

FINAL TERMS

PART A – CONTRACTUAL TERMS

14 December 2007

Bank of Scotland plc

Issue of DKK 4,680,000,000 Floating Rate Series 26 Covered Bonds due January 2018

Unconditionally guaranteed by HBOS plc

and

**Irrevocably and unconditionally guaranteed as to payment of principal and interest by
HBOS Covered Bonds LLP
under the €60 billion
Covered Bond Programme**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the offering circular dated 9 May 2007 (the **Offering Circular**) as supplemented by supplemental offering circulars dated 28 August 2007 and 17 September 2007, which together constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular as so supplemented. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Offering Circular as so supplemented. The Offering Circular is available for viewing at the registered office of the Issuer and the specified office of the Agent.

- | | | |
|----|-----------------------------------|---|
| 1. | Issuer: | Bank of Scotland plc |
| | Guarantors: | HBOS plc and HBOS Covered Bonds LLP |
| 2. | Series Number: | 0026/07 |
| | Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Danish Kroner (DKK) |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | DKK 4,680,000,000 |
| | (ii) Tranche: | DKK 4,680,000,000 |
| 5. | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |

6. Specified Denominations:
(in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made) The Specified Denomination of the Covered Bonds shall be DKK 500,000. No Covered Bonds in definitive form will be issued.
7. (i) Issue Date: 18 December 2007
(ii) Interest Commencement Date: 18 December 2007
8. Final Maturity Date: 1 January 2018
9. Interest Basis: 6 month DKK CIBOR plus 0.29 per cent. Floating Rate (further particulars specified below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest Basis or Redemption/Payment Basis: Not Applicable
12. Call Option: Not Applicable
13. (i) Status of the Covered Bonds: Senior
(ii) Status of the Guarantees: Senior
(iii) Date approval for issuance of Covered Bonds obtained: 27 November 2007
14. Method of distribution: Non-Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Covered Bond Provisions** Not Applicable
16. **Floating Rate Covered Bond Provisions** Applicable
- (i) Specified Period(s)/Specified Interest Payment Dates: Interest will be payable semi-annually in arrears, on 1 January and 1 July, in each year from and including 2 January 2008 to and including Final Maturity Date, subject to adjustment in accordance with the Modified Following Business Day Convention. For the first Interest Period there will be a short first coupon on 2 January 2008 which will be fixed with reference to 2 week DKK CIBOR.
- The first Interest Period will be from (and including) 18 December 2007 to (but excluding) the first Interest Payment Date in 2008. Subsequent Interest Periods will be from (and including) the relevant Interest Payment Date to

(but excluding) the next following Interest Payment Date, with the final Interest Period being from (and including) the last Interest Payment Date in 2017 to (but excluding) the Final Maturity Date.

- (ii) Business Day Convention: Modified Following Business Day Convention
- (iii) Additional Business Centre(s) Copenhagen and TARGET
- (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): Danske Bank A/S
- (vi) Screen Rate Determination
 - Reference Rate: 6 Month DKK CIBOR
 - Interest Determination Date(s): 2 Business Days prior to each Interest Period
 - Relevant Screen Page: Reuters page DKNA13 or other screen reference for the fixing conducted by Danmarks Nationalbank of DKK CIBOR
- (vii) ISDA Determination: Not Applicable
 - Floating Rate Option:
 - Designation Maturity:
 - Reset Date:
- (viii) Margin(s): plus 0.29 per cent. per annum
- (ix) Minimum Rate of Interest: Not Applicable
- (x) Maximum Rate of Interest: Not Applicable
- (xi) Day Count Fraction: Actual/360 - Adjusted
- (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: 6 Month DKK CIBOR shall be the 6-month CIBOR published by Danmarks Nationalbank on each relevant Interest Determination Date. If Danmarks Nationalbank does not publish the mentioned CIBOR on any such relevant Interest Determination Date, the party responsible for calculating the Rate of Interest and Interest Amount will instead obtain quotes from another similar 6-

month money market instrument (which shall in such event replace CIBOR on any such relevant Interest Determination Date) and will, on the basis of such quotes, calculate the Rate of Interest and Interest Amount.

17. **Zero Coupon Covered Bond Provisions** Not Applicable
18. **Index Linked Interest Covered Bond Provisions** Not Applicable
19. **Dual Currency Interest Covered Bond Provisions** Not Applicable

PROVISION RELATING TO REDEMPTION

20. Issuer Call: Not Applicable
21. Final Redemption Amount of each Covered Bond: DKK 500,000 per Covered Bond of DKK 500,000 Specified Denomination.
22. 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 7(d)): As set out in Condition 7(d)

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

23. (a) Form of Covered Bonds: The Covered Bonds will be represented by a VP global covered bond (the **VP Global Covered Bond**) in substantially the form set out in the Fifth Supplemental Trust Deed to be entered into between the Issuer, the Guarantors and Citicorp Trustee Company Limited as Bond Trustee and Security Trustee on 14 December 2007 (the **Fifth Supplemental Trust Deed**). Interests in the Covered Bonds represented by the VP Global Covered Bond will be registered in Værdipapircentralen A/S (VP Securities – the Danish clearing system) (VP).

The VP Global Covered bond shall be controlled and held in custody by Danske Bank A/S as account holding institute for and on behalf of the Issuer in accordance with the provisions of the Danish Government Regulation No. 1168 of 1 December 2004 (the **Government Regulation**) on the registration of funds assets in a securities

centre. In compliance with Section 3 of the Government Regulation, the VP Global Covered Bond can only be held in favour of Danske Bank A/S acting in its capacity as account holding institute on behalf of holders for the time being registered in VP.

As long as interests in the Covered Bonds are registered in VP, Danske Bank A/S in its capacity as depositary will agree to refrain from exercising any rights given to it as depositary under the VP Global Covered Bond unless instructed to the contrary in respect of any Covered Bond by the Issuer.

Interests in the VP Global Covered Bond will not be exchangeable for Definitive Covered Bonds.

	(b) New Global Covered Bond	No
24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Not Applicable
25.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Covered Bonds (and dates on which such Talons mature):	No
26.	Details relating to Instalment Covered Bonds:	
	(i) Instalment Amount(s):	Not Applicable
	(ii) Instalment Date(s):	Not Applicable
27.	Redenomination applicable:	Redenomination not applicable
28.	Additional U.S. Federal Income Tax Considerations	Not Applicable
29.	Other Final Terms:	Interests in the Covered Bonds will be registered in and cleared through VP. All references in the Terms and Conditions to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include references to VP. In addition, all references in the Terms and Conditions to the Agent shall, whenever the context so permits, be deemed to include references to Danske Bank A/S in its capacity as Exclusive Agent in respect of the Covered Bonds.

The governing law of the Covered Bonds shall be English law. Without prejudice to the provisions of Condition 2, with regard to the registration of the

Covered Bonds in VP, the governing law shall be Danish law and the jurisdiction shall be the courts of Denmark.

Settlement of purchase and sale transactions takes place on a registration against payment basis three Copenhagen Business Days after the transaction date. Transfer of ownership to the Covered Bonds will be made in accordance with the rules of VP. **Copenhagen Business Day** shall mean a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Copenhagen.

Payments of principal and interest on the Covered Bonds will be effected via VP by Danske Bank A/S, acting as the Exclusive Paying Agent in respect of the Covered Bonds.

Notwithstanding the provisions of Condition 14 (*Notices*), for as long as the Covered Bonds are represented by the VP Global Covered Bond and the VP Global Covered Bond is being held by Danske Bank A/S as depositary, notices to the holders of the Covered Bonds may be given by delivery of the relevant notice to VP and, in any such case, such notices shall be deemed to have been validly given to the holders of the Covered Bonds in accordance with Condition 14 (*Notices*) on the date of delivery to VP.

DISTRIBUTION

- | | | | |
|-----|------|---|-----------------|
| 30. | (i) | If syndicated, names of Managers: | Not Applicable |
| | (ii) | Stabilising Manager (if any): | Not Applicable |
| 31. | | If non-syndicated, name of relevant Dealer(s): | Danske Bank A/S |
| 32. | | Whether TEFRA D rules applicable or TEFRA rules not applicable: | TEFRA D |
| 33. | | Additional selling restrictions: | Not Applicable |

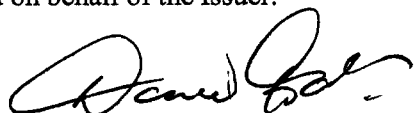

LISTING AND ADMISSION TO TRADING

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Covered Bonds described herein pursuant to the €60,000,000,000 Covered Bond Programme of Bank of Scotland plc.

RESPONSIBILITY

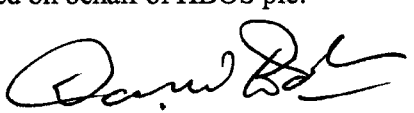

Each of the Issuer, HBOS plc and HBOS Covered Bonds LLP accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: 
By: 

Duly authorised

Signed on behalf of HBOS plc:

By: 
By: 

Duly authorised

Signed on behalf of HBOS Covered Bonds LLP

By: 

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- | | | |
|-------|---|---|
| (i) | Listing: | OMX Nordic Exchange Copenhagen A/S |
| (ii) | Admission to trading: | Application has been made for the Covered Bonds to be admitted to trading on the OMX Nordic Exchange Copenhagen A/S's regulated market with effect on or about 18 December 2007 |
| (iii) | Estimate of total expenses related to admission to trading: | DKK 20,000 |

2. RATINGS

- | | |
|----------|---|
| Ratings: | The Covered Bonds to be issued have been rated: |
| S&P: | AAA |
| Moody's: | Aaa |
| Fitch: | AAA |

3. NOTIFICATION

The Commission de Surveillance du Secteur Financier has provided the Danish Financial Supervisory Authority (*Finanstilsynet*) with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospective Directive.

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

Save for any fees payable to the Managers, 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 | Not Applicable |
| (ii) | Estimated net proceeds: | Not Applicable |
| (iii) | Estimated total expenses: | Not Applicable |

6. YIELD (*Fixed Rate Covered Bonds only*)

- | | |
|----------------------|----------------|
| Indication of yield: | Not Applicable |
|----------------------|----------------|

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-Linked Covered Bonds only*)

Not Applicable

8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Covered Bonds only*)

Not Applicable

9. OPERATIONAL INFORMATION

- | | | |
|-------|---|--|
| (i) | ISIN Code: | DK0030075023 |
| (ii) | Common Code: | Not Applicable |
| (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): | Værdipapircentralen A/S
Helgeshøj Allé 61
P.O. Box 20
DK-2630 Taastrup
Denmark |
| (iv) | Delivery: | Delivery against payment |
| (v) | Names and addresses of additional Paying Agent(s) (if any): | Danske Bank A/S
2-12 Holmens Kanal
DK-1092 Copenhagen
Denmark |
| (vi) | Intended to be held in a manner which would allow Eurosystem eligibility: | No |