

SERIES 1 FINAL TERMS

10 July 2009

Bank of Scotland plc

**Issue of £6,500,000,000 Series 1 Floating Rate Global Covered Bonds
Unconditionally guaranteed by HBOS plc**

and

**Irrevocably and unconditionally guaranteed as to payment of principal and interest by IF Covered
Bonds LLP
under the £15 billion
Covered Bond Programme**

PART A- CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Trust Deed dated 30 January 2009 and as amended and restated on 10 July 2009.

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|----|------|--|--|
| 1. | (i) | Issuer: | Bank of Scotland plc |
| | (ii) | Guarantors: | HBOS plc and IF Covered Bonds LLP |
| 2. | (i) | Series Number: | 1 |
| | (ii) | Tranche Number: | 1 |
| 3. | | Specified Currency or Currencies: | Sterling/GBP/£ |
| 4. | | Aggregate Nominal Amount of Covered Bonds to be issued: | |
| | (i) | Series: | £6,500,000,000 |
| | (ii) | Tranche: | £6,500,000,000 |
| | | Aggregate Nominal Amount of Covered Bonds admitted to trading: | |
| | (i) | Series | £6,500,000,000 |
| | (ii) | Tranche | £6,500,000,000 |
| 5. | (i) | Issue Price: | 100% per cent. of the Aggregate Nominal Amount |
| 6. | (i) | Specified Denominations: | £50,000 |
| | (ii) | Calculation Amount: | £50,000 |
| 7. | (i) | Issue Date: | 30 January 2009 |
| | (ii) | Interest Commencement Date: | Issue Date |
| 8. | | Final Maturity Date: | Interest Payment Date falling in or nearest to Interest Payment Date falling in January 2058 |

9.	Trigger Event Date	30 January 2012
10.	Interest Basis:	1 month LIBOR
11.	Redemption/Payment Basis:	Redemption at par
12.	Change of Interest Basis or Redemption/ Payment Basis:	Not Applicable
13.	Call Option:	Issuer Call (further particulars specified below)
14.	(i) Status of the Covered Bonds:	Senior
	(ii) Status of the Guarantees:	Senior
	(iii) Date Board approval for issuance of Covered Bonds and Guarantee(s) obtained:	29 January 2009
15.	Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Covered Bond Provisions	Not Applicable
17.	Floating Rate Covered Bond Provisions	Applicable
	(i) Specified Period(s) /Specified Interest Payment Dates:	The first Interest Payment Date will be 14 May 2009 and thereafter the 14 th day of each month up to and including the Final Maturity Date.
	(ii) Business Day Convention:	Following Business Day Convention
	(iii) Additional Business Centre(s):	Not Applicable
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	Screen Rate Determination
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	Not Applicable
	(vi) Screen Rate Determination:	
	— Reference Rate:	In respect of the first Interest Period, the Reference Rate shall be the straight line interpolation of 3 month Sterling Libor and 4 month Sterling Libor and for each Interest Period following the first Interest Period, the Reference Rate shall be one month Sterling Libor
	— Interest Determination Date(s):	First day of each Interest Period

—	Relevant Screen Page:	Reuters Screen LIBOR01 (or its equivalent replacement)
(vii)	ISDA Determination:	Not Applicable
(viii)	Margin(s):	Not Applicable
(ix)	Minimum Rate of Interest:	Not Applicable
(x)	Maximum Rate of Interest:	Not Applicable
(xi)	Day Count Fraction:	Actual/365 (Fixed)
(xii)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:	Not Applicable
18.	Zero Coupon Covered Bond Provisions	Not Applicable
19.	Index Linked Interest Covered Bond Provisions	Not Applicable
20.	Dual Currency Interest Covered Bond Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	Applicable
(i)	Optional Redemption Date(s):	Each Interest Payment Date
(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	£50,000 per Calculation Amount
(iii)	If redeemable in part	
	(a) Minimum Redemption Amount:	Not Applicable
	(b) Maximum Redemption Amount:	Not Applicable
22.	Covered Bondholder Put Option:	Not Applicable
23.	Final Redemption Amount:	Nominal Amount
24.	Early Redemption Amount payable on redemption for taxation reasons, on	Condition 7(f) applies

acceleration following an HBOS Event of Default as against the Issuer and the Group Guarantor or an LLP Event of Default:

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

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| 25. | Form of Covered Bonds: | |
| | (a) Form: | Bearer Covered Bonds Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond which is exchangeable for Covered Bonds in definitive form only upon an Exchange Event |
| | (b) New Global Covered Bond | No |
| 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 Bearer Covered Bonds (and dates on which such Talons mature): | Yes |
| 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. | Additional U.S. Federal Income Tax Considerations | Not Applicable |
| 32. | Other Final Terms: | Not Applicable |

DISTRIBUTION

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| 33. | If non-syndicated, name of relevant Dealer(s): | Bank of Scotland plc |
| 34. | U.S. Selling Restrictions: | TEFRA D applicable |
| 35. | Additional selling restrictions: | Not Applicable |
| 36. | Additional US tax considerations: | Not Applicable |

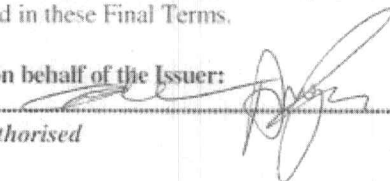
LISTING AND ADMISSION TO TRADING

These Final Terms comprise the final terms required to list on the Official List of the Luxembourg Stock Exchange and for issue and admission to trading on the regulated market of the Luxembourg Stock Exchange of the Covered Bonds described herein pursuant to the £15,000,000,000 Covered Bond Programme of Bank of Scotland plc.

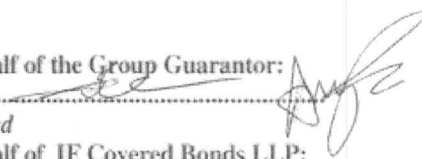
RESPONSIBILITY

Each of the Issuer, the Group Guarantor and the LLP accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: 
Duly authorised

Signed on behalf of the Group Guarantor:

By: 
Duly authorised

Signed on behalf of IF Covered Bonds LLP:

By: 
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: Luxembourg Stock Exchange
- (ii) Estimate of total expenses related to admission to trading: Not Applicable

2. RATINGS

Ratings: The Covered Bonds to be issued have been rated:
S & P: AAA
Fitch: AAA

3. NOTIFICATION

Not Applicable

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer.

5. REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer To be used by the Issuer to make available Term Advances to the LLP pursuant to the Intercompany Loan Agreement
- (ii) Estimated net proceeds: £6,500,000,000
- (iii) Estimated total expenses: Not Applicable

6. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: Not Applicable

7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Not Applicable

8. PERFORMANCE OF RATE[S] OF EXCHANGE

Not Applicable

9. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0411705063
- (ii) Common Code: 041170506
- (insert here any other relevant codes such CUSIP and CINS) Not Applicable

codes)

- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and DTC and the relevant identification number(s): Not Applicable
- (iv) Delivery: Delivery free of payment
- (v) Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- (vi) Indented to be held in a manner which would allow Eurosystem eligibility: No