29 July 2009

The **co-operative** bank

The Co-operative Bank p.l.c.

(incorporated with limited liability in England with registered number 990937)

£110,000,000 13 per cent. Perpetual Subordinated Bonds

and

£200,000,000 5.5555 per cent. Perpetual Subordinated Bonds

In accordance with the provisions of the £110,000,000 13 per cent. and the £200,000,000 5.5555 per cent. Permanent Interest Bearing Shares (respectively the "**PIBS**") of Britannia Building Society ("**Britannia**"), the Co-operative Bank p.l.c (the "**Issuer**" and the "**Bank**") will issue £110,000,000 and £200,000,000 principal amount of perpetual subordinated bonds (together the "**Bonds**") on 1 August 2009 in place of the PIBS, bearing interest at a rate of 13 per cent. and 5.5555 per cent. per annum respectively.

The Bonds will be constituted by a Trust Deed which takes effect on and from 1 August 2009 and made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**"). The Bonds will constitute unsecured, subordinated obligations of the Bank, as described in the terms and conditions of the Bonds.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Bonds to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Bonds to be admitted to trading on the London Stock Exchange's regulated market.

References in this Prospectus to Bonds being **listed** (and all related references) shall mean that such Bonds have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

This Prospectus comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

The Bank accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

The Bank has not authorised the use of this Prospectus in connection with any offer of Bonds.

No person is or has been authorised by the Bank to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, the Agent or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, the Trustee or the Agent that any recipient of this Prospectus or any other information supplied in connection with the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Prospectus nor any other information supplied in connection with the Bonds or the issue of any Bonds constitutes an offer or invitation by or on behalf of the Bank, the Trustee or the Agent to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Trustee and the Agent expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

Following the publication of this Prospectus a supplement may be prepared by the Bank and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive.

None of this Prospectus nor any financial statements or any further information supplied in connection with the Bonds is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation or constituting an offer or invitation by or on behalf of the Bank, the Trustee that any recipient of this Prospectus or any financial statements or any further information supplied in connection with the Bonds should subscribe for or purchase any of the Bonds. Each investor contemplating purchasing Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Trustee expressly does not undertake to review the financial condition or affairs of the Bank and its subsidiaries during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recent Annual Report and Accounts of the Bank when deciding whether or not to purchase any of the Bonds.

The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any restrictions on the distribution of this Prospectus and the offering and sale of Bonds.

The Bonds have not been and will not be registered under the securities laws of any jurisdiction other than the United Kingdom and may not be offered or sold directly or indirectly into any jurisdiction where to do so would be unlawful.

In particular, the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (as amended) and regulations thereunder.

All references in this document to "**Sterling**", "**Pounds**" and "**£**", refer to the currency of the United Kingdom.

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SUMMARY

"This summary must be read as an introduction to this Prospectus and any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability attaches to the persons responsible for this summary in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Words and expressions specified as capitalised terms and defined in "Terms and Conditions of the First Bonds" or "Terms and Conditions of the Second Bonds" as appropriate below shall have the same meanings in this summary.

Issuer of Bonds:	The Co-operative Bank p.l.c. The Bank is an established United Kingdom settlement bank with a diversified range of retail banking activities, substantially servicing United Kingdom customers.
Risk Factors:	There are certain factors that may affect the Bank's ability to fulfil its obligations under Bonds. These are set out under the section headed "Risk Factors". They include risks related to economic activity in the United Kingdom, risks related to the business of the Bank and risks related to the terms and conditions of the Bonds (including that the Bank's obligations under the Bonds to claims of Senior Creditors are subordinated). In addition, there are risks associated with the proposed merger (the "**Merger**") with Britannia Building Society ("**Britannia**") including operational risks around the integration of the two businesses and certain market and credit risks associated with the assumption of Britannia's assets and liabilities.
Description of Bonds:	Perpetual Subordinated Bonds.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	Equiniti Limited
Registrar:	Equiniti Limited
Size:	£110,000,000 13 per cent. Perpetual Subordinated Bonds (the "**First Bonds**") £200,000,000 5.5555 per cent. Perpetual Subordinated Bonds (the "**Second Bonds**")
Clearing Systems:	CRESTCo. Limited
Currency:	Pounds sterling (£)
Maturity:	No maturity

Interest Payment:

(a) The First Bonds will bear interest from and including 1 August 2009 at a rate of 13 per cent. per annum payable in arrear by half yearly instalments on 31 January and 31 July in each year, commencing on 31 January 2010.

In respect of the period from and including 1 August 2009 to but excluding 31 January 2010, the amount of interest payable in respect of each £1,000 principal amount of the First Bonds shall be £64.65. The Bank shall, subject to the Terms and Conditions of the First Bonds, pay an additional amount to each Bondholder on 31 January 2010 of £0.35 in respect of each £1,000 principal amount of First Bonds held by such Bondholder which shall represent accrued interest in respect of the 13 per cent. Permanent Interest Bearing Shares of Britannia ("**First PIBS**") for the period from and including the interest payment date in respect of the First PIBS immediately preceding 1 August 2009 to but excluding 1 August 2009.

(b) The Second Bonds will bear interest from and including 1 August 2009 to but excluding 14 December 2015 at a rate of 5.5555 per cent. per annum payable in arrear by half yearly instalments on 14 June and 14 December in each year, commencing on 14 December 2009.

Thereafter the rate of interest shall be the Floating Rate of Interest calculated in accordance with condition 4.2 of the Terms and Conditions of the Second Bonds and shall be payable, subject to those Terms and Conditions, quarterly in arrear on 14 March, 14 June, 14 September and 14 December in each year commencing on 14 March 2016.

In respect of the period from and including 1 August 2009 to but excluding 14 December 2009, the amount of interest payable in respect of each £1,000 principal amount of the Second Bonds shall be £20.49.

The Bank shall, subject to the Terms and Conditions of the Second Bonds, pay an additional amount to each Bondholder on 14 December 2009 of £7.29 in respect of each £1,000 principal amount of Second Bonds held by such Bondholder which shall represent accrued interest in respect of the 5.5555 per cent Permanent Interest Bearing Shares of Britannia ("**Second PIBS**") for the period from and including the interest payment date in respect of the Second PIBS immediately preceding 1 August 2009 to but excluding 1 August 2009.

Form:

The Bonds will be issued in registered form and title to the Bonds will pass only by registration in the register of Bondholders. The Bonds may be held in certificated or uncertificated form.

Notes held in uncertificated form will be held in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Regulations**"). Notes held in uncertificated form will be participating securities for the purposes of the Regulations. Title to Notes held in uncertificated form will be recorded on the relevant Operator register of corporate securities (as defined in the Regulations) and the relevant "Operator" (as such term is used in the Regulations) is Euroclear UK & Ireland Limited ("**Euroclear**") or any additional or alternative operator from time to time approved by the Issuer and the Registrar and in accordance with the Regulations. Notes in definitive registered form will not be issued either upon issue or in exchange for Notes held in uncertificated form.

Status of the Bonds:	The Bonds will constitute subordinated obligations of the Bank. The First Bonds will rank *pari passu* among themselves and the Second Bonds will rank *pari passu* among themselves. The First Bonds and the Second Bonds will rank equally at the point of subordination. In the event of the winding up of the Bank, the claims of the holders of Bonds pursuant thereto will be subordinated to the claims of Senior Creditors (as defined in Condition 3.4(a)) in the manner and to the extent provided in the Trust Deed. Except as provided in Condition 3.3, all payments in respect of the Bonds shall be conditional upon the Bank being solvent as contemplated in Condition 3.3 at the time for payment by the Bank, and no amount shall be payable in respect of the Bonds unless and until such time as the Bank could make such payment and still be solvent immediately thereafter.
Interest deferral:	Payment of interest in respect of the Bonds may be deferred on any Interest Payment Date. Any interest so deferred will, so long as it remains unpaid, constitute Arrears of Interest. Arrears of Interest will, subject to Condition 3.3, become payable upon the redemption of purchase of the Bonds by the Bank or upon a winding-up of the Bank (other than a Solvent Winding Up).
Listing and Admission to Trading:	Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the London Stock Exchange's regulated market.
Redemption:	Subject as provided in Condition 5 of the Bonds, the Bank will be entitled to redeem all of the First Bonds or all of the Second Bonds at their principal amount on the occurrence of certain changes of law. The Bank will be entitled to redeem all of the Second Bonds on 14 December 2015 or any Interest Payment Date thereafter.
Taxation:	All payments in respect of the Bonds will be made without deduction for or on account of United Kingdom withholding taxes,

	unless the withholding or deduction of taxes is required by law.
Governing Law:	The Trust Deed and any non contractual obligations arising out of or in connection with the Trust Deed is, and the Bonds and any non contractual obligations arising out of or in connection with the Bonds will be, governed by, and construed in accordance with, English law.
ISIN Code	First Bonds: GB00B3VH4201 Second Bonds: GB00B3VMBW45

RISK FACTORS

The Bank believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view as to the likelihood of any such contingency occurring.

The factors set out below are written from the point of view of the Co-operative Bank p.l.c on a standalone basis. However, the same risks substantially apply to Britannia and also the combined entity following the Merger (as defined below). Additional Britannia risks are specifically and separately disclosed where appropriate.

The Bank believes that the factors described below represent the principal risks inherent in investing in Bonds, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons which may not be considered significant risks by the Bank based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

1. FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE BONDS

1.1 Economic Activity in the United Kingdom

The Bank's business activities are dependent on the level of banking, finance and financial services required by its customers. As the Bank currently conducts the majority of its business in the United Kingdom, its performance is influenced by the level and cyclical nature of business activity in the United Kingdom, which is in turn affected by both domestic and international economic and political events. Adverse developments in the United Kingdom economy, such as the current and ongoing crisis in the global financial markets, recession, and further deterioration of general economic conditions, particularly in the United Kingdom, could cause the Bank's earnings and profitability to decline.

The global economy and the global financial system have been experiencing a period of significant turbulence and uncertainty. This market dislocation has also been accompanied by recessionary conditions and trends in many economies throughout the world, including the United Kingdom. The recession is expected to be prolonged and could be exacerbated even further by deflationary forces or the failure of untested monetary measures to combat deflation. Unemployment is rising, reducing consumer demand and confidence and causing further deterioration in the labour market. Moreover, the rate at which such deterioration has occurred has proven very difficult to predict and this is expected to continue to be the case.

A widespread and severe deterioration in the United Kingdom economy may reduce the level of demand for, and supply of, the Bank's products and services, lead to lower asset and other realisations and increased negative fair value adjustments and impairments of investments and other assets and may materially and adversely impact the Bank's operating results, financial condition and prospects.

1.1.1 *United Kingdom housing and commercial property markets*

One of the Bank's principal activities is mortgage lending in the United Kingdom with loans secured against residential property. Residential mortgages constituted approximately 27.3% of the Bank's assets and there was a significant property and construction portfolio of £1.7 billion on the Bank's corporate lending book as at 10 January 2009. Britannia Building Society's main principal activity is similarly UK residential mortgage lending. Within companies in the Britannia Capital Investment Group ("**BCIG**") there are also mortgage books secured against residential property (both originated and acquired books) and exposure to commercial property lending.

United Kingdom house prices have declined significantly over recent years, reflecting a correction of asset values, triggered by the economic downturn and lower availability of credit. Economic or other factors may lead to further contraction in the mortgage market and further decreases in housing prices. If the current economic downturn continues, as it is expected to do, with further decreases in house prices and/or increases in default rates, the Bank's retail portfolios may generate increases in impairment losses which could materially affect its operations, financial condition and prospects.

1.1.2 *Personal financial services market*

The United Kingdom housing finance and savings markets are very competitive. Unsecured personal lending constituted approximately 11.5% of the Bank's assets at 10 January 2009. Increasing levels of consumer indebtedness and personal bankruptcies experienced market wide could have an adverse impact on the Bank's financial position and reputation, via increased impairment losses and a reduction in demand for the Bank's products.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside the Bank's control, such as general economic conditions and the confidence of retail depositors and the availability. These or other factors could lead to a reduction in the Bank's ability to access retail deposit funding on appropriate terms in the future.

Any loss in consumer confidence in the banking businesses of the Bank could significantly increase the amount of retail deposit withdrawals in a short space of time. Should the Bank experience an unusually high level of withdrawals, this may have an adverse effect on the Bank's business, financial position and results of operations

1.2 Risks related to the business of the Bank

As a result of its business activities, the Bank is exposed to a variety of risks, the most significant of which are described more fully below. Failure to control these risks could result in material adverse effects on the financial performance and reputation of the Bank. The Bank has implemented risk management methods to mitigate and control borrower and counterparty credit risk, market risk, operational risk and liquidity risk and other risks to which the Bank is exposed, and exposures are rigorously measured and monitored.

1.2.1 *Credit risk*

Risks arising from changes in customer credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the businesses of the Bank. Adverse changes in the credit quality of the Bank's borrowers and counterparties or a general deterioration in the economic conditions in the United Kingdom, United States or globally, could affect the recoverability and value of the assets of the Bank and require an increase in the allowance for its impairment losses on credit exposures and other provisions. The Bank is at risk to spread widening and ultimately defaults on its inter–bank exposures, mitigated through credit assessment, limits and monitoring procedures.

Recent market turmoil and reduction of available credit have contributed to decreasing consumer confidence, increased market volatility, reduced business activity and, consequently, increasing commercial and consumer loan delinquencies. These market developments may further affect consumer confidence levels and may cause adverse changes in payment patterns, causing further increases in delinquencies and default rates, which may impact the Bank's charge-offs and provision for credit losses. These market conditions could materially and adversely affect the Bank's financial condition and results of operations.

The Bank's Credit Risk Management Policies are approved annually by the Board's Risk Management Committee and specify credit management standards, including country, sector and counterparty limits, along with delegated authorities. The Board's Exposures Committee sanctions larger corporate facilities. There can be no assurance that such Credit Risk Management Policies will be effective to identify credit risks.

1.2.2 *Market risk*

The Bank's businesses are inherently subject to risks in financial markets and in the wider economy. Market movements have had and will have an impact on the Bank in a number of key areas. Declines in housing markets over the past two years have negatively impacted the credit performance of real estate related loans and resulted in significant write-downs of asset values by many financial institutions. These write-downs, initially of asset-backed securities but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions.

As a result of these market forces, volatility in basis spreads has increased, which could have an adverse effect on the current market value of the Bank's earnings and investment portfolio. In addition, the United Kingdom has recently experienced a period of historically low interest rates. This has adversely impacted net interest margins as a result of floors on liability pricing. Although the Bank is undertaking measures to mitigate and control the effects of these conditions, there can be no assurances that such controls will insulate the Bank from deteriorating market conditions.

The Bank has implemented risk management policies to mitigate and control the market risks to which it is exposed, and exposures are regularly measured and monitored. The Bank's exposure to market risk is also limited in that it has only a small trading book from which it generates incremental income from proprietary trading within strict risk limits. However, it is difficult to predict changes in economic and market conditions accurately, and the effects that these changes could have on the Bank's financial performance and business operations.

1.2.3 *Systemic risk resulting from failures in the banking industry*

Within the banking industry, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions. This risk is referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis, which could have an adverse effect on the Bank's ability to raise new funding and on the Bank's business, results of operations and financial position.

1.2.4 *Fair value adjustment risk*

Market conditions have resulted, and may continue to do so in the future, in changes to the estimated fair values of financial assets of the Bank. Negative fair value adjustments may have a material adverse effect on the Bank's operating results, financial condition and prospects. Financial markets have been and are currently subject to significant stress conditions resulting in steep falls in perceived or actual financial asset values, particularly due to the current and ongoing crisis in the global financial markets.

The Bank has not yet fully assessed the level of fair value adjustments that will be required in connection with the business, assets and liabilities of Britannia that it acquired as a result of the Merger. The financial information incorporated into this Prospectus is based on the audited financial information of the Bank at 10 January 2009 and of Britannia at 31 December 2008; it does not include any fair value adjustments or the recognition of intangible assets, both of which will be recognised as part of the Merger.

1.2.5 *Operational risk*

The Bank's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk arises from the potential for key systems failures, breaches in internal controls, or from external events resulting in financial loss or reputational damage. Key operational risks include outsourced contracts, compliance (with legal and regulatory requirements), a decline in customer service levels, financial crime, prolonged supplier disruption, payment and information systems failures, and change management.

Operational risks associated with the integration of the businesses of Britannia and the Bank are discussed in the section headed 1.4.2 "Integration Risks" below.

Operational risk is controlled and mitigated through comprehensive, ongoing risk management practices which include formal internal control procedures, training, and segregation of duties, delegated authorities and contingency planning. However, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA.

1.2.6 *Liquidity risk and wholesale funding markets*

Liquidity risk arises from the timing of cash flows generated from the Bank's assets, liabilities and off-balance sheet instruments. The merged business has historically had a much lower reliance on wholesale funding than many of its competitors.

Any failure by the Bank to anticipate and provide for unforeseen decreases or changes in funding sources, including further deterioration in the wholesale funding markets, could have adverse consequences on its ability to meet its obligations under the Bonds.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Bank's ability to access capital and liquidity on financial terms acceptable to it, if at all. While central banks around the world have taken measures to increase liquidity in the financial markets, it is not known how long these market conditions will continue or whether they will worsen or how long central bank schemes will continue or on what terms. The persistence of these adverse market conditions could have a material adverse effect on the Bank's liquidity and funding.

The Bank's liquidity management policies are reviewed and approved annually by the Board's Risk Management Committee and compliance is reviewed against these policies monthly by the Asset and Liability Committee (ALCO).

1.2.7 *Group risk*

The Bank is part of the Co-operative Group, which contains a diverse range of companies whose businesses include amongst other things, financial services, food and non-food retailing, farming, funerals, travel and pharmacy. In February 2009 the Co-operative Group acquired the Somerfield supermarket group for a consideration of £1.565 billion. The Co-operative Group faces risks associated with each of these activities, including operational risk, pension risk, market risks and integration risks associated with the Somerfield acquisition.

1.2.8 *Reputational risk*

As part of the Co-operative Group, the established ethical stance of the Bank and the integrity of the Bank's reputation are important factors in attracting and retaining a significant percentage of the Bank's customers. Any adverse perception of the image of any member of the Co-operative Group by its customers, or more widely by its counterparties, shareholders, investors or regulators could have an adverse impact on the capital, earnings and balance sheet of the Bank.

1.2.9 *Regulatory compliance and litigation risk*

The Bank operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory compliance risks. Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. It is not possible for the Bank to predict what regulatory proceedings may arise in the future.

The Bank may from time to time be involved in various disputes and legal proceedings including litigation and regulatory investigations. Such cases are subject to many uncertainties and their outcome is often difficult to predict. The test case action in respect of overdraft charges and industry wide regulatory actions in respect of payment protection insurance may expose the Bank to compensatory claims from customers. The Bank currently benefits from an FSA waiver for complaints handling in respect of overdraft charges.

There exists an open enquiry by HMRC into certain tax planning swap transactions undertaken by Britannia in 2002 following professional tax advice. The Bank does not know how long the HMRC enquiry will be ongoing, but remains confident that the outcome of the enquiry will not have a material effect on the financial position of the Bank.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Bank will be unable to comply with its obligations as a supervised firm regulated by the FSA.

1.2.10 *Credit rating risks*

The Bank's borrowing costs and access to the capital markets depend significantly on the Bank's credit ratings. Reduction in the credit ratings of the Bank could significantly increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. In turn this could materially adversely affect the Bank's access to liquidity and competitive position, increase its funding costs and, hence, have a material adverse effect on the Bank's business, financial position and results of operations.

1.2.11 *Impact of regulatory changes*

The Bank is subject to laws, regulations, administrative actions and policies affecting financial institutions in the United Kingdom. Changes in supervision and regulation in the United Kingdom could materially affect the business of the Bank, the products and services offered or the value of its assets. Although the Bank works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Bank. The Bank is subject to the risk of having insufficient capital resources the meet the minimum regulatory capital requirements. In addition, those minimum regulatory requirements may increase in the future and/or the FSA may change the manner in which it applies existing regulatory requirements.

1.2.12 *Capital resources*

The Bank must ensure that it has sufficient capital resources to meet its minimum regulatory capital requirements. In addition, those minimum regulatory requirements may increase in the future and/or the FSA may change the manner in which it applies existing regulatory requirements to banks.

Since the date of the Bank's last financial statements, Co-operative Financial Services Limited has injected an extra £120 million of capital into the Bank in the form of ordinary shares, and intends to inject a further £55 million in shortly after the date of this Prospectus.

As a result of the conversion of the PIBS into the Bonds £314 million of capital previously attributed to Britannia's Tier 1 capital ratio will be classified as upper Tier 2 capital of the Bank. In addition, as described above in section 1.2.4 headed "Fair value adjustment risk" accounting rules in connection with the Merger require revaluation of Britannia's assets and liabilities and recognition of associated goodwill.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Bank will be unable to meet its regulatory capital requirements.

1.2.13 *Government Guaranteed Issuance*

The Bank has secured Board approval to set up a Government Guaranteed Issuance Medium Term Note Programme or Commercial Paper Programme. The Bank may set up and issue Government Guaranteed Securities under such Programme should its funding plans indicate this would be prudent although it has no immediate plans to do so. These securities would be senior unsecured obligations of the Bank and would rank ahead of the Bonds on a winding up of the Bank.

1.2.14 *Financial Services Compensation Scheme (FSCS)*

The FSCS is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms, and will pay compensation to customers if such a firm is unable to pay claims against it. The FSCS is funded by levies on firms authorised by the FSA (including the Bank). The recent arrangements put in place to protect the depositors of Bradford & Bingley and other failed deposit-taking institutions are expected to result in a significant increase on the levies made by the FSCS on the industry.

A liability of £10.5 million for the years to 31 March 2009 and 31 March 2010 was recognised in the Bank's financial statements for the year ended 10 January 2009 and a liability of £20 million for the years to 31 March 2009 and 31 March 2010 was recognised in Britannia's financial statements for the year ended 31 December 2008 in respect of additional FSCS levies. However, the ultimate cost to the industry in respect of increased FSCS levies remains uncertain.

1.3 Risks relating to the Banking Act 2009

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the United Kingdom Financial Services Authority (the "**FSA**" and, together with HM Treasury and the Bank of England, the "**Authorities**") as part of a special resolution regime (the "**SRR**"). These powers enable the Authorities to deal with a United Kingdom bank, building society or other Untied Kingdom institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 ("**FSMA**") (each a "**relevant**

entity") in circumstances in which the Authorities consider its failure has become highly likely and a threat is posed to the public interest. The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to United Kingdom banks which may be commenced by the Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity or its United Kingdom-incorporated holding company. In each case, the Authorities have been granted wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively. The following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

1.3.1 *The SRR may be triggered prior to insolvency of the Bank*

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may only be exercised if (a) the FSA is satisfied that a relevant entity (such as the Bank) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of section 41 of the FSMA (which are the conditions that a relevant entity must satisfy in order to retain its authorisation to accept deposits), (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions, and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the United Kingdom financial systems, public confidence in the United Kingdom banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

1.3.2 *Various actions may be taken in relation to the Bonds without the consent of the Bondholders*

If the Bank were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Bank. Exercise of these powers could involve taking various actions in relation to any securities issued by the Bank (including the Bonds) without the consent of the Bondholders, including (among other things): (i) delisting the Bonds (ii) converting the Bonds into another form or class (the scope of which power is unclear, although may include, for example, conversion of the Bonds into equity securities); (iii) modifying or disapplying certain terms of the Bonds, including disregarding any termination or acceleration rights or events of default under the terms of the Bonds which would be triggered by the transfer and certain related events; and/or (iv) where property is held on trust, removing or altering the terms of such trust.

There can be no assurance that the taking of any such actions would not adversely affect the rights of Bondholders, the price or value of their investment in the Bonds and/or the ability of the Bank to satisfy its obligations under the Bonds. In such circumstances, Bondholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Bondholders would thereby recover compensation promptly or equal to any loss actually incurred.

1.3.3 *A partial transfer of the Bank's business may result in a deterioration of its creditworthiness*

If the Bank were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Bank (which may include the Bonds) may result in a deterioration in the creditworthiness of the Bank and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Bonds and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Bondholders may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that Bondholders would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of the Bank and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Bondholders will not be adversely affected by any such order or instrument if made.

1.4 Additional risks related to the Merger of the Bank and Britannia

1.4.1 *Synergy risks*

As a result of the Merger, the Bank expects to increase its sales and reduce the operating expenses of the combined business. The Bank has stated that it expects to achieve estimated efficiency benefits of £60m per year from 2012 as a result of the Merger. However, there is no assurance that the Bank will be able to achieve the business growth opportunities, costs savings and other benefits it anticipates from the Merger. This may be because the assumptions upon which the Bank assessed the Merger, including the anticipated benefits of the Merger, may prove to be incorrect. Unanticipated delays in the integration of operations may impact the Bank's assumptions regarding the benefits it expects to derive from the Merger and may delay such benefits. In addition, the Bank may incur greater costs than it has estimated in connection with integration.

If the Bank fails to achieve the business growth, cost-savings and other benefits it anticipates from the Merger, or it incurs greater integration costs than it has estimated, its results of operations, financial condition and/or the price of its securities may be adversely affected.

1.4.2 *Integration risks*

There are risks associated with the integration of two organisations of the size of the Bank and Britannia. Particular areas of risk include: difficulties or unexpected costs relating to the integration of technology platforms, financial and accounting systems, risk management systems and management systems of two organisations; difficulties or unexpected costs in realising synergies from the consolidation of head office and back office functions; higher than expected levels of customer attrition or market share loss arising as a result of the proposed Merger; unexpected losses of key personnel during or following the integration of the two businesses; possible conflict in the culture of the two organisations and decrease in employee morale.

In addition, senior management may be required to devote significant time to the process of integrating the Bank and Britannia which may decrease the time they have to manage the combined business. If any of these risks should occur, or if there are unexpected delays in the integration process, the anticipated benefits of the merger may be delayed, achieved only in part, or not at all or at greater cost, which could have an adverse affect on the Bank's results of operations or financial condition.

1.4.3 *Concentration risk*

The lending books of each of the Bank and Britannia have exposures to a range of clients, assets, industries and geographies which when combined could result in additional concentration risk. United Kingdom residential mortgage lending is estimated to constitute approximately 65% of customer assets (excluding securitised assets) of the combined entity.

2. RISKS RELATED TO THE BONDS

2.1 Risks related to the market for Bonds

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

2.1.1 *Possible volatility in the price of the Bonds*

The market price of the Bonds could be volatile and subject to significant fluctuations due to a variety of factors, including changes in market sentiment regarding the Bonds or securities similar to them. Prospective investors in Bonds should be aware that the value of an investment in Bonds may go down as well as up.

2.1.2 *Liquidity risks*

Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Bonds may have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

2.1.3 *Interest rate risks*

Investment in the Bonds, which have a fixed interest rate, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

2.1.4 *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

2.1.5 *Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

2.1.6 *Exchange rate risks and exchange controls*

The Bank will pay principal and interest on the Bonds in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of the pound or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent marker value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

2.2 Risks related to the Conditions of the Bonds

2.2.1 *The Bank's obligations under the Bonds are subordinated*

The Bank's obligations under the Bonds will be unsecured and subordinated and will rank junior in priority to claims of Senior Creditors. "**Senior Creditors**" means depositors and other creditors of the Bank (other than creditors (if any) in respect of claims which are expressed to, or so as to, rank *pari passu* with or junior to the claims of the Bondholders or creditors in respect of claims with which the Bonds are expressed to rank *pari passu* (whether only in the event of a winding up of the Bank or otherwise)).

If the Bank is wound up (other than a Solvent Winding Up), Bondholders would rank behind all depositors and creditors of the Bank (except in respect of claims which are expressed to rank below or *pari passu* with the Bonds) and *pari passu* with holders of preference shares having a preferential right to a return of assets over the holders of all other issued shares, including any preference shares of the Bank.

2.2.2 *All payments are conditional on the Bank's solvency*

All payments under or arising from the Bonds (including the PIBS Interest Payment) and the Trust Deed are conditional upon the Issuer being solvent at the time for payment by the Bank, and no amount shall be payable under or arising from the Bonds (including the PIBS Interest Payment) and the Trust Deed unless and until such time as the Bank could make such payment and still be solvent immediately thereafter. For these purposes, the Bank shall be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). If the Bank fails to make any interest payment as a result of failure to satisfy the condition referred to in this paragraph, that interest will constitute Arrears of Interest until paid. Without prejudice to the rest of the Conditions, amounts representing any payments of principal, premium or interest (including the PIBS Interest Payment) or any other amount including any damages awarded for breach of any obligations in respect of which the condition referred to in this paragraph is not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**") will be payable by the Bank in a winding up of the Issuer as provided in Condition 3.4. A Solvency Claim shall not bear interest

2.2.3 *The Bank may resolve not to pay interest on the Bonds*

Under the Terms and Conditions of the Bonds, the Bank may resolve not to pay or to reduce interest on any Interest Payment Date. However, a Bondholder's right to interest under the Bonds is cumulative; the Bondholder does not lose the right to any interest which is not paid. For so long as any Arrears of Interest remain outstanding, the Bank will undertake not to declare or pay any dividend or other distribution on Junior Securities or Party Securities (save in certain situations). Any Arrears of Interest will become due on the date on which the Bank is wound up (other than a Solvent Winding Up) or the date upon which any administrator of the Bank gives notice that it intends to declare or distribute a dividend or the date on which the Bonds are redeemed or purchased. Arrears of Interest shall not bear interest. Furthermore, the Bank will be obliged to pay interest on a given Interest Payment Date if, as a result in a change in law, the Bonds are no longer eligible to form part of the Bank's capital resources under Capital Adequacy Regulations (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital).

2.2.4 *Restricted remedy for non-payment*

In accordance with current FSA requirements for subordinated capital, the sole remedy against the Bank available to the Trustee (on behalf of the Bondholders) or (where the Trustee has failed to proceed against the Bank as provided in the Terms and Conditions of the Bonds) any Bondholder for recovery of amounts owing in respect of the Bonds (including the PIBS Interest Payment) will be in the institution of proceedings in England for the winding-up of the Bank and/or proving in the winding-up of the Bank and/or claiming in the liquidation of the Bank for such amount.

2.2.5 *The Bonds may be subject to redemption by the Bank in certain circumstances*

Subject to the terms of Condition 5, the Bank will be entitled to redeem all of the Bonds at their principal amount on the occurrence of certain changes of law which require the Bank to pay additional amounts to ensure that Bondholders will receive the same amount which they would have received if such payments were made without the deduction or withholding arising as a result of the change in law. The Bank will be entitled to redeem all (but not some) of the Second Bonds on 14 December 2015 or any Interest Payment Date thereafter.

2.2.6 *The Bonds may not be a suitable investment for all investors*

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

2.2.7 *Basel Capital Requirements Directive*

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The Bank cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of its Bonds. Prospective investors in the Bonds should consult their own advisers as to the consequences for them of the potential application of the New Basel Capital Accord proposals.

2.2.8 *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 13 November 2008, the European Commission proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

2.2.9 *Change of law*

The conditions of the Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in and form part of this Prospectus:

(i) the auditors' report and audited consolidated and non-consolidated annual financial statements of the Bank for the financial years ended 12 January 2008 and 10 January 2009;

(ii) the auditors' report and audited consolidated annual financial statements of Britannia for the financial years ended 31 December 2008 and 31 December 2007;

[(iii) the following sections of the prospectus dated 26 July 2008 issued by the Bank in connection with a £2,000,000,000 Euro Note Programme (the "**EMTN Prospectus**") which comprises a prospectus prepared in accordance with the Prospectus Rules of the UK Listing Authority:

(a) "Description of the Bank – History & Development" – p57;

(b) "Description of the Bank – Liquidity Risk Management and Wholesale Funding Markets" – p59; and

(c) "Description of the Bank – Group Structure" – p59; and

(iv) the Memorandum and Articles of Association of the Bank.

Such documents shall be deemed to be incorporated in, and form part of, this Prospectus and approved by the FSA for the purpose of the Prospectus Directive, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Bank will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents incorporated by reference in this Prospectus unless such documents have been modified or superseded as specified above. Written or telephone requests for such documents should be directed to the Bank at its registered office set out at the end of this Prospectus. In addition, such documents will be available from the specified office of the Agent set out at the end of this Prospectus.

TERMS AND CONDITIONS OF THE FIRST BONDS

TERMS AND CONDITIONS OF THE PERPETUAL SUBORDINATED BONDS OF THE CO-OPERATIVE BANK P.L.C. TO BE ISSUED IN REPLACEMENT OF 110,000 PERMANENT INTEREST BEARING SHARES OF £1,000 EACH WITH AN INTEREST RATE OF 13 PER CENT. OF BRITANNIA BUILDING SOCIETY

The following are the terms and conditions of the Bonds which will be endorsed on the Certificates issued in respect of the Bonds:

The £110,000,000 13 per cent. Perpetual Subordinated Bonds (the **Bonds**) of The Co-operative Bank p.l.c. (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated 1 August 2009 (the **Issue Date**) between (1) the Issuer and (2) The Law Debenture Trust Corporation p.l.c. as trustee (the **Trustee**, which expression shall include its successors under the Trust Deed). The Trustee acts as trustee for the holders of the Bonds (the **Bondholders**) in accordance with the provisions of the Trust Deed. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions contained in the Trust Deed and the Registrar's Agreement (the **Registrar's Agreement**) dated the Issue Date between the Issuer, the Trustee and Equiniti Limited as Registrar (the **Registrar**) and as Principal Paying Agent (the **Agent**, which expression shall include any additional or successor paying agents). Copies of the Trust Deed and the Registrar's Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee (being at the date of the Trust Deed at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Registrar.

The Bonds are issued subject to, and with the benefit of, these conditions of issue (the **Conditions**).

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are issued in registered form in amounts of £1,000 and integral multiples of £1,000 thereafter (referred to as the principal amount of a Bond without interest coupons) and may be held in either certificated form or uncertificated form in CREST. If held in certificated form, a bond certificate (each a **Certificate**) may be issued free of charge at the request of a Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar and at the registered office of the Issuer.

CREST means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear (or any successor) is the operator (as defined in the CREST Regulations).

CREST Regulations means the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), including any modification thereof or any regulations in substitution therefor made under section 207 of the Companies Act and for the time being in force..

1.2 Title

Title to the Bonds passes only by registration in the register of Bondholders. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions **Bondholder** and (in relation to a Bond) **holder** means the person in whose name a Bond is registered in the register of Bondholders (or, in the case of a joint holding, to the joint holder whose name appears first on the register of Bondholders in respect of such joint holding (the **representative joint Bondholder**).

2. TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

2.1 Transfers

Subject to Condition 2.4 and Condition 2.5 below, a Bond may be transferred by depositing the Certificate issued in respect of that Bond, together with a duly completed form of transfer, at the specified office of the Registrar.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Bonds will, within five business days of receipt by the Registrar of the duly completed form of transfer together with a valid Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Bond to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Registrar with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Bonds in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Bonds not so transferred will, within five business days of receipt by the Registrar of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred to the address of such holder appearing on the register of Bondholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer, the Registrar or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Bondholder may require the transfer of a Bond to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Bond.

2.5 Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests one.

3. STATUS AND SUBORDINATION

3.1 The Bonds are unsecured, subordinated obligations of the Issuer, and rank *pari passu* without any preference among themselves and *pari passu* in point of subordination with the £200,000,000 5.5555 per cent. perpetual subordinated bonds also issued by the Issuer on the Issue Date (such liability having been assumed by the Issuer in respect of a series of 200,000 permanent interest bearing shares with an interest rate of 5.5555 per cent. which were issued on 14 September 2005 (together with any further issues which shall be consolidated and form a single series therewith)) but junior in point of subordination to its £150,000,000 5.875 per cent. Subordinated Callable Notes due

2019, £150,000,000 Fixed/Floating Rate Subordinated Notes due November 2021, £150,000,000 5.875 per cent. Subordinated Notes due 2033, £200,000,000 5.75 per cent. Dated Callable Step-Up Subordinated Notes due 2024 and EUR300,000,000 Floating Rate Callable Step-Up Dated Subordinated Notes due 2016 (in each case, together with any further issues which shall be consolidated and form a single series therewith).

3.2 The claims of the Bondholders against the Issuer arising under or from the Bonds (including the PIBS Interest Payment as defined in Condition 4.1(b)) and the Trust Deed are subject to Condition 3.3 and will, in the event of a winding up of the Issuer or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer.

3.3 Without prejudice to Condition 3.4 below, all payments under or arising from the Bonds (including the PIBS Interest Payment) and the Trust Deed are conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Bonds (including the PIBS Interest Payment) and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 3.3, the Issuer shall be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A certificate as to the solvency of the Issuer, signed by two Directors of the Issuer or, if there is a winding up or administration of the Issuer, the liquidator of the Issuer or, as the case may be, administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, any Bondholder and all other interested parties as correct and sufficient evidence thereof. The Trustee shall incur no liability to the Bondholders in respect of reliance on such a certificate. If the Issuer fails to make any interest payment as a result of failure to satisfy the conditions referred to in this Condition 3.3, that interest will constitute Arrears of Interest until paid (including, without limitation, for the purposes of Condition 4.2). Without prejudice to the rest of these Conditions, amounts representing any payments of principal, premium or interest (including the PIBS Interest Payment) or any other amount including any damages awarded for breach of any obligations in respect of which the conditions referred to in this Condition 3.3 are not satisfied on the date upon which the same would otherwise be due and payable (Solvency Claims) will be payable by the Issuer in a winding up of the Issuer as provided in Condition 3.4. A Solvency Claim shall not bear interest.

3.4 If, at any time an order is made or an effective resolution is passed for the winding up in England of the Issuer (except in the case of a Solvent Winding Up as defined below) or an administrator of the Issuer is appointed and the administrator has given notice that it intends to declare and distribute a dividend, there shall be payable on each Bond (including any accrued but unpaid PIBS Interest Payment) (in lieu of any other payment), but subject as provided in this Condition 3.4, such amount (if any) as would have been payable to the Holder thereof if, on the day immediately prior to the commencement of the winding up of the Issuer or, as appropriate, notice having been given by the administrator, and thereafter, such Bondholder were the holder of a preference share in the capital of the Issuer of a class having a preferential right to a return of assets in the winding up over the holders of all other issued shares, including any preference shares, for the time being in the capital of the Issuer on the assumption that such preference shareholders were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such winding up an amount equal to the principal amount of such Bond, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) (including the PIBS Interest Payment) which has accrued up to (but excluding) the date of repayment (as provided in the Trust Deed) in respect of such Bond.

(a) For the purposes of these Conditions:

(i) **Senior Creditors** means depositors and other creditors of the Issuer (other than creditors (if any) in respect of claims which are expressed to, or so as to, rank *pari passu* with or junior to the claims of the Bondholders or creditors in respect of claims with which the Bonds are expressed to rank *pari passu* (whether only in the event of a winding up of the Issuer or otherwise));

(ii) **Assets** means the unconsolidated gross assets of the Issuer all as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the certifying directors of the Issuer, the auditors, the liquidator or the administrator (as the case may be) may determine;

(iii) **Liabilities** means the unconsolidated gross liabilities of the Issuer all as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the certifying directors of the Issuer, the auditors, the liquidator or the administrator (as the case may be) may determine;

(iv) **Solvent Winding Up** means a solvent winding up of the Issuer solely for the purpose of a reconstruction or amalgamation or a substitution of the Issuer in accordance with Condition 15, provided that (i) in the case of a reconstruction or amalgamation, such reconstruction or amalgamation has previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Bondholders; (ii) the terms of such reconstruction, amalgamation or substitution do not provide that the Bonds shall thereby become repayable and (iii) the debt in respect of the Bonds (and any accrued interest including any Arrears of Interest) (disregarding any change to the principal debtor (if applicable)) remains outstanding.

3.5 Subject to applicable law, no Bondholder may exercise, claim or plead any right of set off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Bonds (including the PIBS Interest Payment) and each Bondholder shall, by virtue of being the Holder of any Bond, be deemed to have waived all such rights of set off, compensation or retention. Notwithstanding the previous sentence, if any of the amounts owing to any Bondholder by the Issuer under or in connection with the Bonds (including any PIBS Interest Payment) is discharged by set-off, such Bondholder shall immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding up, the liquidator of the Issuer and until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator of the Issuer, and accordingly any such discharge shall be deemed not to have taken place.

On a winding up of the Issuer, there may be no surplus assets available to meet the claims of Bondholders after the claims of the parties ranking senior to the Bondholders (as provided in this Condition) have been satisfied.

4. INTEREST

4.1 Interest Payment Dates

(a) The Rate of Interest on the Bonds from and including 1 August 2009 (the **Interest Commencement Date**) shall be 13 per cent. per annum payable, subject as set out below, in arrear by half yearly instalments on 31 January and 31 July in each year, commencing on 31 January 2010 (each an **Interest Payment Date**). The period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest

Payment Date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

In respect of the period from and including the Interest Commencement Date to but excluding 31 January 2010 (the **First Interest Payment Date)**, the amount of interest payable in respect of each £1,000 principal amount of Bonds shall be £64.65.

The interest payment in respect of a period of less than a half-year will be calculated on the basis of the number of days elapsed and a year of 365 days and rounding the resultant figure to the nearest penny (half a penny being rounded upwards).

All amounts of interest due on each Bond will be rounded upwards, if necessary, to the nearest penny.

(b) The Issuer shall, subject as provided in these Conditions, pay an additional amount to each Bondholder on the First Interest Payment Date of £0.35 in respect of each £1,000 principal amount of Bonds held by such Bondholder (the **PIBS Interest Payment**). The PIBS Interest Payment shall be in respect of interest accrued on the 110,000 Permanent Interest Bearing Shares of £1,000 each with an interest rate of 13 per cent. of Britannia Building Society (the **1992 PIBS**), in replacement for which the Bonds have been issued, for the period from and including the interest payment date in respect thereof which immediately precedes the Interest Commencement Date to but excluding the Interest Commencement Date.

(c) Subject as provided in these Conditions, the aggregate amount payable by the Issuer to each Bondholder pursuant to Conditions 4.1(a) and 4.1(b) on the First Interest Payment Date shall be £65.00 in respect of each £1,000 principal amount of Bonds held by such Bondholder. Interest Payments (including the PIBS Interest Payment) will be made in accordance with and subject to the provisions of Condition 6. Interest accruing on each Bond shall cease to accrue from the date of its redemption unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 3, in which event interest shall continue to accrue thereon as provided in the Trust Deed.

4.2 Arrears of Interest

On any Interest Payment Date there may be paid the interest accrued in the Interest Period which ends on that Interest Payment Date, but the Issuer shall not have any obligation to make such payment and any failure to pay (if the Issuer so decides and gives notice of such decision to the Bondholders not later than 14 days prior to the relevant Interest Payment Date) shall not constitute a default by the Issuer for any purpose (including, but without limitation, Conditions 9 or 10). Any interest not so paid on an Interest Payment Date shall, so long as the same remains unpaid, constitute **Arrears of Interest**. Arrears of Interest may, at the option of the Issuer, be paid in whole or in part (any such part being the whole of the interest accrued during any Interest Period or Periods but not the whole of the interest accrued during all Interest Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Bondholders in accordance with Condition 12 but so that in the case of payment of only part of the Arrears of Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. If, on any Interest Payment Date, interest in respect of the Bonds shall not have been paid in accordance with the terms of this Condition 4.2, then from the date of such Interest Payment Date until such time as the full amount of the relevant Arrears of Interest has been received by the Bondholders or Trustee and no other payment of Arrears of Interest remains outstanding, the Issuer undertakes not to declare or pay any dividend or other distribution on any Junior Securities or Parity Securities, provided that such undertaking shall not apply in respect of any dividend or other distribution where the Issuer is not able to defer, pass or eliminate or continue to defer, pass or eliminate such dividend or other distribution in accordance with the terms and conditions of those Junior Securities or Parity

Securities. All Arrears of Interest shall (subject only to the provisions of Condition 3.3) become due whenever is the earliest of the date set for any redemption or purchase pursuant to Conditions 5.2 or 5.3 or the commencement of the winding-up of the Issuer (except that Arrears of Interest shall not become due in respect of a Solvent Winding Up) or the date upon which any administrator of the Issuer gives notice that it intends to declare or distribute a dividend.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to Condition 3) to do so upon the expiry of such notice. So long as, and to the extent that, the same have not become due and payable, Arrears of Interest shall not bear interest. All references in these Conditions to interest on the Bonds shall, unless the context otherwise requires, include Arrears of Interest.

Junior Securities means any class of share capital of the Issuer together with any other securities of the Issuer or of a Subsidiary Undertaking and the terms of which securities benefit from a guarantee or support agreement ranking or expressed to rank, junior to the Bonds.

Parity Securities means any securities ranking, or expressed to rank, *pari passu* with the Bonds whether issued directly by the Issuer or by a Subsidiary Undertaking and the terms of which securities benefit from a guarantee or support agreement ranking, or expressed to rank, *pari passu* with the Bonds.

Subsidiary Undertaking means any company which is for the time being a subsidiary undertaking (within the meaning of Section 1162 and Schedule 7 of the Companies Act 2006).

4.3 No deferral of interest on change of regulatory treatment

The Issuer agrees that it will not, in the event of any change in any applicable law or regulation (or in the official interpretation or application thereof) as a result of which, for the purposes of the Capital Adequacy Regulations at that time, the Bonds after the Issue Date would no longer be eligible to form part of the Issuer's capital resources under the Capital Adequacy Regulations applicable to the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) (a **Capital Disqualification Event**), exercise its right under Condition 4.2 to defer payment of interest accrued in any Interest Period. A Capital Disqualification Event is not deemed to occur if the Bonds are still eligible to form part of the Issuer's capital resources on account of transitional provisions under the Capital Adequacy Regulations or a waiver of the FSA.

Capital Adequacy Regulations means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA.

FSA means the Financial Services Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) responsible for the supervision of banks or other authorised institutions in the United Kingdom.

The Issuer shall promptly give notice to the Bondholders in accordance with Condition 12 if any such change as is mentioned above occurs.

5. REDEMPTION AND PURCHASE

5.1 No Maturity

The Bonds have no final maturity date and are only redeemable or repayable in accordance with the following provisions of this Condition 5 or Condition 9.

5.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, subject to the Issuer having given at least one month's prior written notice to, and receiving no objection from (or in the case of any redemption prior to the fifth anniversary of 1 August 1992 (being the issue date of the 1992 PIBS), receiving a waiver, so long as there is a requirement for such a waiver, from), the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice) and having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Bonds, but not some only, at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due.

Prior to giving any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and that it has given at least one month's prior written notice to, and received no objection from (or in the case of any redemption prior to the fifth anniversary of 1 August 1992 (being the issue date of the 1992 PIBS), receiving a waiver, so long as there is a requirement for such a waiver, from), the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice) and the Trustee shall be entitled to accept and rely upon the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders and shall incur no liability to the Bondholders in respect of such reliance.

5.3 Purchases

The Issuer or any of its subsidiaries (as defined in section 1159 of the Companies Act 2006), subject to the Issuer having given at least one month's prior written notice to, and received no objection from, (or in the case of any purchase prior to the fifth anniversary of 1 August 1992 (being the issue date of the 1992 PIBS), receiving a waiver, so long as there is a requirement for such a waiver, from) the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice), may at any time purchase Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation.

5.4 Cancellations

All Bonds which are redeemed or surrendered for cancellation shall be cancelled forthwith and accordingly may not be held, reissued or resold.

5.5 Notices Final

Upon the expiry of any notice to Bondholders as is referred to in Conditions 5.2 and 5.3 above, the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such paragraphs.

6. PAYMENTS

6.1 Payments in respect of the Bonds

All payments in respect of the Bonds will be made by sterling cheque or warrant drawn on a bank or building society in the United Kingdom, posted no later than the Business Day immediately preceding the relevant due date and made payable to the Bondholder (in the case of a joint holding of Bonds, the representative joint Bondholder) appearing in the register of Bondholders in respect of the Bond of which he is the holder at the close of business on the fifteenth day before the relevant due date (the **Record Date**) at the addresses shown in the register of Bondholders on the Record Date. Upon application of a Bondholder (or in the case of a joint holding of Bonds, the representative joint Bondholder) to the Issuer, in the form from time to time prescribed by the Issuer, not less than ten days before the due date for any payment in respect of his Bonds, the payment may be made by transfer on the due date or, if the due date is not a Business Day, on the immediately following Business Day to a sterling account with a bank or building society in the United Kingdom.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

6.3 No commissions

No commissions or expenses shall be charged to the Bondholders in respect of any payments made in accordance with this Condition.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if the due date is not a Business Day (as defined below), for value the immediately following Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, no later than the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal or interest which is due on the Bonds is not paid in full, the Registrar will annotate the register of Bondholders with a record of the amount of principal, premium (if any) or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent subject to the prior written consent of the Trustee and to appoint additional or other Agents provided that:

(a) there will at all times be an Agent;

(b) the Issuer undertakes that it will ensure that it maintains an Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(c) there will be at all times a Registrar.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 12.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond:

(a) presented for payment by or on behalf of, a holder who (i) would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so, or (ii) is liable to the Taxes in respect of the Bond by reason of his having some connection with the United Kingdom other than the mere holding of the Bond; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) presented for payment in the United Kingdom; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Agent, if any, in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day.

Relevant Date means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 12.

7.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. PRESCRIPTION

Claims in respect of principal and interest (including the PIBS Interest Payment) will become prescribed unless made within periods of 10 years (in the case of principal) and five years (in the case of interest) (including the PIBS Interest Payment) from the Relevant Date (as defined in Condition 7.1).

9. EVENTS OF DEFAULT

Notwithstanding any of the provisions below in Condition 9 or 10, the right to institute proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3, no payment will be due on the relevant payment date if the Issuer is not or would not in making such payment be solvent. Also, in the case of any interest payment, such payment will not be due if the Issuer has deferred that payment pursuant to Condition 4.2 (subject to Condition 4.3).

If the Issuer shall not make payment in respect of the Bonds for a period of 14 days or more after the due date, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings in England (but not elsewhere) for the winding-up of the Issuer and/or prove in the winding up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

10. ENFORCEMENT

10.1 Without prejudice to Condition 9, if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Bonds binding on it under these Conditions or the Trust Deed (other than any payment obligation of the Issuer under or arising from the Bonds or the Trust Deed including without limitation, payment of any principal, premium, or interest (including the PIBS Interest Payment) in respect of the Bonds and any damages awarded for breach of any obligation), the Trustee may, subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

10.2 Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9 and Condition 10.1 above or submitting a claim in the winding-up of the Issuer will be available to the Trustee or the Bondholders.

10.3 The Trustee shall not be bound to take action as referred to in Conditions 9 and 10.1 or other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Bondholders holding at least one-fifth in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

10.4 No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. No Bondholder shall be entitled either to institute proceedings for the winding-up of the Issuer or to prove in the winding-up or claim in the liquidation of the Issuer, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able to prove in such winding-up or claim in such liquidation fails to do so, in each case within a reasonable period and such failure is continuing, then any such Bondholder may, on giving an indemnity and/or security and/or prefunding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up of the Issuer and/or prove in such winding up and/or claim in such liquidation to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed.

13. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or certain provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by Bondholders holding not less than 10 per cent. in nominal amount of the Bonds of any Series for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the nominal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Bonds (including modifying any date for payment of interest on the Bonds, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting, and on all Receiptholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an event of default under Condition 9, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of any of these Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 12. No modification to the provisions of Condition 3 shall be effected without the prior consent of the FSA.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Bondholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

15. SUBSTITUTION

The Trustee may, without the consent of the Bondholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds and the Trust Deed of the Holding Company, a Successor in Business (each as defined in the Trust Deed) or any Subsidiary of the Issuer, subject to (a) in the case of a substitution of any Subsidiary of the Issuer, the Bonds being unconditionally and irrevocably guaranteed by the Issuer and so that the obligations of the Issuer under such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations in respect of the Bonds, (b) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, (c) (i) the obligations of such Holding Company or Successor in Business or (ii) in the case of substitution of a Subsidiary of the Issuer, the obligations of the Issuer under its guarantee, being subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations as principal debtor in respect of the Bonds, and (d) certain other conditions set out in the Trust Deed being complied with. No such substitution shall be effected without the prior consent of the FSA.

16. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW

The Trust Deed, the Registrar's Agreement, the Bonds and any non contractual obligations arising out of or in connection with such Trust Deed, Registrar's Agreement and the Bonds are governed by, and shall be construed in accordance with, English law.

TERMS AND CONDITIONS OF THE SECOND BONDS

TERMS AND CONDITIONS OF THE PERPETUAL SUBORDINATED BONDS OF THE CO-OPERATIVE BANK P.L.C. TO BE ISSUED IN REPLACEMENT OF 200,000 PERMANENT INTEREST BEARING SHARES OF £1,000 EACH WITH AN INTEREST RATE OF 5.5555 PER CENT. OF BRITANNIA BUILDING SOCIETY

The following are the terms and conditions of the Bonds which will be endorsed on the Certificates issued in respect of the Bonds:

The £200,000,000 5.5555 per cent. Perpetual Subordinated Bonds (the **Bonds**) of The Co-operative Bank p.l.c. (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated 1 August 2009 (the **Issue Date**) between (1) the Issuer and (2) The Law Debenture Trust Corporation p.l.c. as trustee (the **Trustee**, which expression shall include its successors under the Trust Deed). The Trustee acts as trustee for the holders of the Bonds (the **Bondholders**) in accordance with the provisions of the Trust Deed. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions contained in the Trust Deed and the Registrar's Agreement (the **Registrar's Agreement**) dated the Issue Date between the Issuer, the Trustee and Equiniti Limited as Registrar (the **Registrar**) and as Principal Paying Agent (the **Agent**, which expression shall include any additional or successor paying agents). Copies of the Trust Deed and the Registrar's Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee (being at the date of the Trust Deed at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of the Registrar.

The Bonds are issued subject to, and with the benefit of, these conditions of issue (the **Conditions**).

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are issued in registered form in amounts of £1,000 and integral multiples of £1,000 thereafter (referred to as the principal amount of a Bond without interest coupons) and may be held in either certificated form or uncertificated form in CREST. If held in certificated form, a bond certificate (each a **Certificate**) may be issued free of charge at the request of a Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar and at the registered office of the Issuer.

CREST means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear (or any successor) is the operator (as defined in the CREST Regulations).

CREST Regulations means the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), including any modification thereof or any regulations in substitution therefor made under section 207 of the Companies Act and for the time being in force.

1.2 Title

Title to the Bonds passes only by registration in the register of Bondholders. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions **Bondholder** and (in relation to a Bond) **holder** means the person in whose name a Bond is registered in the register of Bondholders (or, in the case of a joint holding, to the joint holder whose name appears first on the register of Bondholders in respect of such joint holding (the **representative joint Bondholder**).

2. TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

2.1 Transfers

Subject to Condition 2.4 and Condition 2.5 below, a Bond may be transferred by depositing the Certificate issued in respect of that Bond, together with a duly completed form of transfer, at the specified office of the Registrar.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Bonds will, within five business days of receipt by the Registrar of the duly completed form of transfer together with a valid Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Bond to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Registrar with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Bonds in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Bonds not so transferred will, within five business days of receipt by the Registrar of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred to the address of such holder appearing on the register of Bondholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer, the Registrar or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Bondholder may require the transfer of a Bond to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Bond.

2.5 Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests one.

3. STATUS AND SUBORDINATION

3.1 The Bonds are unsecured, subordinated obligations of the Issuer, and rank *pari passu* without any preference among themselves and *pari passu* in point of subordination with the £110,000,000 13 per cent. perpetual subordinated bonds also issued by the Issuer on the Issue Date (such liability having been assumed by the Issuer in respect of a series of 110,000 permanent interest bearing shares with an interest rate of 13 per cent. which were issued in two separate issues on 1 August 1992 and 29 October 1992 (in each case, together with any further issues which shall be consolidated and form a single series therewith)) but junior in point of subordination to its £150,000,000 5.875 per cent.

Subordinated Callable Notes due 2019, £150,000,000 Fixed/Floating Rate Subordinated Notes due November 2021, £150,000,000 5.875 per cent. Subordinated Notes due 2033, £200,000,000 5.75 per cent. Dated Callable Step-Up Subordinated Notes due 2024 and EUR300,000,000 Floating Rate Callable Step-Up Dated Subordinated Notes due 2016 (in each case, together with any further issues which shall be consolidated and form a single series therewith).

3.2 The claims of the Bondholders against the Issuer arising under or from the Bonds (including the PIBS Interest Payment as defined in Condition 4.1(b)) and the Trust Deed are subject to Condition 3.3 and will, in the event of a winding up of the Issuer or the appointment of an administrator of the Issuer where the administrator has given notice that it intends to declare and distribute a dividend, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors of the Issuer.

3.3 Without prejudice to Condition 3.4 below, all payments under or arising from the Bonds (including the PIBS Interest Payment) and the Trust Deed are conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable under or arising from the Bonds (including the PIBS Interest Payment) and the Trust Deed unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 3.3, the Issuer shall be solvent if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A certificate as to the solvency of the Issuer, signed by two Directors of the Issuer or, if there is a winding up or administration of the Issuer, the liquidator of the Issuer or, as the case may be, administrator of the Issuer shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, any Bondholder and all other interested parties as correct and sufficient evidence thereof. The Trustee shall incur no liability to the Bondholders in respect of reliance on such a certificate. If the Issuer fails to make any interest payment as a result of failure to satisfy the conditions referred to in this Condition 3.3, that interest will constitute Arrears of Interest until paid (including, without limitation, for the purposes of Condition 4.4). Without prejudice to the rest of these Conditions, amounts representing any payments of principal, premium or interest (including the PIBS Interest Payment) or any other amount including any damages awarded for breach of any obligations in respect of which the conditions referred to in this Condition 3.3 are not satisfied on the date upon which the same would otherwise be due and payable (Solvency Claims) will be payable by the Issuer in a winding up of the Issuer as provided in Condition 3.4. A Solvency Claim shall not bear interest.

3.4 If, at any time an order is made or an effective resolution is passed for the winding up in England of the Issuer (except in the case of a Solvent Winding Up as defined below) or an administrator of the Issuer is appointed and the administrator has given notice that it intends to declare and distribute a dividend, there shall be payable on each Bond (including any accrued but unpaid PIBS Interest Payment) (in lieu of any other payment), but subject as provided in this Condition 3.4, such amount (if any) as would have been payable to the Holder thereof if, on the day immediately prior to the commencement of the winding up of the Issuer or, as appropriate, notice having been given by the administrator, and thereafter, such Bondholder were the holder of a preference share in the capital of the Issuer of a class having a preferential right to a return of assets in the winding up over the holders of all other issued shares, including any preference shares, for the time being in the capital of the Issuer on the assumption that such preference shareholders were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such winding up an amount equal to the principal amount of such Bond, together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) (including the PIBS Interest Payment) which has accrued up to (but excluding) the date of repayment (as provided in the Trust Deed) in respect of such Bond.

For the purposes of these Conditions:

(i) **Senior Creditors** means depositors and other creditors of the Issuer (other than creditors (if any) in respect of claims which are expressed to, or so as to, rank *pari passu* with or junior to the claims of the Bondholders or creditors in respect of claims with which the Bonds are expressed to rank *pari passu* (whether only in the event of a winding up of the Issuer or otherwise));

(ii) **Assets** means the unconsolidated gross assets of the Issuer all as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the certifying directors of the Issuer, the auditors, the liquidator or the administrator (as the case may be) may determine;

(iii) **Liabilities** means the unconsolidated gross liabilities of the Issuer all as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the certifying directors of the Issuer, the auditors, the liquidator or the administrator (as the case may be) may determine;

(iv) **Solvent Winding Up** means a solvent winding up of the Issuer solely for the purpose of a reconstruction or amalgamation or a substitution of the Issuer in accordance with Condition 15, provided that (i) in the case of a reconstruction or amalgamation, such reconstruction or amalgamation has previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Bondholders; (ii) the terms of such reconstruction, amalgamation or substitution do not provide that the Bonds shall thereby become repayable and (iii) the debt in respect of the Bonds (and any accrued interest including any Arrears of Interest) (disregarding any change to the principal debtor (if applicable)) remains outstanding.

3.5 Subject to applicable law, no Bondholder may exercise, claim or plead any right of set off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Bonds (including the PIBS Interest Payment) and each Bondholder shall, by virtue of being the Holder of any Bond, be deemed to have waived all such rights of set off, compensation or retention. Notwithstanding the previous sentence, if any of the amounts owing to any Bondholder by the Issuer under or in connection with the Bonds (including any PIBS Interest Payment) is discharged by set-off, such Bondholder shall immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding up, the liquidator of the Issuer and until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator of the Issuer, and accordingly any such discharge shall be deemed not to have taken place.

On a winding up of the Issuer, there may be no surplus assets available to meet the claims of Bondholders after the claims of the parties ranking senior to the Bondholders (as provided in this Condition) have been satisfied.

4. INTEREST

4.1 Interest Payment Dates

(a) The rate of interest payable on the Bonds (the **Rate of Interest**) will be determined in accordance with this Condition 4. The Rate of Interest on the Bonds from and including 1 August 2009 (the **Interest Commencement Date**) to but excluding the Reset Date shall be 5.5555 per cent. per annum payable, subject as set out below, in arrear by half yearly instalments on 14 June and 14 December in each year, commencing on 14 December 2009 (each a **Fixed Rate Interest Payment Date**). Thereafter the Rate of Interest shall be calculated in accordance with Condition 4.2 below and shall be payable, subject as set out below, quarterly in arrear on 14 March, 14 June, 14 September and 14 December in each year (together with each Fixed Rate Interest Payment Date each, an **Interest**

Payment Date) commencing on 14 March 2016. The period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**. If any Interest Payment Date falling after the Reset Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day and the Interest Period shall be extended or shortened accordingly.

In respect of the period from and including the Interest Commencement Date to but excluding 14 December 2009 (the **First Interest Payment Date)**, the amount of interest payable in respect of each £1,000 principal amount of Bonds shall be £20.49.

Up to the Reset Date where it is necessary to calculate an amount of interest in respect of any Bonds for a period which is not an Interest Period, such interest shall be calculated on the basis of (a) the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the date on which the relevant interest is payable, divided by (b) the actual number of days in the period from (and including) such Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) scheduled Interest Payment Date multiplied by two.

All amounts of interest due on each Bond will be rounded upwards, if necessary, to the nearest penny.

(b) The Issuer shall, subject as provided in these Conditions, pay an additional amount to each Bondholder on the First Interest Payment Date of £7.29 in respect of each £1,000 principal amount of Bonds held by such Bondholder (the **PIBS Interest Payment**). The PIBS Interest Payment shall be in respect of interest accrued on the 200,000 Permanent Interest Bearing Shares of £1,000 each with an interest rate of 5.5555 per cent. of Britannia Building Society (the **2005 PIBS**), in replacement for which the Bonds have been issued, for the period from and including the interest payment date in respect thereof which immediately precedes the Interest Commencement Date to but excluding the Interest Commencement Date.

(c) Subject as provided in these Conditions, the aggregate amount payable by the Issuer to each Bondholder pursuant to Conditions 4.1(a) and 4.1(b) on the First Interest Payment Date shall be £27.78 in respect of each £1,000 principal amount of Bonds held by such Bondholder. Interest Payments (including the PIBS Interest Payment) will be made in accordance with and subject to the provisions of Condition 6. Interest accruing on each Bond shall cease to accrue from the date of its redemption unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 3, in which event interest shall continue to accrue thereon as provided in the Trust Deed.

4.2 Floating Rate of Interest

(a) The Rate of Interest payable in respect of the Bonds from and including the Reset Date will be the Screen Rate plus the Margin (the **Floating Rate of Interest**) as determined by such leading bank or investment banking firm in London as shall be appointed by the Issuer (the **Agent Bank**). If the Screen Rate is unavailable, the Agent Bank will request the Reference Banks to provide it with the rate at which deposits in sterling are offered by each of them to prime banks in the London interbank market for three months at approximately 11.00 a.m. (London time) on the Interest Determination Date in question.

(b) If the Screen Rate is unavailable and at least two of the Reference Banks provide such rates, the Floating Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank of such rates, plus the Margin.

(c) If on any Interest Determination Date the Screen Rate is unavailable and fewer than two rates are provided as requested, the Floating Rate of Interest for the Interest Period will be the arithmetic mean of the rates quoted by major banks in the London interbank market selected by the Agent Bank, at approximately 11.00 a.m., London time, on the Interest Determination Date in question for loans in sterling to leading European banks for a period of three months commencing on the first day of such Interest Period, plus the Margin. If the Floating Rate of Interest cannot be determined in accordance with the above provisions, the Floating Rate of Interest shall be the Rate of Interest determined as at the last preceding Interest Determination Date.

(d) After the Reset Date, whenever it is necessary to compute an amount of interest in respect of any Bond for a period other than an Interest Period, such interest shall be calculated on the basis of the actual number of days in such period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(e) As soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, the Agent Bank shall determine the Floating Rate of Interest for the relevant Interest Period and calculate the amount of interest payable on each £1,000 principal amount of Bonds on each Interest Payment Date (the **Floating Interest Amount**). The Floating Interest Amount shall be determined by applying the Floating Rate of Interest to each £1,000 principal amount of Bonds, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366 and rounding the resultant figure to the nearest pence (half a penny being rounded upwards). The Issuer shall cause the Floating Rate of Interest and the Floating Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Agent as soon as practicable after their determination and calculation and shall procure that the Agent gives notice thereof to the Bondholders.

(f) The Issuer may, subject to the prior written approval of the Trustee, from time to time appoint any leading bank or investment banking firm in London (as determined by the Issuer) as the Agent Bank in substitution for any existing Agent Bank. In the event of the appointed office of the Agent Bank being unable or unwilling to continue to act as the Agent Bank, the Issuer shall, subject to the prior written approval of the Trustee, forthwith appoint the London office of such other leading bank or investment banking firm in London to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(g) All notifications, opinions, advice, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4.2 by the Agent Bank (or, in the circumstances set out in Condition 4.3 below, the Trustee) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agent Bank, the Agent and all Bondholders and (in the absence as aforesaid) no liability shall attach to the Agent Bank (or the Trustee as aforesaid) in connection with the exercise or non exercise of its powers, duties and discretions.

For the purpose of these Conditions:

Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

Interest Determination Date means, after the Reset Date, the first day prior to the start of each Interest Period.

Margin means 2.05 per cent. per annum.

Reference Banks means the principal London office of each of four major banks engaged in the London interbank market selected by the Agent Bank.

Reset Date means 14 December 2015.

Screen Rate means the rate for three month deposits in Sterling which appears on Reuters Screen LIBOR01 (or such replacement page on that service which displays that information).

4.3 Determination by the Trustee

The Trustee (or an agent appointed by the Trustee at the expense of the Issuer) shall, if the Agent Bank defaults at any time in its obligation to determine the Floating Rate of Interest and Floating Interest Amount in accordance with the above provisions, determine the Floating Rate of Interest and Floating Interest Amount, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 4.2(e) and the determinations shall be deemed to be determinations by the Agent Bank.

4.4 Arrears of Interest

On any Interest Payment Date there may be paid the interest accrued in the Interest Period which ends on that Interest Payment Date, but the Issuer shall not have any obligation to make such payment and any failure to pay (if the Issuer so decides and gives notice of such decision to the Bondholders not later than 14 days prior to the relevant Interest Payment Date) shall not constitute a default by the Issuer for any purpose (including, but without limitation, Conditions 9 or 10). Any interest not so paid on an Interest Payment Date shall, so long as the same remains unpaid, constitute **Arrears of Interest**. Arrears of Interest may, at the option of the Issuer, be paid in whole or in part (any such part being the whole of the interest accrued during any Interest Period or Periods but not the whole of the interest accrued during all Interest Periods) at any time upon the expiration of not less than seven days' notice to such effect given to the Bondholders in accordance with Condition 12 but so that in the case of payment of only part of the Arrears of Interest the interest accrued during any Interest Period shall not be paid prior to that accrued during an earlier Interest Period. If, on any Interest Payment Date, interest in respect of the Bonds shall not have been paid in accordance with the terms of this Condition 4.4, then from the date of such Interest Payment Date until such time as the full amount of the relevant Arrears of Interest has been received by the Bondholders or Trustee and no other payment of Arrears of Interest remains outstanding, the Issuer undertakes not to declare or pay any dividend or other distribution on any Junior Securities or Parity Securities, provided that such undertaking shall not apply in respect of any dividend or other distribution where the Issuer is not able to defer, pass or eliminate or continue to defer, pass or eliminate such dividend or other distribution in accordance with the terms and conditions of those Junior Securities or Parity Securities. All Arrears of Interest shall (subject only to the provisions of Condition 3.3) become due whenever is the earliest of the date set for any redemption or purchase pursuant to Conditions 5.2 or 5.3 or the commencement of the winding-up of the Issuer (except that Arrears of Interest shall not become due in respect of a Solvent Winding Up) or the date upon which any administrator of the Issuer gives notice that it intends to declare or distribute a dividend.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to Condition 3) to do so upon the expiry of such notice. So long as, and to the extent that, the same have not become due and payable, Arrears of Interest shall not bear interest. All references in these Conditions to interest on the Bonds shall, unless the context otherwise requires, include Arrears of Interest.

Junior Securities means any class of share capital of the Issuer together with any other securities of the Issuer or of a Subsidiary Undertaking and the terms of which securities benefit from a guarantee or support agreement ranking or expressed to rank, junior to the Bonds.

Parity Securities means any securities ranking, or expressed to rank *pari passu* with the Bonds whether issued directly by the Issuer or by a Subsidiary Undertaking and the terms of which securities benefit from a guarantee or support agreement ranking or expressed to rank, *pari passu*, with the Bonds.

Subsidiary Undertaking means any company which is for the time being a subsidiary undertaking (within the meaning of Section 1162 and Schedule 7 of the Companies Act 2006).

4.5 No deferral of interest on change of regulatory treatment

The Issuer agrees that it will not, in the event of any change in any applicable law or regulation (or in the official interpretation or application thereof) as a result of which, for the purposes of the Capital Adequacy Regulations at that time, the Bonds after the Issue Date would no longer be eligible to form part of the Issuer's capital resources under the Capital Adequacy Regulations applicable to the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) (a **Capital Disqualification Event**), exercise its right under Condition 4.4 to defer payment of interest accrued in any Interest Period. A Capital Disqualification Event is not deemed to occur if the Bonds are still eligible to form part of the Issuer's capital resources on account of transitional provisions under the Capital Adequacy Regulations or a waiver of the FSA.

Capital Adequacy Regulations means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA.

FSA means the Financial Services Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) responsible for the supervision of banks or other authorised institutions in the United Kingdom.

The Issuer shall promptly give notice to the Bondholders in accordance with Condition 12 if any such change as is mentioned above occurs.

5. REDEMPTION AND PURCHASE

5.1 No Maturity

The Bonds have no final maturity date and are only redeemable or repayable in accordance with the following provisions of this Condition 5 or Condition 9.

5.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, subject to the Issuer having given at least one month's prior written notice to, and receiving no objection from (or in the case of any redemption prior to the fifth anniversary of 14 September 2005 (being the issue date of the 2005 PIBS), receiving a waiver, so long as there is a requirement for such a waiver, from), the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice) and having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Bonds, but not some only, at any time prior to the Reset Date at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Bonds then due.

Prior to giving any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and that it has given at least one month's prior written notice to, and received no objection from (or in the case of any redemption prior to the fifth anniversary of 14 September 2005 (being the issue date of the 2005 PIBS), receiving a waiver, so long as there is a requirement for such a waiver, from), the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice) and the Trustee shall be entitled to accept and rely upon the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Bondholders and shall incur no liability to the Bondholders in respect of such reliance.

5.3 Redemption at the Option of the Issuer

The Issuer may, subject to the Issuer having given at least one month's prior written notice to, and receiving no objection from, the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice) and having given:

(a) not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 12; and

(b) notice to the Trustee and the Agent not less than seven days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Bonds on the Reset Date or on any Interest Payment Date thereafter at their principal amount together with interest accrued to but excluding the date of redemption.

5.4 Purchases

The Issuer or any of its subsidiaries (as defined in section 1159 of the Companies Act 2006), subject to the Issuer having given at least one month's prior written notice to, and received no objection from, (or in the case of any purchase prior to the fifth anniversary of 14 September 2005 (being the issue date of the 2005 PIBS), receiving a waiver, so long as there is a requirement for such a waiver, from) the FSA (or such shorter period of notice as the FSA may accept and so long as there is a requirement to give such notice), may at any time purchase Bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation.

5.5 Cancellations

All Bonds which are redeemed or surrendered for cancellation shall be cancelled forthwith and accordingly may not be held, reissued or resold.

5.6 Notices Final

Upon the expiry of any notice to Bondholders as is referred to in Conditions 5.2 and 5.3 above, the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such paragraphs.

6. PAYMENTS

6.1 Payments in respect of the Bonds

All payments in respect of the Bonds will be made by sterling cheque or warrant drawn on a bank or building society in the United Kingdom, posted not later than the Business Day immediately preceding the relevant due date and made payable to the Bondholder (in the case of a joint holding of Bonds, the representative joint Bondholder) appearing in the register of Bondholders in respect of the Bond of which he is the holder at the close of business on the fifteenth day before the relevant due date (the **Record Date**) at the addresses shown in the register of Bondholders on the Record Date. Upon application of a Bondholder (or in the case of a joint holding of Bonds, the representative joint Bondholder) to the Issuer, in the form from time to time prescribed by the Issuer, not less than ten days before the due date for any payment in respect of his Bonds, the payment may be made by transfer on the due date or, if the due date is not a Business Day, on the immediately following Business Day to a sterling account with a bank or building society in the United Kingdom.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

6.3 No commissions

No commissions or expenses shall be charged to the Bondholders in respect of any payments made in accordance with this Condition.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if the due date is not a Business Day (as defined below), for value the immediately following Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, not later than the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal or interest which is due on the Bonds is not paid in full, the Registrar will annotate the register of Bondholders with a record of the amount of principal, premium (if any) or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent subject to the prior written consent of the Trustee and to appoint additional or other Agents provided that:

(a) there will at all times be an Agent;

(b) the Issuer undertakes that it will ensure that it maintains an Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(c) there will be at all times a Registrar.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 12.

7. TAXATION

7.1 Payment without Withholding

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond:

(a) presented for payment by or on behalf of, a holder who (i) would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so, or (ii) is liable to the Taxes in respect of the Bond by reason of his having some connection with the United Kingdom other than the mere holding of the Bond; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) presented for payment in the United Kingdom; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent, if any, in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day.

Relevant Date means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 12.

7.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. PRESCRIPTION

Claims in respect of principal and interest (including the PIBS Interest Payment) will become prescribed unless made within periods of 10 years (in the case of principal) and five years (in the case of interest (including the PIBS Interest Payment) from the Relevant Date (as defined in Condition 7.1).

9. EVENTS OF DEFAULT

Notwithstanding any of the provisions below in Condition 9 or 10, the right to institute proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3, no payment will be due on the relevant payment date if the Issuer is not or would not in making such payment be solvent. Also, in the case of any interest payment, such payment will not be due if the Issuer has deferred that payment pursuant to Condition 4.4 (subject to Condition 4.5).

If the Issuer shall not make payment in respect of the Bonds for a period of 14 days or more after the due date, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings in England (but not elsewhere) for the winding-up of the Issuer and/or prove in the winding up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

10. ENFORCEMENT

10.1 Without prejudice to Condition 9, if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Bonds binding on it under these Conditions or the Trust Deed (other than any payment obligation of the Issuer under or arising from the Bonds or the Trust Deed including without limitation, payment of any principal, premium, or interest (including the PIBS Interest Payment) in respect of the Bonds and any damages awarded for breach of any obligation), the Trustee may, subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

10.2 Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9 and Condition 10.1 above or submitting a claim in the winding-up of the Issuer will be available to the Trustee or the Bondholders.

10.3 The Trustee shall not be bound to take action as referred to in Conditions 9 and 10.1 or other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Bondholders holding at least one-fifth in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

10.4 No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. No Bondholder shall be entitled either to institute proceedings for the winding-up of the Issuer or to prove in the winding-up or claim in the liquidation of the Issuer, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able to prove in such winding-up or claim in such liquidation fails to do so, in each case within a reasonable period and such failure is continuing, then any such Bondholder may, on giving an indemnity and/or security and/or prefunding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up of the Issuer and/or prove in such winding up and/or claim in such liquidation to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed.

13. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or certain provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by Bondholders holding not less than 10 per cent. in nominal amount of the Bonds of any Series for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the nominal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Bonds (including modifying any date for payment of interest on the Bonds, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting, and on all Receiptholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an event of default under Condition 9, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of any of these Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 12. No modification to the provisions of Condition 3 shall be effected without the prior consent of the FSA.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Bondholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

15. SUBSTITUTION

The Trustee may, without the consent of the Bondholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds and the Trust Deed of the Holding Company, a Successor in Business (each as defined in the Trust Deed) or any Subsidiary of the Issuer, subject to (a) in the case of a substitution of any Subsidiary of the Issuer, the Bonds being unconditionally and irrevocably guaranteed by the Issuer and so that the obligations of the Issuer under such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations in respect of the Bonds, (b) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, (c) (i) the obligations of such Holding Company or Successor in Business or (ii) in the case of substitution of a Subsidiary of the Issuer, the obligations of the Issuer under its guarantee, being subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations as principal debtor in respect of the Bonds, and (d) certain other conditions set out in the Trust Deed being complied with. No such substitution shall be effected without the prior consent of the FSA.

16. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW

The Trust Deed, the Registrar's Agreement, the Bonds and any non contractual obligations arising out of or in connection with such Trust Deed, Registrar's Agreement and the Bonds are governed by, and shall be construed in accordance with, English law.

USE OF PROCEEDS

As the Bonds are being issued in substitution for the PIBS, there will be no new proceeds from the issue of the Bonds.

DESCRIPTION OF THE BANK

1. History and Development

The sections of the EMTN Prospectus entitled "Description of the Bank – History & Development", "Description of the Bank – Liquidity Risk Management and Wholesale Funding Markets" and Description of the Bank – Group Structure" and incorporated by reference into this Prospectus are deemed to be set out here.

The Bank's registered office, which is also its Head Office, is situated at 1 Balloon Street, Manchester M60 4EP, telephone number: +44 161 8323456, fax number: +44 1618294475. The registered number of the Bank is 990937.

2. Merger with Britannia

On 21 January 2009, the boards of Britannia and Co-operative Financial Services Limited jointly announced their proposal for the Merger. On 29 April, Britannia's shareholding and borrowing members voted in favour of the Merger. It is expected that the Merger will become effective on 1 August 2009 through a transfer of the business, assets and liabilities of Britannia to the Bank under section 97 of the Building Societies Act 1986 and Britannia will cease to exist as a legal entity.

Prior to the Merger, Britannia was the United Kingdom's second largest building society in terms of total consolidated assets. At the date of this Prospectus, the businesses transferred from Britannia (the "**Britannia Businesses**") and the pre-Merger businesses of the Bank (the "**Co-operative Bank Businesses**"), continue to trade as separate businesses under the "Britannia", "Co-operative Bank" and "Smile" brand names respectively. It is expected that the Britannia Businesses will progressively integrate with the Co-operative Bank Businesses in an integration process that will take up to three years.

3. Business Activities

The Co-operative Bank Businesses

The Co-operative Bank Businesses provide retail banking services to the personal sector, the small to medium sized corporate and commercial sectors along with public sector and charitable institutions, offering a full range of wholesale, retail and corporate banking services, including current accounts, savings accounts, credit cards, loans and mortgages. The Co-operative Bank Businesses are also a major supplier of financial services to local authorities and to the co-operative retail sector.

In the year ended 10 January 2009 the Co-operative Bank Businesses achieved an operating profit before tax, FSCS levy and significant items of £85.6m compared with £50.4m at the year ended 12 January 2008. Profit before tax was £23.3m (2007: £11.1m)

The Britannia Businesses

The Britannia Businesses have an extensive high street presence and savings and mortgage product strengths. The Britannia Businesses operate on two distinct and separately run business models. Firstly, a traditional building society member business with the objectives of excellent customer value and service as well as generating sufficient financial profitability to maintain appropriate capital ratios. Secondly, a non-member intermediary lending service, intended to generate additional profitability, operated through a number of subsidiary companies in BCIG all of which were transferred to the Bank on the Vesting Date.

In the year ended 31 December 2008 Britannia achieved profit before loan impairment charges, losses arising from the failure of Lehman Brothers and Kaupthing and the cost of the FSCS levy, of £158.2 million (2007: £128.6 million). After taking these losses into account, profit before Britannia Membership Reward was £23.8 million (2007: £115.2 million). Britannia's reduced profitability was due to a reduction in BCIG profits, and other factors including provisions against losses from the lending activity of BCIG during 2006/7, exposure to third parties hit by the global recession, and the cost of the FSCS levy.

4. Directors

At the date of this Prospectus, the Directors and the Secretary of the Bank, their businesses addresses, their functions in the Bank and their principal outside activities (if any) of significance to the Bank were as follows:

Name	**Business Address**	**Function within the Bank**	**Principal outside activity (if any) of significance to the Bank**
Robert Henry Burlton	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Chairman	Non–Executive Director of Co-operative Group Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited. Chair of Co-operative Financial Services Limited. Strategic Projects Executive at Midcounties Co-operative. President of Consumer Co-operatives Worldwide .
Neville Richardson	CIS Building, Miller Street, Manchester M60 0AL	Chief Executive	Chief Executive Co-operative Financial Services Limited, Co-operative Insurance Society Limited and CIS General Insurance Limited. Director of Mutuo (Communicate Mutuality Limited).

Name	Business Address	Function within the Bank	Principal outside activity (if any) of significance to the Bank
Rodney Bulmer	CIS Building, Miller Street, Manchester M60 0AL	Executive Director	Executive Director Co-operative Insurance Society Limited, CIS General Insurance Limited and Co-operative Financial Services Limited.
Tim Franklin	CIS Building, Miller Street, Manchester, M60 0AL	Executive Director	Executive Director Co-operative Insurance Society Limited, CIS General Insurance Limited and Co-operative Financial Services Limited. Director of Mutual Plus Limited.
Phil Lee	CIS Building, Miller Street, Manchester M60 0AL	Executive Director	Executive Director Co-operative Insurance Society Limited, CIS General Insurance Limited and Co-operative Financial Services Limited.
Anthony Jonathan Reizenstein	CIS Building, Miller Street, Manchester M60 0AL	Executive Director	Executive Director Co-operative Insurance Society Limited, CIS General Insurance Limited and Co-operative Financial Services Limited. Chair of The Co-operative Asset Management Limited.
Barry Tootell	CIS Building, Miller Street, Manchester M60 0AL	Executive Director	Executive Director Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited. Chair of CFS

Name	Business Address	Function within the Bank	Principal outside activity (if any) of significance to the Bank
			Management Services Limited.
Rodney Baker-Bates*	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited. Directorships held at Assura Group plc, Bedlam Asset Management plc, Dolphin Squire Trust Limited, EG Solutions plc, First Assist Group Holdings Limited, G's Group Holding Limited, Helphire Group plc, Stobart Group plc, The Burdett Trust for Nursing Limited.
Duncan Bowdler	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Non-Executive Director of Co-operative Group Limited, Co-operative Financial Services Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited.
David Wyndham Davies	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited. Chair of Sunlife

Name	Business Address	Function within the Bank	Principal outside activity (if any) of significance to the Bank
			Assurance Company of Canada (UK) and Nortel Network Pension Scheme in the UK. Also holds directorships with Hermes Fund Managers and Policy Mutual Assurance Society.
Paul Flowers	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Non-Executive Director of Co-operative Group Limited, Co-operative Financial Services Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited.
Peter Harvey	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited. Holds Directorships at Broca Plc, Marshalls Holdings Limited.
Paul William Hewitt	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Professional Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
Chris Jones	Governance Department, 5th Floor New Century House, Corporation	Non Executive Director	Non-Executive Director of Co-operative Financial Services Limited, Co-

Name	Business Address	Function within the Bank	Principal outside activity (if any) of significance to the Bank
	Street, Manchester, M60 4ES		operative Insurance Society Limited, CIS General Insurance Limited. Holds directorships at Cjm Pudsey Limited, Samian Underwriting Agencies Limited, The Businessdesk Limited, Agenda Management Services Limited, Hammond Suddards Service Company
Stephen Kingsley	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited. Director of Highfield Resources Ltd
Peter Marks	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Chief Executive, Co-operative Group Ltd. Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
Robert Newton	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Independent Professional Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.

Name	Business Address	Function within the Bank	Principal outside activity (if any) of significance to the Bank
			Holds Non-Executive Directorships with UIA (Insurance) limited, and AI Claims Solutions plc.
Ben Reid	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Chief Executive, Midcounties Co-operative. Non-Executive Director of Co-operative Group Ltd, Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
Leonard Adrian Wardle	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Chairman of Co-operative Group Ltd. Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
Martyn James Wates	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Chief Financial Officer, Co-operative Group Ltd. Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
Stephen Gerald Watts	Governance Department, 5th Floor New Century	Non Executive Director	Non Executive Director of Co-operative Group

Name	Business Address	Function within the Bank	Principal outside activity (if any) of significance to the Bank
	House, Corporation Street, Manchester, M60 4ES		Limited, Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
John Piers Williamson	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Independent Professional Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited. Holds Non Executive Directorships with various Industrial and Provident Societies and funding vehicles associated with the Housing Finance Corporation, where he is Chief Executive.
Moria Lees	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Company Secretary	Secretary Co-operative Group Limited, Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited.
Femi Sobo Allen	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Assistant Secretary	Assistant Secretary Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited. Secretary Unity Trust Bank.

*Rodney Baker Bates is Chairman of and 5% shareholder in EG Solutions p.l.c. (registered in the UK No. 2211062). EG Solutions p.l.c. provides software solutions services to a number of companies within the Wider Co-operative Group and therefore receives payment in respect of these services. EG Solutions' commercial relationships with the wider Co-operative Group were in place prior to Mr Barker –Bates joining the Board.

Rodney Baker Bates is also chairman of Helphire Group p.l.c (registered in the UK No 312010) and Assura Group Limited (registered in Wales No. FC028394). Co-operative Life Fund has been a periodic investor in these two companies.

John Piers Williamson declared a potential conflict of interest as a result of his being Chief Executive and a Director of The Housing Finance Corporation Limited and its associated companies ("**THFC**"). THFC is a leading not-for-profit finance company for Housing Associations with circa £2 billion of loans outstanding at its March 2009 year end. Both the Bank and Britannia undertake some lending to Housing Associations, and Co-operative Insurance Society (sister Company of the Bank) is an existing bond holder in THFC

Except as disclosed in the paragraph above, there are no other potential conflicts of interest between the duties to the Bank of its Directors and both of its Secretaries and their private interests or other duties.

Management

The day-to-day management of the Bank is the responsibility of the Chief Executive, Executive Directors and senior management team.

5. Material Contracts

Transfer Agreement

The terms on which the business of Britannia (including all property, rights and liabilities) was transferred to the Bank are set out in a Transfer Agreement which was entered into by Britannia, The Co-operative Group Limited, Co-operative Financial Services Limited and the Bank on 11 March 2009 and approved by the members of Britannia at the Annual General Meeting of Britannia on 29 April.

The transfer of Britannia's business to the Bank in accordance with the Transfer Agreement occurred on 1 August 2009 (the "**Vesting Date**"). On the Vesting Date, each share or deposit account (including ISAs), mortgage or mortgage account in the books of Britannia became a deposit account or mortgage account with the Bank on the same terms and conditions as existed with Britannia. Britannia members were given the option to become members of the Co-operative Group.

TAXATION

The following is a summary of certain United Kingdom tax consequences of the replacement of the PIBS with Bonds. The Building Societies Act 1986 and the terms of the Merger require that this replacement must be achieved by the Bank assuming a deposit liability to each PIBS holder equal to the principal amount of their PIBS. That deposit will automatically be applied, on behalf of the PIBS holder, in the subscription of Bonds.

This summary is included only as a general guide and is based on the Bank's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. It is not exhaustive. Except where expressly stated otherwise, it relates only to persons resident or ordinarily resident and domiciled in the United Kingdom for tax purposes who are legal and beneficial owners of PIBS. Some aspects do not apply to certain classes of person (such as dealers, persons connected with Britannia and persons who have received their PIBS by virtue of an office or employment) to whom special rules may apply. The United Kingdom tax treatment of holders of PIBS (and, as such, prospective holders of Bonds) depends on their individual circumstances and may be subject to change in the future.

Persons who are subject to special rules, persons who may be subject to tax in another jurisdiction and persons who are in any doubt about their tax position should seek independent professional advice.

A. Interest on the Bonds

Payment of interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act ("**ITA 2007**"). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without deduction of or withholding on account of United Kingdom tax.

Interest on the Bonds may also be paid without deduction of or withholding on account of United Kingdom income tax where, at the time the payment is made, the Bank reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner of such interest is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs ("**HMRC**") has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a holder of Bonds, HMRC can issue a notice to the Bank to pay interest to that holder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Holders of Bonds may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a holder of Bonds. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the holder of Perpetual Subordinated Bonds is resident for tax purposes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 13 November 2008, the European Commission proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Further United Kingdom Income Tax Issues

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction of or withholding on account of United Kingdom income tax will not be chargeable to United Kingdom tax in the hands of a holder of Bonds (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that holder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that holder is a company, unless that holder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of Bonds.

B. United Kingdom Tax Consequences on the Disposal of the PIBS pursuant to the Merger

Individuals

On the basis that the PIBS constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992, the disposal pursuant to the Merger by a holder of the PIBS who is an individual will not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

On the disposal of PIBS by a holder pursuant to the Merger, any interest which has accrued to the date of the Merger should not be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 ITA 2007.

United Kingdom Corporation Tax Payers

In general, holders of PIBS which are within the charge to United Kingdom corporation tax will be charged to tax as income on any returns, profits or gains arising from the disposal of the PIBS pursuant to the Merger (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

C. Further United Kingdom Tax Consequences for Holders of the Perpetual Subordinated Bonds

Individuals

The Bonds are expected to constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a holder of a Bond who is an individual should not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

On a disposal of Bonds by a holder, any interest which has accrued to the date of disposal may (subject to certain exceptions) be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 ITA 2007, if that holder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

The Second Bonds (which are to be issued in replacement of the 200,000 PIBS of £1,000 each with an interest rate of 5.5555 per cent. of Britannia) will constitute variable rate securities for the purposes of the accrued income scheme and, accordingly, that will impact on the way in which the provisions of the accrued income scheme could apply on a disposal of such Bonds.

United Kingdom Corporation Tax Payers

In general, holders of Bonds which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the disposal of the PIBS pursuant to the Merger.

No United Kingdom stamp duty or SDRT should be payable on the issue or transfer of the Bonds.

GENERAL INFORMATION

1. Admission of Bonds to the Official List of the UK Listing Authority

The admission of Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that the Bonds will be admitted for listing to the Official List and to trading on the London Stock Exchange's regulated market on or about 3 August 2009. Application has been made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the London Stock Exchange's regulated market.

2. Authorisation

The issue of the Bonds has been duly authorised by resolutions of the Board of Directors of the Bank dated 10 June 2009.

3. Documents Available

Copies of the following documents will, when published, be available from the registered office of the Bank and from the specified office of the Agent set out at the end of this Prospectus:

(i) the Memorandum and Articles of Association of the Bank;

(ii) the audited consolidated annual financial statements of the Bank for the financial years ended 12 January 2008 and 10 January 2009 together with the reports of the auditors' thereon and the most recently available published interim financial statements (if any) of the Bank;

(iii) the audited consolidated annual financial statements of Britannia for the financial years ended 31 December 2008 and 31 December 2007;

(iv) the Registrar's Agreement,

(v) the Trust Deed;

(vi) the EMTN Prospectus; and

(vii) a copy of this Prospectus.

4. Clearing and Settlement

Notes held in uncertificated form are participating securities for the purposes of the Regulations. The Operator is in charge of maintaining the Operator register of corporate securities. Title to Notes held in uncertificated form is recorded and will pass on registration in the Operator register of corporate securities. As at the date of this Prospectus, the relevant Operator for the purposes of the Regulations is Euroclear UK & Ireland Limited.

The address of Euroclear UK & Ireland Limited is 33 Cannon Street, London EC4M 5SB, United Kingdom.

5. Significant or Material Change

There has been no significant change in the financial or trading position of the Bank and its subsidiaries taken as a whole since 10 January 2009 and there has been no material adverse change in the financial position or prospects of the Bank and its subsidiaries taken as a whole since 10 January 2009.

6. Litigation

Neither the Bank nor any of its subsidiaries is or has been involved in any legal, governmental or arbitration proceedings, during the twelve months preceding this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank and its subsidiaries taken as a whole nor so far as the Bank is aware are any such proceedings pending or threatened.

Test case actions in respect of overdraft charges and industry wide regulatory actions in respect of payment protection insurance may expose the Bank to compensatory claims from customers. The Bank currently benefits from an FSA waiver for complaints handling in respect of overdraft charges.

7. Auditors

The auditors of the Bank are KPMG Audit Plc, Chartered Accountants and Registered Auditors, who have audited the Bank's accounts, without qualification, for the financial periods ending, 12 January 2008 and 10 January 2009.

The auditors of Britannia are PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, who have audited Britannia's consolidated annual financial statements, without qualification, for the financial years ended 31 December 2008 and 31 December 2007.

8. Post-Issuance Information

The Bank does not intend to provide any post-issuance information in relation to the Bonds.

THE BANK

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1 Balloon Street
Manchester M60 4EP

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
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100 Wood Street
London EC2V 7EX

AGENT
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Spencer Road
Lancing
West Sussex BN99 6DA

REGISTRAR
Equiniti Limited
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LEGAL ADVISERS

To the Bank:	*To the Trustee:*
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AUDITORS TO THE BANK

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