

**HBOS SOCIAL HOUSING COVERED BONDS LLP
QUARTERLY REPORT - QUARTER 2 2011**

Date of Report 15-Jun-2011

Current 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 |
| Account Bank Provider | Bank of Scotland plc |

GIC Sub Accounts

| | |
|-----------------------------|--------------------|
| Revenue GIC Sub-Account | 29,833,900 |
| Principal GIC Sub-Account | 672,327,207 |
| Reserve GIC Sub-Account | 0 |
| Liquidation GIC Sub-Account | 0 |
| GIC Account Total | 702,161,107 |

Transaction Accounts

| | |
|----------------------------------|-----------|
| Transaction Principal Account | 0 |
| Transaction Revenue Account | 66 |
| Transaction Account Total | 66 |

Investments

| | |
|--------------------------------|----------|
| Substitution Assets Balance | 0 |
| Authorised Investments Balance | 0 |
| Total | 0 |

Capital Contribution Balance

| | |
|--|----------------------|
| Capital Account - Bank of Scotland | 1,659,829,262 |
| Capital Account - Addison Social Housing LLP | 0 |
| Total | 1,659,829,262 |

Credit Ratings

| | Short Term | | Long Term | |
|----------------------|------------|-----|-----------|-----|
| | Moody's | S&P | Moody's | S&P |
| Bank of Scotland plc | P-1 | A-1 | Aa3 | A+ |

HBOS Event of Default?

LLP Event of Default?

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Asset Coverage Test *

* The full definition of the Asset Coverage Test is documented within the Offering Circular

| | |
|--|---------------|
| A = Net Current Balance of Loans in the Portfolio x Asset Percentage | 2,934,310,643 |
| B = Unapplied Principal Receipts | 0 |
| C = Unapplied Cash Capital Contributions | 582,550,162 |
| D = Substitution Assets | 0 |
| E = Sale Proceeds | 0 |
| X = Outstanding Weighted Average Margin | 61,353,981 |

Total: A+B+C+D+E-X **3,455,506,824**

| | | |
|------------------------------|--|------|
| Principal Amount Outstanding | 2,400,000,000 | |
| Asset Coverage Test | <table border="1"><tr><td>PASS</td></tr></table> | PASS |
| PASS | | |
| Asset Percentage | 86.00% | |
| Maximum Level of Issuance | 101.28% | |
| Current Level of Issuance | 70.34% | |

Portfolio Characteristics

| | |
|--|---------------|
| Total of the aggregate Current Balance of Loans in the Portfolio | 3,411,989,120 |
| Number of Loan Agreements in the Portfolio | 68 |
| Average Loan Balance | 50,176,311 |

| Region | Aggregate Current Balance | % of Total | Number of Loan Agreements | Number of Loan Accounts |
|------------------------|---------------------------|---------------|---------------------------|-------------------------|
| East | 264,916,470 | 7.8% | 4 | 28 |
| East Midlands | 348,197,642 | 10.2% | 4 | 60 |
| London | 737,589,260 | 21.6% | 16 | 99 |
| North East | 0 | 0.0% | 0 | 0 |
| North West | 224,425,234 | 6.6% | 8 | 63 |
| South East | 978,818,692 | 28.7% | 13 | 106 |
| South West | 384,276,952 | 11.3% | 11 | 64 |
| Wales | 48,174,233 | 1.4% | 2 | 17 |
| West Midlands | 377,913,428 | 11.1% | 8 | 46 |
| Yorkshire & The Humber | 47,677,209 | 1.4% | 2 | 13 |
| Totals | 3,411,989,120 | 100.0% | 68 | 496 |

Margin

| Weighted Average Margin | No. Facilities | Balance |
|-------------------------------|----------------|----------------------|
| 20 bps - <25 bps | 13 | 720,378,914 |
| 25 bps - <30 bps | 21 | 1,253,233,065 |
| 30 bps - <40 bps | 9 | 523,775,734 |
| 40 bps - <50 bps | 7 | 217,553,931 |
| 50 bps - <60 bps | 5 | 174,030,832 |
| 60 bps - <80 bps | 5 | 157,216,825 |
| 80 bps - <100 bps | 4 | 187,031,092 |
| 100 bps - <120 bps | 1 | 22,676,979 |
| 120 bps - <140 bps | 3 | 156,091,748 |
| 140 bps + | 0 | 0 |
| Total | 68 | 3,411,989,120 |
| Weighted average (bps) | | 39.71 |

Property Numbers

| Property Numbers | No. Facilities | Balance |
|---------------------------------|----------------|----------------------|
| 0 units - <500 units | 24 | 437,334,572 |
| 500 units - <1,000 units | 15 | 634,698,771 |
| 1,000 units - <2,000 units | 7 | 379,081,623 |
| 2,000 units - <3,000 units | 3 | 255,350,563 |
| 3,000 units - <4,000 units | 5 | 449,574,050 |
| 4,000 units - <5,000 units | 5 | 417,563,925 |
| 5,000 units - <10,000 units | 8 | 758,341,314 |
| 10,000 units - <15,000 units | 0 | 0 |
| 15,000 units - <20,000 units | 1 | 80,044,302 |
| 20,000 units + | 0 | 0 |
| Total | 68 | 3,411,989,120 |
| Weighted average (units) | | 3,406 |

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Portfolio Characteristics (cont)

| Remaining Maturity | No. Facilities | Balance |
|---------------------------------|----------------|----------------------|
| 0 years - <5 years | 3 | 156,134,194 |
| 5 years - <10 years | 2 | 40,807,665 |
| 10 years - <15 years | 6 | 97,868,371 |
| 15 years - <20 years | 8 | 498,553,630 |
| 20 years - <25 years | 11 | 560,491,800 |
| 25 years - <30 years | 28 | 1,401,397,173 |
| 30 years + | 10 | 656,736,287 |
| Total | 68 | 3,411,989,120 |
| Weighted average (years) | | 23.7 |

| Last Valuation | No. Facilities | Balance |
|--------------------------------|----------------|----------------------|
| 2000 - 2002 | 1 | 5,002,823 |
| 2002 - 2004 | 3 | 97,116,240 |
| 2004 - 2006 | 14 | 579,562,919 |
| 2006 - 2008 | 32 | 1,688,291,985 |
| 2008 - 2010 | 18 | 1,042,015,153 |
| 2010 - present | 0 | 0 |
| Total | 68 | 3,411,989,120 |
| Weighted average (date) | | Feb-2008 |

| Rank | Balance | Percentage |
|------|-------------|------------|
| 1 | 190,608,389 | 5.59% |
| 2 | 178,586,254 | 5.23% |
| 3 | 141,535,610 | 4.15% |
| 4 | 138,698,861 | 4.07% |
| 5 | 131,914,493 | 3.87% |
| 6 | 108,853,691 | 3.19% |
| 7 | 106,942,400 | 3.13% |
| 8 | 100,593,107 | 2.95% |
| 9 | 99,381,054 | 2.91% |
| 10 | 96,103,591 | 2.82% |

Asset Cover Analysis at Calculation Date

| Asset Cover - Covenant No. of Facilities | Basis I | Basis II - LSVT | Basis II - Mixed- funded | Multiple Bases |
|---|-----------|-----------------|-----------------------------|----------------|
| 100% - <105% | 1 | 0 | 0 | 1 |
| 105% - <110% | 11 | 2 | 0 | 4 |
| 110% - <115% | 5 | 1 | 11 | 5 |
| 115% - <120% | 1 | 0 | 8 | 1 |
| 120% - <125% | 0 | 0 | 6 | 1 |
| 125% - <130% | 1 | 0 | 5 | 0 |
| 130% - <135% | 2 | 0 | 2 | 0 |
| 135% - <140% | 0 | 0 | 0 | 0 |
| 140% + | 0 | 0 | 0 | 0 |
| Total | 21 | 3 | 32 | 12 |
| | | | | 68 |

| Asset Cover - Actual No. of Facilities | Basis I | Basis II - LSVT | Basis II - Mixed- funded | Multiple Bases |
|---|-----------|-----------------|-----------------------------|----------------|
| 100% - <105% | 1 | 0 | 0 | 0 |
| 105% - <110% | 4 | 0 | 0 | 2 |
| 110% - <115% | 3 | 0 | 2 | 2 |
| 115% - <120% | 0 | 0 | 2 | 2 |
| 120% - <125% | 0 | 0 | 3 | 1 |
| 125% - <130% | 1 | 0 | 4 | 1 |
| 130% - <135% | 3 | 0 | 3 | 1 |
| 135% - <140% | 2 | 0 | 0 | 0 |
| 140% + | 7 | 3 | 18 | 3 |
| Total | 21 | 3 | 32 | 12 |
| | | | | 68 |

| Drawn Balance by Actual Asset Cover | Basis I | Basis II - LSVT | Basis II - Mixed- funded | Multiple Bases |
|--|----------------------|--------------------|-----------------------------|----------------------|
| 100% - <105% | 6,869,248 | 0 | 0 | 0 |
| 105% - <110% | 86,252,501 | 0 | 0 | 229,836,834 |
| 110% - <115% | 184,555,272 | 0 | 156,123,044 | 148,583,973 |
| 115% - <120% | 0 | 0 | 97,449,757 | 232,844,158 |
| 120% - <125% | 0 | 0 | 78,027,115 | 100,593,107 |
| 125% - <130% | 96,103,591 | 0 | 133,970,253 | 70,514,854 |
| 130% - <135% | 141,253,742 | 0 | 47,445,135 | 45,846,639 |
| 135% - <140% | 152,200,913 | 0 | 0 | 0 |
| 140% + | 457,961,693 | 179,065,740 | 570,264,487 | 196,227,063 |
| Total | 1,125,196,960 | 179,065,740 | 1,083,279,791 | 1,024,446,628 |
| | | | | 3,411,989,120 |

Basis I = Existing Usage Valuation (EUV), which provides a valuation of the housing stock based on current occupancy levels.

Basis II LSVT = Market Valuation subject to Tenancies (MVT), which provides a valuation of the housing stock based on full occupancy levels.

Basis II - Mixed-funded = Housing stock is valued on Basis I and Basis II - LSVT, as above.

Multiple Bases = Following consolidation in the sector, many RSL's now hold housing stock which has been valued on various bases.