£ 8,019,567	n/a	n/a
Members' profit	£ 3,000	n/a	n/a
Total distributed	£ 22,991,371	n/a	n/a
Principal receipts (please disclose all parts of waterfall)			
Principal Receipts (on the Loans)	£ 135,318,834	n/a	n/a
Any other amount standing to credit Principal Ledger	£ -	n/a	n/a
Excess amount released Pre-Maturity Liquidity Ledger	£ -	n/a	n/a
Cash Capital Contribution from Members	£ -	n/a	n/a
Available Principal Receipts	£ 135,318,834	n/a	n/a
Credit to Pre-Maturity Liquidity Ledger	£ -	n/a	n/a
Acquisition of Loans (Replenishments)	£ -	n/a	n/a
Credit to Principal Ledger	£ -	n/a	n/a
Amounts due under Intercompany Loan	£ -	n/a	n/a
Capital Distribution to Members	£ 135,318,834	n/a	n/a
Total distributed	£ 135,318,834	n/a	n/a
Reserve ledger	£ -	£ -	£ -
Revenue ledger	£ 22,991,371	£ 22,862,414	n/a
Principal ledger	£ 135,318,834	£ 107,832,921	n/a
Pre-maturity liquidity ledger	£ -	£ -	£ -

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Asset Coverage Test

	Value	Description
A	£ 7,248,926,514	Adjusted Aggregate Loan Amount
B	£ 135,318,834	Principal collections not yet applied
C	£ -	Qualifying additional collateral
D	£ -	Substitute assets
E	£ -	Proceeds of sold mortgage loans
V	n/a	Set-off offset loans
W	n/a	Personal secured loans
X	£ 6,785,616	Flexible draw capacity
Y	£ -	Set-off
Z	£ 99,639,939	Negative carry
Total	£ 7,277,819,794	
Method used for calculating component 'A'		A(ii) ⁽⁴⁾
Asset percentage (%)		87.0%
Maximum asset percentage from Fitch (%)		87.0%
Maximum asset percentage from Moody's (%)		89.0%
Maximum asset percentage from S&P (%)		90.1%
Maximum asset percentage from DBRS (%)		n/a
Credit support as derived from ACT (GBP)	£ 1,416,169,795	
Credit support as derived from ACT (%)		24.2%

Programme-Level Characteristics

Programme currency		EUR
Programme size		60,000,000,000
Covered bonds principal amount outstanding (GBP, non-GBP series converted at swap FX rate)	£ 5,861,649,999	
Covered bonds principal amount outstanding (GBP, non-GBP series converted at current spot rate)	£ 6,428,489,683	
Cover pool balance (GBP)	£ 8,340,281,346	
GIC account balance (GBP)	£ 158,310,205	⁽⁵⁾
Any additional collateral (please specify)		None
Any additional collateral (GBP)	£ -	
Aggregate balance of off-set mortgages (GBP)	£ -	
Aggregate deposits attaching to the cover pool (GBP)	£ 10,898,006	
Aggregate deposits attaching specifically to the off-set mortgages (GBP)	£ -	
Nominal level of overcollateralisation (GBP)	£ 2,613,950,181	⁽⁶⁾
Nominal level of overcollateralisation (%)		44.6%
Number of loans in cover pool		99,931
Average loan balance (GBP)	£ 83,460	
Weighted average non-indexed LTV (%)		60.9%
Weighted average indexed LTV (%)		48.3%
Weighted average seasoning (months)		127.3
Weighted average remaining term (months)		169.9
Weighted average interest rate (%)		3.30%
Standard Variable Rate(s) (%)		3.74% & 3.64%
Constant Pre-Payment Rate (% , current month)		⁽⁷⁾
Constant Pre-Payment Rate (% , quarterly average)		⁽⁷⁾
Principal Payment Rate (% , current month)		17.57%
Principal Payment Rate (% , quarterly average)		16.22%
Constant Default Rate (% , current month)		n/a ⁽⁸⁾
Constant Default Rate (% , quarterly average)		n/a ⁽⁸⁾
Fitch Discontinuity Cap		n/a ⁽⁹⁾
Moody's Timely Payment Indicator		Probable ⁽¹⁰⁾
Moody's Collateral Score (%)		5.0% ⁽¹⁰⁾

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Mortgage collections

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Mortgage collections (scheduled - interest)	£	22,990,639
Mortgage collections (scheduled - principal)		
Mortgage collections (unscheduled - interest)	£	-
Mortgage collections (unscheduled - principal)	£	135,318,834

Loan Redemptions & Replenishments Since Previous Reporting Date

	Number	% of total number	Amount (GBP)	% of total amount
Loan redemptions since previous reporting date	1,196	1.20%	84,552,065	1.01%
Loans bought back by seller(s)	76	0.08%	6,918,095	0.08%
of which are non-performing loans	59	0.06%	5,210,293	0.06%
of which have breached R&Ws	17	0.02%	1,707,801	0.02%
Loans sold into the cover pool	0	0.00%	-	0.00%

Product Rate Type and Reversionary Profiles

	Number	% of total number	Amount (GBP)	% of total amount	Weighted average				
					Current rate	Remaining teaser period (months)	Current margin	Reversionary margin	Initial rate
Fixed at origination, reverting to SVR	24,280	24.30%	2,564,940,304	30.75%	2.32%	19.38	2.32%	0.00%	2.32%
Fixed at origination, reverting to Libor	0	0.00%	-	0.00%	-	-	-	-	-
Fixed at origination, reverting to tracker	0	0.00%	-	0.00%	-	-	-	-	-
Fixed for life	234	0.23%	138,291	0.00%	4.76%	-	4.76%	-	4.76%
Tracker at origination, reverting to SVR	0	0.00%	-	0.00%	-	-	-	-	-
Tracker at origination, reverting to Libor	0	0.00%	-	0.00%	-	-	-	-	-
Tracker for life	15	0.02%	1,338,657	0.02%	0.25%	-	0.00%	-	0.25%
SVR, including discount to SVR	75,402	75.45%	5,773,864,094	69.23%	3.74%	-	0.00%	-	3.74%
Libor	0	0.00%	-	0.00%	-	-	-	-	-
Total	99,931	100.00%	8,340,281,346	100.00%	3.30%	-	-	-	3.30%

(11)

(12), (13)

Stratifications

Arrears breakdown	Number	% of total number	Amount (GBP)	% of total amount
Current	97,628	97.70%	8,127,726,163	97.45%
0-1 month in arrears	1,216	1.22%	109,430,907	1.31%
1-2 months in arrears	730	0.73%	68,062,857	0.82%
2-3 months in arrears	266	0.27%	25,252,516	0.30%
3-6 months in arrears	90	0.09%	9,800,502	0.12%
6-12 months in arrears	1	0.00%	8,401	0.00%
12+ months in arrears	0	0.00%	-	0.00%
Total	99,931	100.00%	8,340,281,346	100.00%

Current non-indexed LTV

	Number	% of total number	Amount (GBP)	% of total amount
0-50%	50,947	50.98%	2,370,596,552	28.42%
50-55%	6,257	6.26%	584,832,720	7.01%
55-60%	6,717	6.72%	717,693,142	8.61%
60-65%	6,711	6.72%	725,005,047	8.69%
65-70%	6,518	6.52%	791,073,332	9.48%
70-75%	6,818	6.82%	911,188,101	10.93%
75-80%	5,614	5.62%	743,824,677	8.92%
80-85%	4,105	4.11%	558,706,639	6.70%
85-90%	3,138	3.14%	474,005,376	5.68%
90-95%	1,681	1.68%	258,112,146	3.09%
95-100%	867	0.87%	114,547,714	1.37%
100-105%	274	0.27%	41,782,754	0.50%
105-110%	155	0.16%	26,200,754	0.31%
110-125%	128	0.13%	22,605,247	0.27%
125%+	1	0.00%	107,144	0.00%
Total	99,931	100.00%	8,340,281,346	100.00%

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Current indexed LTV	Number	% of total number	Amount (GBP)	% of total amount
0-50%	67,043	67.09%	4,392,089,648	52.66%
50-55%	7,238	7.24%	856,914,587	10.27%
55-60%	6,713	6.72%	802,923,773	9.63%
60-65%	5,757	5.76%	681,140,323	8.17%
65-70%	4,622	4.63%	543,595,069	6.52%
70-75%	3,323	3.33%	399,142,021	4.79%
75-80%	2,328	2.33%	282,607,874	3.39%
80-85%	1,472	1.47%	189,342,194	2.27%
85-90%	823	0.82%	109,997,166	1.32%
90-95%	448	0.45%	60,316,656	0.72%
95-100%	139	0.14%	19,062,648	0.23%
100-105%	24	0.02%	3,001,725	0.04%
105-110%	1	0.00%	147,662	0.00%
110-125%	0	0.00%	-	0.00%
125%+	0	0.00%	-	0.00%
Total	99,931	100.00%	8,340,281,346	100.00%

Current outstanding balance of loan	Number	% of total number	Amount (GBP)	% of total amount
0-5,000	3,107	3.11%	7,136,326	0.09%
5,000-10,000	3,305	3.31%	25,272,857	0.30%
10,000-25,000	12,120	12.13%	214,600,877	2.57%
25,000-50,000	19,993	20.01%	745,902,430	8.94%
50,000-75,000	18,796	18.81%	1,169,026,493	14.02%
75,000-100,000	14,240	14.25%	1,235,842,918	14.82%
100,000-150,000	15,540	15.55%	1,885,977,959	22.61%
150,000-200,000	6,518	6.52%	1,117,219,416	13.40%
200,000-250,000	2,785	2.79%	617,846,725	7.41%
250,000-300,000	1,335	1.34%	363,320,318	4.36%
300,000-350,000	702	0.70%	226,166,243	2.71%
350,000-400,000	474	0.47%	176,622,240	2.12%
400,000-450,000	260	0.26%	109,590,377	1.31%
450,000-500,000	209	0.21%	99,084,154	1.19%
500,000-600,000	268	0.27%	144,847,749	1.74%
600,000-700,000	138	0.14%	88,716,790	1.06%
700,000-800,000	76	0.08%	56,230,392	0.67%
800,000-900,000	44	0.04%	37,060,376	0.44%
900,000-1,000,000	21	0.02%	19,816,706	0.24%
1,000,000 +	0	0.00%	-	0.00%
Total	99,931	100.00%	8,340,281,346	100.00%

Regional distribution	Number	% of total number	Amount (GBP)	% of total amount
East Midlands	6,778	6.78%	488,973,163	5.86%
East of England	7,256	7.26%	741,535,731	8.89%
London	9,681	9.69%	1,395,429,370	16.73%
North East	5,325	5.33%	326,296,485	3.91%
North West	12,527	12.54%	865,858,646	10.38%
Scotland	16,183	16.19%	942,851,869	11.30%
South East	10,613	10.62%	1,233,235,651	14.79%
South West	6,213	6.22%	579,414,064	6.95%
Wales	4,662	4.67%	322,360,810	3.87%
West Midlands	8,763	8.77%	655,801,341	7.86%
Yorkshire And The Humber	11,910	11.92%	786,880,833	9.43%
Unknown	20	0.02%	1,643,382	0.02%
Total	99,931	100.00%	8,340,281,346	100.00%

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Repayment type	Number	% of total number	Amount (GBP)	% of total amount
Capital repayment	67,651	67.70%	4,363,494,799	52.32%
Part-and-part				
Interest-only	32,280	32.30%	3,976,786,547	47.68%
Offset	0	0.00%	-	0.00%
Total	99,931	100.00%	8,340,281,346	100.00%

Seasoning	Number	% of total number	Amount (GBP)	% of total amount
0-12 months	0	0.00%	-	0.00%
12-24 months	0	0.00%	-	0.00%
24-36 months	0	0.00%	-	0.00%
36-48 months	0	0.00%	-	0.00%
48-60 months	49	0.05%	4,366,770	0.05%
60-72 months	5,974	5.98%	549,507,014	6.59%
72-84 months	3,087	3.09%	279,355,547	3.35%
84-96 months	2,571	2.57%	239,169,883	2.87%
96-108 months	4,512	4.52%	508,503,946	6.10%
108-120 months	20,330	20.34%	2,293,832,453	27.50%
120-150 months	33,234	33.26%	2,948,244,612	35.35%
150-180 months	16,100	16.11%	1,003,698,590	12.03%
180+ months	14,074	14.08%	513,602,529	6.16%
Total	99,931	100.00%	8,340,281,346	100.00%

Interest payment type	Number	% of total number	Amount (GBP)	% of total amount
Fixed	24,514	24.53%	2,565,078,595	30.76%
SVR	75,402	75.45%	5,773,864,094	69.23%
Tracker	15	0.02%	1,338,657	0.02%
Other (please specify)	0	0.00%	-	0.00%
Total	99,931	100.00%	8,340,281,346	100.00%

Loan purpose type	Number	% of total number	Amount (GBP)	% of total amount
Owner-occupied	99,490	99.56%	8,295,905,511	99.47%
Buy-to-let	0	0.00%	-	0.00%
Second home	441	0.44%	44,375,835	0.53%
Total	99,931	100.00%	8,340,281,346	100.00%

Income verification type	Number	% of total number	Amount (GBP)	% of total amount
Fully verified				
Fast-track				
Self-certified				
Total	0		-	

Remaining term of loan	Number	% of total number	Amount (GBP)	% of total amount
0-30 months	6,002	6.01%	329,304,522	3.95%
30-60 months	8,280	8.29%	423,177,921	5.07%
60-120 months	21,829	21.84%	1,512,484,425	18.13%
120-180 months	28,191	28.21%	2,632,809,932	31.57%
180-240 months	16,469	16.48%	1,788,055,970	21.44%
240-300 months	9,828	9.83%	911,691,408	10.93%
300-360 months	7,821	7.83%	608,534,374	7.30%
360+ months	1,511	1.51%	134,222,794	1.61%
Total	99,931	100.00%	8,340,281,346	100.00%

Employment status	Number	% of total number	Amount (GBP)	% of total amount
Employed				
Self-employed				
Unemployed				
Retired				
Guarantor				
Other				
Total	0		-	

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Covered Bonds Outstanding, Associated Derivatives (please disclose for all bonds outstanding)

Series	CB0004/04	CB0007/05	0016/06
Issue date	4 Jun 2004	8 Feb 2005	13 Jul 2006
Original rating (Moody's/S&P/Fitch/DBRS)	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -
Current rating (Moody's/S&P/Fitch/DBRS)	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -
Denomination	EUR	EUR	EUR
Amount at issuance	1,250,000,000	1,500,000,000	1,500,000,000
Amount outstanding	1,250,000,000	1,500,000,000	1,500,000,000
FX swap rate (rate:£1)	1.248	1.248	1.248
Maturity type (hard/soft-bullet/pass-through)	Hard bullet	Hard bullet	Soft bullet
Scheduled final maturity date	4 Jun 2019	7 Feb 2020	13 Jul 2021
Legal final maturity date	4 Jun 2019	7 Feb 2020	13 Jul 2021
ISIN	XS0193640629	XS0212074388	XS0260981658
Stock exchange listing	London & Luxembourg	Luxembourg	Luxembourg
Coupon payment frequency	Annual	Annual	Annual
Coupon payment date	4 Jun	7 Feb	13 Jul
Coupon (rate if fixed, margin and reference rate if floating)	4.875%	3.875%	4.500%
Margin payable under extended maturity period (%)	N/A	N/A	N/A
Swap counterparty/ies	Bank of Scotland	Bank of Scotland	Bank of Scotland
Swap notional denomination	GBP	GBP	GBP
Swap notional amount	1,001,500,000	1,201,800,000	1,201,800,000
Swap notional maturity	4 Jun 2019	7 Feb 2020	13 Jul 2021
LLP receive rate/margin	4.875%	3.875%	4.500%
LLP pay rate/margin	1m GBP LIBOR	1m GBP LIBOR	1m GBP LIBOR
Collateral posting amount	£ -	£ -	£ -
Series	0022/07	0023/07	0026/07
Issue date	8 Jun 2007	8 Jun 2007	18 Dec 2007
Original rating (Moody's/S&P/Fitch/DBRS)	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -
Current rating (Moody's/S&P/Fitch/DBRS)	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -	Aaa / AAA / AAA / -
Denomination	EUR	EUR	DKK
Amount at issuance	1,250,000,000	1,250,000,000	4,680,000,000
Amount outstanding	1,250,000,000	1,250,000,000	4,680,000,000
FX swap rate (rate:£1)	1.248	1.248	10.319
Maturity type (hard/soft-bullet/pass-through)	Soft bullet	Soft bullet	Soft bullet
Scheduled final maturity date	8 Jun 2017	8 Jun 2022	2 Jan 2018
Legal final maturity date	8 Jun 2017	8 Jun 2022	2 Jan 2018
ISIN	XS0304458721	XS0304459026	DK0030075023
Stock exchange listing	Luxembourg	Luxembourg	Copenhagen
Coupon payment frequency	Annual	Annual	Semi-annual
Coupon payment date	8 Jun	8 Jun	1 Jan & Jul
Coupon (rate if fixed, margin and reference rate if floating)	4.625%	4.750%	6m DKK CIBOR + 0.29%
Margin payable under extended maturity period (%)	N/A	N/A	N/A
Swap counterparty/ies	Bank of Scotland	Bank of Scotland	Bank of Scotland
Swap notional denomination	GBP	GBP	GBP
Swap notional amount	1,001,500,000	1,001,500,000	453,549,999
Swap notional maturity	8 Jun 2017	8 Jun 2022	2 Jan 2018
LLP receive rate/margin	4.625%	4.750%	6m DKK CIBOR + 0.29%
LLP pay rate/margin	1m GBP LIBOR	1m GBP LIBOR	1m GBP LIBOR
Collateral posting amount	£ -	£ -	£ -

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Programme triggers

Event	Summary of Event	Trigger (S&P, Moody's, Fitch, DBRS; short-term, long-term)	Trigger breached (yes/no)	Consequence of a trigger breach
Pre-Maturity Liquidity Test	Loss of required rating by the Issuer	Short term: A-1+ / P-1 / F1+ / - Long term: - / A1 / - / -	No	Requirement to fund the Pre-Maturity Liquidity Ledger to the Required Redemption Amount and, if necessary, the sale of Selected Loans.
Reserve Fund trigger	Loss of required rating by the Issuer	Short term: - / P-1 / F1 / - Long term: BBB / - / A / -	No	Requirement to establish and maintain the Reserve Fund and to trap any Available Revenue Receipts (in accordance with the relevant waterfall), as necessary, to fund the Reserve Fund to the Reserve Fund Required Amount.
Set-off risk protection trigger	Loss of required rating by the Issuer	Short term: - / P-1 / F1 / - Long term: BBB / A2 / A / -	No	The sizing of the set-off risk protection in the Asset Coverage Test shall be increased from zero to 5% (or such other amount as may be set from time to time, subject to the Issuer obtaining a Rating Agency Confirmation).
Interest Rate Swap Provider rating trigger	Loss of required rating by the Interest Rate Swap Provider	Short term: A-1 / P-1 / F1 / - Long term: A / A2 / A / -	No	Requirement to post collateral, transfer obligations to a suitably rated replacement swap provider, procure another suitably rated entity to become a co-obligor or guarantor or other actions as may be agreed with the relevant agency in order to maintain or restore (as applicable) the ratings of the covered bonds). The ratings shown are the first level of triggers. Other triggers exist at lower levels with further consequences.
Covered Bond Swap Provider rating trigger	Loss of required rating by the relevant Covered Bond Swap Provider	Short term: A-1 / P-1 / F1 / - Long term: A / A2 / A / -	No	Requirement to post collateral, transfer obligations to a suitably rated replacement swap provider, procure another suitably rated entity to become a co-obligor or guarantor or other actions as may be agreed with the relevant agency in order to maintain or restore (as applicable) the ratings of the covered bonds). The ratings shown are the first level of triggers. Other triggers exist at lower levels with further consequences.
Account Bank rating trigger	Loss of required rating by the Account Bank	Short term: - / P-1 / F1 / - Long term: A / - / A / -	No	Termination event pursuant to the Bank Account Agreement, unless downgrade remedied in accordance with the terms of the Bank Account Agreement.
Perfection preparation trigger	Loss of required rating by the Seller	Long term: BBB / Baa2 / BBB / -	No	The Seller shall deliver to the LLP, the Security Trustee and the Rating Agencies a draft letter of notice to the Borrowers of the sale and purchase of the loans.
Perfection trigger	Loss of required rating by the Seller	Long term: BBB- / Baa3 / BBB- / -	No	Legal title to the Loans and their Related Security will be transferred to the LLP.
Servicer trigger	Loss of required rating by the Servicer	Long term: BBB- / Baa3 / BBB- / -	No	The Servicer will use reasonable endeavours to enter, within 60 days, into a master servicing agreement with a third party in such form as the LLP and the Security Trustee shall reasonably require.
Title deeds	Loss of required rating by the Servicer	Short term: A-1+ / P-1 / F1+ / -	Yes	The Servicer will use reasonable endeavours to ensure that the Title Deeds are identified as distinct from the title deeds of other properties and mortgages that do not form part of the portfolio.
Cash Manager verification trigger	Loss of required rating by the Cash Manager	Long term: BBB- / Baa3 / BBB- / -	No	The Asset Monitor will be required to report on the arithmetic accuracy of the Cash Manager's calculations more frequently.

Bank of Scotland plc €60 billion Covered Bond Programme

Non-rating triggers

Event	Summary of Event	Trigger breached (yes/no)	Consequence of a trigger breach
Asset Coverage Test	On a Calculation Date, the Adjusted Aggregate Loan Amount is less than the Principal Amount Outstanding of Covered Bonds.	No	Breach of Asset Coverage Test not remedied on the next Calculation Date will result in HBOS Event of Default.
Interest Rate Shortfall Test	The amount of income that the LLP expects to receive in the next Calculation Period is insufficient to cover the would be amounts due to the Covered Bond Swap Provider(s) and other senior expenses ranking in priority thereto.	No	Standard variable rate and variable margins (on Tracker Rate Loans) may be increased.
HBOS Event of Default	Any of the conditions, events or acts provided in Condition 10(a) of the Prospectus (Events of Default and Enforcement - HBOS Events of Default) occur.	No	Covered Bonds will become immediately due and payable against the Issuer and Group Guarantor. Notice to pay served on the LLP. Following service of Notice to Pay, LLP required to make payments of Guaranteed Amounts under the Covered Bonds.
Yield Shortfall Test	Following HBOS Event of Default, the Loans must yield 1m LIBOR plus 0.50%.	No	Standard variable rate and variable margins (on Tracker Rate Loans) may be increased.
Amortisation Test	On a Calculation Date, following a Notice to Pay, the Amortisation Test Aggregate Loan Amount is less than the Principal Amount Outstanding of Covered Bonds.	No	LLP Event of Default will occur.
LLP Event of Default	Any of the conditions, events or acts provided in Condition 10(b) of the Prospectus (Events of Default and Enforcement - LLP Events of Default) occur.	No	Covered Bonds will become immediately due and payable against the LLP, as well as the Issuer and Group Guarantor. Security becomes enforceable.

Glossary

Term	Definition
Months in Arrears	The amount of arrears divided by the current payment due. The arrears table on page 3 includes repossessions.
Indexed LTV	The current balance of the loans in a mortgage account divided by the indexed valuation of the property securing that mortgage account at the reporting date.
Non-indexed LTV	The current balance of the loans in a mortgage account divided by the latest valuation of the property held in the Seller's records, securing that mortgage account, at the reporting date.
Seasoning	Seasoning is reported on an aggregated basis for each mortgage account. It is calculated using the origination date of the original loan in the mortgage account and ignores any subsequent loans on the mortgage account.
PPR	Monthly PPR reflects the aggregate of scheduled and unscheduled principal receipts, including the proceeds from loan repurchases by the Seller.
Amount (GBP)	The aggregate current balance of the loans including (without double counting) the initial advance, any further advance, any flexible drawing, capitalised expenses, capitalised arrears and capitalised interest less any prepayments, repayments or payments of the foregoing prior to the relevant date, plus accrued interest on the loans at the relevant date
Original Valuation (for ACT only)	in relation to any property means the value given to that property by the most recent valuation addressed to the Seller of the Loan secured over that property.
Indexed Valuation (for ACT only)	(a) where the Original Valuation of the property is equal to or greater than the Halifax Price Indexed Valuation as at that date, the Halifax Price Indexed Valuation; or (b) where the Original Valuation of the property is less than the Halifax Price Indexed Valuation as at that date, the Original Valuation plus 85% of the difference between the Original Valuation and the Halifax Price Indexed Valuation.

Footnotes

- ⁽¹⁾ There are no minimum ratings for the Issuer, Seller or Cash Manager. However, there are certain event triggers linked to their ratings. Please refer to the Programme triggers table on page 7 for details.
- ⁽²⁾ For triggers relating to the swap provider(s) on the cover pool, the rating trigger disclosed is the next trigger point. There may be subsequent triggers and these are detailed in the relevant swap agreement.
- ⁽³⁾ Relates to the asset swap.
- ⁽⁴⁾ A(i) is the sum of the Adjusted Current Balance of each loan, which is the lower of (1) the actual Current Balance or (2) 60% of the Indexed Valuation minus, in each case, the relevant value of deemed reductions;
A(ii) is the aggregate Current Balance of each loan (less deemed reductions) multiplied by the Asset Percentage.
- ⁽⁵⁾ The GIC account balance has been adjusted to include cash from assets for the last day of the month collected first working day of following month.
- ⁽⁶⁾ The nominal level of overcollateralisation includes cash held on both the Pre-Maturity Liquidity Ledger and the Principal Ledger.
- ⁽⁷⁾ The Seller does not currently record which element of mortgage collections are scheduled and unscheduled in the reporting system used for the BoS Covered Bond programme, as such, this breakdown is not available.
- ⁽⁸⁾ Not applicable for the asset pool which is a revolving pool.
- ⁽⁹⁾ Following the implementation of its new Covered Bond Rating Criteria, Fitch Ratings no longer uses its D-Cap. At the time of this report, the replacement Payment Continuity Uplift (PCU) on the programme is 6.
- ⁽¹⁰⁾ Source: Moody's performance report dated 12 January 2017.
- ⁽¹¹⁾ Based on the mortgage accounts' current primary product holding (rather than any historic product previously held). In addition to the primary product holding, an account may have other active product holdings which may or may not be the same as the primary product holding.
- ⁽¹²⁾ The margins are based on the index rate and, therefore, fixed are reported at the fixed rate, trackers are reported over BBR (0.25%) and variable over SVR (3.74%).
- ⁽¹³⁾ The initial rate is considered to be the same as the current rate.
- ⁽¹⁴⁾ Regions are NUTS1 classifications (Nomenclature of Units for Territorial Statistics).
- ⁽¹⁵⁾ Any 'Part-and-part' loans have been included in 'Interest-only'.
- ⁽¹⁶⁾ The Seller does not currently retain these details in the reporting system used for the BoS Covered Bond programme.
- ⁽¹⁷⁾ The date stated is the final maturity date applicable to the issuer. However, the extended due for payment date applicable to the LLP is 12 months following this date.

Prepared.....

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