

**HBOS SOCIAL HOUSING COVERED BONDS LLP  
QUARTERLY REPORT - QUARTER 1 2014**

**Date of Report** 14-Mar-2014

**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	23,497,881
Principal GIC Sub-Account	241,032,356
Reserve GIC Sub-Account	0
Liquidation GIC Sub-Account	0
<b>GIC Account Total</b>	<b>264,530,238</b>

**Transaction Accounts**

Transaction Principal Account	0
Transaction Revenue Account	66
<b>Transaction Account Total</b>	<b>66</b>

**Investments**

Substitution Assets Balance	0
Authorised Investments Balance	0
<b>Total</b>	<b>0</b>

**Capital Contribution Balance**

Capital Account - Bank of Scotland	934,498,052
Capital Account - Addison Social Housing LLP	0
<b>Total</b>	<b>934,498,052</b>

**Credit Ratings**

	Short Term		Long Term	
	Moody's	S&P	Moody's	S&P
Bank of Scotland plc	P-1	A-1	A2	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	1,765,831,788
B = Unapplied Principal Receipts	166,440,993
C = Unapplied Cash Capital Contributions	74,591,363
D = Substitution Assets	0
E = Sale Proceeds	0
X = Outstanding Weighted Average Margin	43,112,614

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**Total: A+B+C+D+E-X** **1,963,751,530**

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Principal Amount Outstanding	1,800,000,000
Asset Coverage Test	PASS
Asset Percentage	70.62%
Maximum Level of Issuance	78.54%
Current Level of Issuance	71.99%

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**Portfolio Characteristics**

Total of the aggregate Current Balance of Loans in the Portfolio	2,500,434,414
Number of Loan Agreements in the Portfolio	49
Average Loan Balance	51,029,274

Region	Aggregate Current Balance	% of Total	Number of Loan Agreements	Number of Loan Accounts
East	278,283,254	11.1%	4	14
East Midlands	253,965,223	10.2%	3	38
London	375,015,034	15.0%	11	50
North East	0	0.0%	0	0
North West	207,119,607	8.3%	7	63
South East	762,817,751	30.5%	10	103
South West	158,384,457	6.3%	5	34
Wales	62,039,320	2.5%	2	18
West Midlands	359,132,444	14.4%	5	52
Yorkshire & The Humber	43,677,323	1.7%	2	12
<b>Totals</b>	<b>2,500,434,414</b>	<b>100.0%</b>	<b>49</b>	<b>384</b>

**Margin**

Weighted Average Margin	No. Facilities	Balance
20 bps - <25 bps	12	694,092,001
25 bps - <30 bps	16	955,672,071
30 bps - <40 bps	4	190,323,788
40 bps - <50 bps	3	55,455,977
50 bps - <60 bps	3	125,497,974
60 bps - <80 bps	3	71,422,675
80 bps - <100 bps	3	153,852,608
100 bps - <120 bps	3	185,692,488
120 bps - <140 bps	1	50,340,956
140 bps +	1	18,083,877
<b>Total</b>	<b>49</b>	<b>2,500,434,414</b>
<b>Weighted average (bps)</b>		<b>44.07</b>

**Property Numbers**

Property Numbers	No. Facilities	Balance
0 units - <500 units	17	298,333,018
500 units - <1,000 units	11	374,914,536
1,000 units - <2,000 units	7	459,538,743
2,000 units - <3,000 units	1	100,562,256
3,000 units - <4,000 units	4	496,408,608
4,000 units - <5,000 units	0	0
5,000 units - <10,000 units	7	636,327,169
10,000 units - <15,000 units	1	40,639,208
15,000 units - <20,000 units	1	93,710,877
20,000 units +	0	0
<b>Total</b>	<b>49</b>	<b>2,500,434,414</b>
<b>Weighted average (units)</b>		<b>3,756</b>

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**Portfolio Characteristics (cont)**

Remaining Maturity	No. Facilities	Balance
0 years - <5 years	7	320,000,519
5 years - <10 years	5	90,680,337
10 years - <15 years	7	370,286,662
15 years - <20 years	11	651,956,153
20 years - <25 years	16	807,018,231
25 years - <30 years	3	260,492,513
30 years +	0	0
<b>Total</b>	<b>49</b>	<b>2,500,434,414</b>
<b>Weighted average (years)</b>		<b>17.6</b>

Last Valuation	No. Facilities	Balance
2000 - 2002	1	5,001,939
2002 - 2004	1	4,957,926
2004 - 2006	14	553,699,016
2006 - 2008	23	1,304,813,682
2008 - 2010	10	631,961,852
2010 - present	0	0
<b>Total</b>	<b>49</b>	<b>2,500,434,414</b>
<b>Weighted average (date)</b>		<b>Jan-2008</b>

Rank	Balance	Percentage
1	159,106,164	6.36%
2	138,735,102	5.55%
3	137,077,577	5.48%
4	135,018,279	5.40%
5	123,572,524	4.94%
6	110,066,011	4.40%
7	100,562,256	4.02%
8	99,688,034	3.99%
9	99,082,703	3.96%
10	96,097,836	3.84%

**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%	0	0	0	0
105% - <110%	4	1	0	2
110% - <115%	2	1	10	2
115% - <120%	3	0	9	2
120% - <125%	2	0	3	0
125% - <130%	1	0	5	1
130% - <135%	0	0	1	0
135% - <140%	0	0	0	0
140% +	0	0	0	0
<b>Total</b>	<b>12</b>	<b>2</b>	<b>28</b>	<b>7</b>
				<b>49</b>

Asset Cover - Actual No. of Facilities	Basis I	Basis II - LSVT	Basis II - Mixed- funded	Multiple Bases
100% - <105%	0	0	0	0
105% - <110%	0	0	0	0
110% - <115%	1	0	3	3
115% - <120%	1	0	3	4
120% - <125%	0	0	5	1
125% - <130%	0	0	3	1
130% - <135%	0	0	0	1
135% - <140%	0	1	1	0
140% +	6	1	11	3
<b>Total</b>	<b>8</b>	<b>2</b>	<b>26</b>	<b>13</b>
				<b>49</b>

Drawn Balance by Actual Asset Cover	Basis I	Basis II - LSVT	Basis II - Mixed- funded	Multiple Bases
100% - <105%	0	0	0	0
105% - <110%	0	0	0	0
110% - <115%	185,359,235	0	86,144,133	178,477,517
115% - <120%	19,321,552	0	225,749,777	189,078,667
120% - <125%	25,654,377	0	163,858,134	0
125% - <130%	0	0	94,501,022	0
130% - <135%	21,536,966	0	0	0
135% - <140%	0	99,688,034	48,753,549	0
140% +	476,275,140	93,710,877	309,646,745	282,678,688
<b>Total</b>	<b>728,147,269</b>	<b>193,398,911</b>	<b>928,653,362</b>	<b>650,234,872</b>
				<b>2,500,434,414</b>

Basis I = Existing Usage Valuation (EU), 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.