

21 December 2004

HBOS Treasury Services plc

**Issue of £500,000,000 Series 2004-1 Social Housing Covered Bonds
Unconditionally guaranteed by HBOS plc and The Governor and
Company of the Bank of Scotland**

and

**Irrevocably and unconditionally guaranteed as to payments of principal and interest by
HBOS Social Housing Covered Bonds LLP
under the £3 billion**

Social Housing Covered Bond Programme

This document constitutes the Pricing Supplement relating to the issue of Covered Bonds described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 16 December 2004. This Pricing Supplement contains the final terms of the Social Housing Covered Bonds, is supplemental to and must be read in conjunction with such Offering Circular.

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| 1. | (i) | Issuer: | HBOS Treasury Services plc |
| | (ii) | Guarantors: | HBOS plc, The Governor and Company of the Bank of Scotland and HBOS Social Housing Covered Bonds LLP |
| 2. | (i) | Series Number: | 2004-1 |
| | (ii) | Tranche Number: | 1 |
| 3. | | Specified Currency or Currencies: | Pounds Sterling ("GBP") |
| 4. | | Aggregate Nominal Amount: | |
| | (i) | Series: | GBP 500,000,000 |
| | (ii) | Tranche: | GBP 500,000,000 |
| 5. | (i) | Issue Price: | 99.486 per cent. of the Aggregate Principal Amount |
| | (ii) | Net proceeds: | GBP 496,780,000 |
| 6. | | Specified Denominations: | £1,000 and £10,000 and integral multiples of £1,000 thereafter |
| 7. | (i) | Issue Date: | 21 December 2004 |
| | (ii) | Interest Commencement Date: | 21 December 2004 |
| 8. | (i) | Final Maturity Date: | 20 December 2024 |
| | (ii) | Extended Final Maturity Date of amounts corresponding to Final Redemption Amount under the Covered Bond Guarantee: | 20 December 2026 |
| 9. | (i) | Pre-Maturity Short-Term Rating Period: | Zero months |
| | (ii) | Pre-Maturity Long-Term Rating Period: | Zero months |
| 10. | | Interest Basis: | 4.875 per cent. Fixed Rate
(further particulars specified below) |
| 11. | | Redemption/Payment Basis: | Redemption at par |
| 12. | | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable |

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| 13. Call Option: | Issuer Call
(further particulars specified below) |
| 14. (i) Status of the Covered Bonds: | Senior |
| (ii) Status of the Guarantees: | Senior |
| 15. Listing: | London |
| 16. Method of distribution: | Syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 17. Fixed Rate Covered Bond Provisions | Applicable |
| (i) Rate(s) of Interest: | 4.875 per cent. per annum annually in arrear |
| (ii) Interest Payment Date(s): | 20 December in each year up to and including the Final Maturity Date. There will be a short first coupon. |
| (iii) Fixed Coupon Amount(s): | £48.75 per £1,000 in nominal amount |
| (iv) Broken Amount(s): | Not Applicable |
| (v) Day Count Fraction: | Actual/Actual (ISMA) |
| (vi) Determination Date(s): | 20 December in each year |
| (vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: | None |
| 18. Floating Rate Covered Bond Provisions | Not Applicable |
| 19. Zero Coupon Covered Bond Provisions | Not Applicable |
| 20. Index Linked Interest Covered Bond Provisions | Not Applicable |
| 21. Dual Currency Interest Covered Bond Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 22. Issuer Call: | Applicable | | | | |
| (i) Optional Redemption Date(s): | Any Interest Payment Date up to but excluding the Final Maturity Date | | | | |
| (ii) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s): | In respect of a Covered Bond that is to be redeemed in full or in part the greater of: <table border="0" style="margin-left: 20px;"> <tr> <td>(i)</td> <td>the Principal Amount Outstanding of that Covered Bond, or in the case of partial redemption only, the principal amount of the Covered Bond to be redeemed; and</td> </tr> <tr> <td>(ii)</td> <td>that price (as reported in writing to the Issuer and the Bond Trustee by a financial adviser approved in writing by the Bond Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the relevant Covered Bond on the Relevant Date is equal to the Gross Redemption Yield at 3.00p.m. (London time) on that date of the Benchmark Gilt on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Benchmark Gilt quoted by</td> </tr> </table> | (i) | the Principal Amount Outstanding of that Covered Bond, or in the case of partial redemption only, the principal amount of the Covered Bond to be redeemed; and | (ii) | that price (as reported in writing to the Issuer and the Bond Trustee by a financial adviser approved in writing by the Bond Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the relevant Covered Bond on the Relevant Date is equal to the Gross Redemption Yield at 3.00p.m. (London time) on that date of the Benchmark Gilt on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Benchmark Gilt quoted by |
| (i) | the Principal Amount Outstanding of that Covered Bond, or in the case of partial redemption only, the principal amount of the Covered Bond to be redeemed; and | | | | |
| (ii) | that price (as reported in writing to the Issuer and the Bond Trustee by a financial adviser approved in writing by the Bond Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the relevant Covered Bond on the Relevant Date is equal to the Gross Redemption Yield at 3.00p.m. (London time) on that date of the Benchmark Gilt on the basis of the arithmetic mean (rounded, if necessary, as aforesaid) of the offered prices of the Benchmark Gilt quoted by | | | | |

the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Date plus 0.2 per cent.

For the purpose of sub-paragraph (ii):

“**Reference Market Makers**” means three brokers and/or London gilt-edged market makers approved in writing by the Bond Trustee;

“**Relevant Date**” means the date which is the third London Business Day prior to the date of redemption pursuant to Condition 6(c) ;

“**Gross Redemption Yield**” means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8/6/1998 and updated 15/1/2002); and

“**Benchmark Gilt**” means such United Kingdom government stock as the Bond Trustee, with the advice of three brokers and/or gilt-edged market makers or such other three persons as the Bond Trustee may approve in writing, shall determine to be a benchmark gilt the maturity of which most closely matches the remaining average life of the Covered Bonds as calculated by a financial adviser approved in writing by the Bond Trustee).

(iii) If redeemable in part:

(a) Minimum Redemption Amount: No restriction

(b) Maximum Redemption Amount: No restriction

(iv) Notice period (if other than as set out in the Conditions): Condition 6(c) applies

23. Final Redemption Amount of each Covered Bond: Nominal Amount assuming redemption at par (as stated in paragraph 11 above)

24. Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons, on acceleration following an HBOS Event of Default as against the Issuer and the Group Guarantors or an LLP Event of Default and/or the method of calculating the same (if required or if different from that set out in Condition 6(d)): Condition 6(d) applies

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

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| 25. Form of Covered Bonds: | Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds only upon an Exchange Event |
| 26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: | Not Applicable |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature): | No |
| 28. Details relating to Partly Paid Covered Bonds amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: | Not Applicable |
| 29. Details relating to Instalment Covered Bonds: | |
| (i) Instalment Amount(s): | Not Applicable |
| (ii) Instalment Date(s): | Not Applicable |
| 30. Redenomination applicable: | Redenomination not applicable |
| 31. Other terms or special conditions: | Not Applicable |

DISTRIBUTION

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| 32. (i) If syndicated, names of Managers: | Dresdner Bank AG London Branch, UBS Limited, Morgan Stanley & Co. International Limited, ABN AMRO Bank N.V. |
| (ii) Stabilising Manager (if any): | UBS Limited |
| 33. If non-syndicated, name of relevant Dealer(s): | Not Applicable |
| 34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | TEFRA D |
| 35. Additional selling restrictions: | Not Applicable |

OPERATIONAL INFORMATION

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| 36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable |
| 37. Delivery: | Delivery against payment |

38. Additional Paying Agent(s) (if any): Not Applicable

ISIN: XS0208653773

Common Code: 020865377

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Covered Bonds described herein pursuant to the £3,000,000,000 Social Housing Covered Bond Programme of HBOS Treasury Services plc.

RESPONSIBILITY

Each of the Issuer, the Group Guarantors and the LLP accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of HBOS plc:

By:.....

By:.....

Duly authorised

Duly authorised

Signed on behalf of The Governor and
Company of the Bank of Scotland:

Signed on behalf of the LLP:

By:.....

By:.....

Duly authorised

Duly authorised