



# The Co-operative Bank p.l.c.

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

£3,000,000,000

## Euro Note Programme

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Under this £3,000,000,000 Euro Note Programme (the “Programme”), The Co-operative Bank p.l.c. (the “Bank” or “Issuer”) may from time to time issue Ordinary Notes (“Ordinary Notes”) and Subordinated Notes (“Subordinated Notes” and, together with the Ordinary Notes, the “Notes”) denominated in any currency agreed between the Bank and the relevant Dealer (as defined herein).

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.**

Arranger

**J.P. Morgan Cazenove**

Programme Dealers

**Barclays Capital**

**BNP PARIBAS**

**Citi**

**Credit Suisse**

**Deutsche Bank**

**Goldman Sachs International**

**HSBC**

**J.P. Morgan Cazenove**

**The Royal Bank of Scotland**

**UBS Investment Bank**

*On 31 May 1994, the Bank entered into a £400,000,000 Euro Note Programme and issued an Offering Circular on that date describing such Programme and the Notes (as defined above) to be issued thereunder. This Prospectus supersedes all previous Offering Circulars. Any Notes issued after the date hereof under such Programme, which has been amended and supplemented as at the date hereof as described herein, will be issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.*

Application has been made to the Financial Services Authority (the “FSA”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for Notes issued under the Programme during the period of 12 months from the date of this Prospectus 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 such Notes to be admitted to trading on the London Stock Exchange’s regulated market.

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes 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”).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a final terms document (the “Final Terms”) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed on such other or further stock exchange or stock exchanges as may be agreed between the Bank and the relevant Dealer. The Bank may also issue unlisted Notes.

The Notes of each Tranche will either initially be represented by a temporary global Note or, if agreed between the Bank and the relevant Dealer, be represented by a permanent global Note which, in either case, will, if intended to be issued in new global note (“NGN”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”), and if not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and/or Clearstream, Luxembourg and/or except in relation to Notes issued in NGN form any other agreed clearing system and which, in the case of a temporary global Note, will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or definitive Notes, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for definitive Notes, upon request, all as further described in “Form of the Notes” below.

**This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”).**

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of the Final Terms will be available from the registered office of the Bank and the specified office of the Agent set out at the end of this Prospectus.

The Bank accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief 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.

Neither any Dealer nor the Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any Dealer or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Bank in connection with the Programme. Neither any Dealer nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Bank in connection with the Programme.

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 Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, any Dealer or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, any Dealer or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes 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 Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Bank or any Dealer to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes 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 Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Programme Dealers (as specified under “Overview of the Programme” and any additional Dealer appointed under the Programme from time to time by the Bank) and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any investor in the Notes 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.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Bank, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material relating to the Programme or Notes issued thereunder may be distributed or published in any jurisdiction except in circumstances that will result in compliance with any applicable laws and regulations. Persons into

whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan, see “Subscription and Sale” below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, see “Subscription and Sale” below.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Bank nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Bank or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to the “UK” are to the United Kingdom of Great Britain and Northern Ireland and to (i) “Sterling”, “Pounds” and “£” refer to the currency of the United Kingdom, (ii) “U.S. dollars”, “U.S.\$”, “\$” and “U.S. cents” refer to the currency of the United States of America and (iii) “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## **Risk Factors**

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

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Bank believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Notes 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.*

### **Factors that may affect the Bank's ability to fulfil its obligations under Notes issued under the Programme**

#### ***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 recent 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.

In recent years, the global economy and the global financial system have been experiencing a period of significant turbulence and uncertainty. The very severe dislocation of the financial markets around the world that began in August 2007 and significantly worsened in 2008 has triggered widespread problems at many commercial banks, investment banks, insurance companies, building societies and other financial and related institutions in the UK and around the world. This dislocation has severely impacted general levels of liquidity, the availability of credit and the terms on which credit is available. This crisis in the financial markets led the UK government and other governments to inject liquidity into the financial system and take other forms of action relating to financial institutions aimed at both supporting the sector and providing confidence to the market.

Despite these actions, the volatility and disruptions in the financial markets have continued. Although there was some easing of market disruptions in the second half of 2009 and the early part of 2010, recent developments, particularly in the eurozone, have demonstrated that there continue to be significant dislocations and uncertainty. These market dislocations have also been accompanied by recessionary conditions and trends in the UK and many economies around the world. The widespread deterioration in the UK (including the impact of government spending cuts) and other economies around the world has adversely affected, among other things, consumer confidence, levels of unemployment, the state of the housing market, the commercial real estate sector, bond markets, equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes, the liquidity of the global financial markets and market interest rates, which in turn has had and may

continue to have a material adverse effect on the Bank's business, operating results, financial condition and prospects.

A widespread and severe deterioration in the UK 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.

#### *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 54.3 per cent. of the Bank's assets as at 31 December 2010. There was a significant property and construction portfolio of £4.5 billion on the Bank's corporate lending book as at 31 December 2010.

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. Possible volatility in the current economic climate may lead to further corrections in mortgage valuations with a risk of possible further decreases in house prices and/or increases in default rates. As a result of such a scenario, the Bank's retail portfolios may generate increases in impairment losses which could materially affect its operations, financial condition and prospects.

#### *Personal financial services market*

Unsecured personal lending constituted approximately £1.6 billion of the Bank's assets as at 31 December 2010. 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. 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.

#### *Margin compression*

The industry has been experiencing a pressure on net interest margins although the Bank has successfully strengthened margins in 2010 to 138bps (2009: 124bps). The main factors driving the pressure on margin has been the increased cost of retail funding, reflecting the competitive savings market and the progressive re-pricing of long-term wholesale funding. This has been offset by wider spreads on new mortgage pricing, the impact of which has been limited as liabilities continue to re-price faster than the asset side of the balance sheet due to very low levels of re-mortgage activity. The Bank does not expect these conditions to abate significantly in the near term and there remains the possibility of further downward pressure on profitability depending on a number of influences, such as the consequences of a more austere economic environment or further competition in both the savings and mortgage markets.

### *UK sovereign credit rating*

Any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Bank's operating results, financial condition, prospects as well as on the marketability of the Notes. This might also have an impact on the Bank's own credit ratings, borrowing costs and its ability to fund itself. A UK sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, further depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip" recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in Italy, the Republic of Ireland, Greece, Portugal and Spain in particular. Further instability within these countries or others within the eurozone might lead to contagion.

### ***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.

#### *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 and reduced business activity. On-going market developments may result in a possible increase of commercial and consumer loan delinquencies and may further affect consumer confidence levels, possibly causing adverse changes in payment patterns, 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.

#### *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.

#### *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.

#### *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. Furthermore, on the merger of the Bank with Britannia in 2009 (the "Merger"), Britannia's net assets were restated to fair value. The majority of these Merger fair value adjustments unwind back through the income statement over the lives of the associated assets and liabilities. Although over time the impact is broadly neutral, the impact in any one year depends on the assumptions made about expected future arrears, interest rates, redemption rates and maturities. The timing of Merger fair value adjustment unwinds may have a material adverse effect on the Bank's operating results, financial condition and prospects. See also "*Description of the Bank – Recent Developments*".

#### *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 are discussed in the section headed "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.

#### *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 and this is expected to remain the case.

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

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. Whilst various governments, including the UK government, have taken substantial measures to ease the crisis in liquidity, there can be no assurance that these measures will succeed in materially improving the liquidity position of major UK banks and building societies, including the Bank, in the long term. In addition, the availability and the terms on which any such measures will continue to be made available to the Bank in the longer term are uncertain. The Bank does not have influence over the policy making behind such measures. Further, there can be no assurance that these conditions will not lead to an increase in the overall concentration risk and cost of funding of the Bank or otherwise adversely affect the Bank.

In 2008, the Bank of England launched its Special Liquidity Scheme which allows banks to swap their high quality mortgage-backed and other securities for UK treasury bills for a defined period. The Bank has used the 2008 Special Liquidity Scheme in common with many banks and building societies, and has used this facility as an efficient way of maintaining a high level of liquidity. During 2011 and 2012, the Bank will need to refinance its obligations arising from the maturity of Special Liquidity Scheme transactions that it has undertaken. Over the same period a number of other UK banks and building societies will also be seeking to refinance their obligations under the Special Liquidity Scheme and/or the Credit Guarantee Scheme. Accordingly, this may affect the Bank's ability to access wholesale funding arrangements on satisfactory market terms in order to meet its continuing funding requirements and could have a material impact on its liquidity.

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"). Please also see "*Description of the Bank - Liquidity Management*".

#### *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. 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.

### *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.

### *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. Industry wide regulatory actions in respect of payment protection insurance may expose the Bank to compensatory claims from customers.

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.

### *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.

If sentiment towards the banks, building societies and/or other financial institutions operating in the United Kingdom residential mortgage market (including the Bank) were to further deteriorate, or if the Bank's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Bank. In addition, such change in sentiment or further reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all UK financial services institutions, including the Bank.

### *Financial Services Compensation Scheme ("FSCS")*

The Financial Services and Markets Act 2000 ("FSMA") established the Financial Services Compensation Scheme (the "FSCS"), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. An institution's FSCS levy is linked to its share of the UK deposit market, and therefore its FSCS levy may have a material impact on its profits. As at the date of this Prospectus, a number of claims against the FSCS have been triggered. Claims on the FSCS are funded by loans from the Bank of England, and until such loans are repaid, increased levies on UK deposit-taking institutions fund interest payments on such loans. As a result of the various claims under the FSCS, the Bank, in common with all regulated UK deposit takers, has recently been subject to significantly increased FSCS levies. In

certain circumstances, regulated UK deposit takers may further be required to fund, by way of a further increase in the FSCS levy, the capital repayment to the Bank of England of a loan. There can also be no assurance that there will be no actions taken under the Banking Act 2009 (the “Banking Act”) that may lead to future claims against the FSCS, and concomitant increased FSCS levies payable by the Bank (and other regulated UK deposit takers), which may have a material adverse effect on its results of operations.

The Bank has provided £20.3 million for its share of the levies that will be raised by the FSCS including the interest on the loan from the HM Treasury in respect of the levy years to 31 March 2011 and to 31 March 2012. The provision includes estimates for the interest the FSCS will pay on the loan and of the Bank’s market participation in the relevant years. Although the liabilities are considered to be material to the Bank, and they have been recognised, as mentioned, and duly disclosed, the ultimate cost to the industry in respect of increased FSCS levies remains uncertain.

#### *Risks relating to impacts of regulatory change*

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.

Future legislative and regulatory changes could force the Bank to comply with certain operational restrictions, take steps to raise further capital, and/or increase the Bank’s expenses and/or otherwise adversely affect the Bank’s business results, financial condition or prospects, those minimum regulatory requirements may increase in the future and/or the FSA may change the manner in which it applies existing regulatory requirements.

The Bank conducts its business subject to ongoing regulation by the FSA, which oversees the sale of residential mortgages, commercial lending, banking and general insurance products. The regulatory regime requires the Bank to be in compliance across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Bank fails to be compliant with relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. This is particularly the case in the current market environment, which is witnessing increased levels of government intervention in the banking, personal finance and real estate sectors. Future changes in regulation, fiscal or other policies are unpredictable and beyond the Bank’s control and could materially adversely affect its business or operations.

There are a number of business risks associated with the UK personal finance sector that alone or cumulatively could have a material adverse effect on the Bank’s operations. These risks include:

- if the United Kingdom were to adopt the euro as its currency. The Bank has incurred costs preparing its business for the potential adoption of the euro, and these costs will continue. Additionally, the adoption of the euro could destabilise the United Kingdom’s economy, which may have an adverse effect on the Bank’s business; and
- the FSA, and other bodies such as the Financial Services Ombudsman, could impose additional regulations on current and past dealings with retail customers. As a result, the Bank may be required to incur costs to apply these regulations to its business.

In July 2009, the UK government issued a White Paper (the “White Paper”) which builds on and responds to the previously published Turner Review (March 2009) and Bank of England Financial

Stability Report (June 2009), both of which contained proposals for reform of the structure and regulation of the banking system. Proposals in the White Paper included: enhanced regulatory powers for the FSA; introducing pre-funding for the UK's deposit protection scheme by 2012; requiring banks to develop and maintain detailed plans for winding down (or resolution); and more stringent capital and liquidity requirements for systemically significant firms.

In October 2009, the second Turner Review was published, which developed some issues highlighted for further discussion from the March review. In November 2009, the Financial Services Bill was presented to Parliament and in April 2010 the Financial Services Act (the "FS Act") was passed. The FS Act amends the FSMA to provide the FSA with a new financial stability statutory objective, gives the FSA significant new powers to make rules on remuneration arrangements, short selling, recovery and resolution plans to reduce systemic risks associated with the failure of financial institutions, consumer redress schemes, to gather information relevant to financial stability and extends its enforcement powers.

On 16 June 2010, the Chancellor of the Exchequer announced the intention of the new coalition government with respect to the following matters:

- the existing tripartite regulatory regime in the UK will be abolished;
- the FSA will cease to exist in its current form;
- a new prudential regulator, which will operate as a subsidiary of the Bank of England, will be created that will carry out the prudential regulation of financial firms in the UK, including banks, investment banks, building societies and insurance companies;
- an independent Financial Policy committee at the Bank of England will be created that will have the tools and the responsibility to look across the economy at the macro issues that may threaten economic and financial stability and take effective action in response; and
- a new Consumer Protection and Markets Authority will be established.

Following on from the Chancellor's announcement noted above, in July 2010 and in February 2011, HM Treasury published consultations on proposals to replace the FSA with a new Prudential Regulation Authority, which will be responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and a new Financial Conduct Authority (the "FCA", previously referred to as the Consumer Protection and Markets Authority), which will be responsible for conduct of business. HM Treasury proposes, inter alia, that the FCA will have power to render unenforceable contracts made in contravention of its product intervention rules, and that formalised cooperation will exist between the FCA and the Ombudsman particularly where issues identified potentially have wider implications. The new regulatory structure is expected to be in place by the end of 2012.

The government has also announced that alongside the Independent Commission on Banking's review of the UK banking sector, it will consult on a remuneration disclosure scheme and will also look into the costs and benefits of a "Financial Activities Tax on profits and remuneration".

A bank levy was introduced on 1 January 2011. The levy will apply to UK banking groups, building societies and the operations of non-UK banks in the UK, but only to the extent that the relevant aggregate liabilities (subject to certain exclusions, including for tier 1 capital, insured retail deposits and repos secured on sovereign debt) of such institutions amount to £20 billion or more. The levy is expected to raise over £2.5 billion annually. As the Bank is currently below the threshold, the levy does not apply to the Bank.

The government initially announced that a reduced rate of 0.05 per cent would apply in 2011, recognising the uncertain market conditions prevailing at the time. However on 8 February 2011 the Government announced that it no longer considers this necessary. From 1 March 2011 the rate of the levy will be 0.1 per cent for 2 months, to offset the lower rate of 0.05 per cent charged in January and February, before moving to 0.075 per cent. In the budget 2011 it was announced that from 1 January 2012, the rate of the bank levy will further rise to 0.078 per cent.

At this point it is impossible to predict how and the extent to which the foregoing recently announced changes will impact on the Bank's operations, business results, financial condition or prospects.

Accordingly, there can be no assurance that any changes to the existing regulatory regime arising from the implementation of any of the foregoing matters or any other regulatory changes that may be proposed will not have a material adverse effect on the Bank's operations, business, results, financial condition or prospects.

#### *Risks relating to the Banking Act 2009*

The Banking Act, which came into effect on 21 February 2009, includes (amongst other things) provision for a special resolution regime (the "SRR") pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of a UK bank or building society (such as the Bank).

The orders which may be made under the Banking Act in respect of relevant deposit-taking institutions relate to share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances, including between group companies, and/or disapplication or modification of laws (with possible retrospective effect)) and two new special insolvency procedures (bank insolvency and bank administration) which may be commenced by UK authorities.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the UK. It is a condition to the exercise of a stabilisation power under the Banking Act that the FSA must be satisfied that the relevant bank or building society is failing or likely to fail to meet the FSA's threshold conditions for authorisation and that, having regard to timing and other relevant circumstances, it is not reasonably likely that action would be taken that would have enabled such bank or building society to satisfy the threshold conditions. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it.

If an instrument or order were to be made under the Banking Act in respect of the Bank, such instrument or order may (amongst other things) (i) result in a transfer to another issuer via the modified tools described above, (ii) affect the Bank's ability to satisfy its obligations under the Notes and/or (iii) result in modifications to the terms of the Notes, which may have certain tax implications. In addition, the Banking Act contains particular powers for provision to be included in an instrument or order that such instrument or order (and possibly certain related events) be disregarded in determining whether certain widely defined "default event" provisions have occurred (which default events could include certain events of default under any Notes) and provides for the disapplication or modification of laws (with possible retrospective effect) and/or fiscal consequences in connection with the exercise of powers under the Banking Act.

Moreover there can be no assurance that amendments may not be made to the Banking Act or other legislation introduced in the United Kingdom which would have the effect of amending the SRR described above, and as a result, the position of Noteholders. For example, the European Commission launched a consultation on 6 January 2011 on a comprehensive framework for dealing with failing banks and the Basel Committee on Banking Supervision (the “Basel Committee”) put forward requirements for Tier 1 and Tier 2 capital instruments on 13 January 2011 which may lead to legislation and/or rules being introduced which would require such instruments to be written off (i.e. by way of a reduction in the principal amount outstanding of such instruments to a lesser amount or to zero, as the case may be) or converted into ordinary shares at the point of a bank’s non viability. The introduction of any such legislation may have an adverse effect on the position of Noteholders. See also “*Impact of Basel Committee reforms on subordinated debt*”.

The following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

*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.

*Various actions may be taken in relation to the Notes without the consent of the Noteholders*

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 Notes) without the consent of the Noteholders, including (among other things): (i) delisting the Notes (ii) converting the Notes into another form or class (the scope of which power is unclear, although may include, for example, conversion of the Notes into equity securities); (iii) modifying or disapplying certain terms of the Notes, including disregarding any termination or acceleration rights or events of default under the terms of the Notes 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 Noteholders, the price or value of their investment in the Notes and/or the ability of the Bank to satisfy its obligations under the Notes. In such circumstances, Noteholders 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 Noteholders would thereby recover compensation promptly or equal to any loss actually incurred.

*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 Notes) 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 Notes and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, Noteholders 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 Noteholders 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 Noteholders will not be adversely affected by any such order or instrument if made.

*The Bank's business performance could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements*

Effective management of the Bank's capital is critical to its ability to operate its businesses, and to grow organically. The Bank is required by the FSA to maintain adequate capital resources. The maintenance of adequate capital is also necessary for the Bank's financial flexibility in the face of continuing turbulence and uncertainty in the global economy. The FSA's liquidity policy statement issued in October 2009 states that UK regulated firms must hold sufficient eligible securities to survive a liquidity stress and that liquidity policy statement, together with the developments described below, has resulted in the Bank holding a greater amount of government securities to ensure that it has adequate liquidity in times of financial stress.

On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". On 12 September 2010, the Bank of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements, and the reforms were endorsed by the G-20 leaders after the G-20 Summit in Seoul in November 2010. On 16 December 2010, the Basel Committee published the Basel III rules in documents entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" (containing the reforms relating to capital) and "Basel III: International framework for liquidity risk measurement, standards and monitoring" (containing the reforms relating to liquidity). The Basel III rules contain a requirement for countercyclical buffers of up to 2.5 per cent. of risk-weighted assets. Such buffers will be in effect only if national authorities judge an excessive credit growth to be associated with the build-up of system-wide risk. The countercyclical buffer is to be met with shareholders' equity. The Basel Committee is considering whether to permit other fully loss-absorbing capital. Until the Committee has issued further guidance, the countercyclical buffer is to be met with shareholders' equity only.

The Basel Committee's package of reforms includes increasing the minimum common equity requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments). The total Tier 1 capital requirement, which includes common equity and other qualifying financial instruments, will increase from 4 per cent. to 6 per cent. The total capital requirement (which comprises Tier 1 capital and Tier 2 capital) remains at 8 per cent. In addition, banks will be required to maintain, in the form of common equity (after the application of deductions), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity requirements to 7 per cent. If there is excess credit growth in any

given country resulting in a system-wide build up of risk, a countercyclical buffer within a range of 0 per cent. to 2.5 per cent. of common equity (or possibly other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. In addition, a leverage ratio will be introduced, together with a liquidity coverage ratio and a net stable funding ratio. The liquidity coverage ratio is intended to promote resilience to potential liquidity stress scenarios lasting for a 30-day period. The net stable funding ratio is intended to limit over reliance on short-term wholesale funding and has been developed to provide a sustainable maturity structure of assets and liabilities. The Basel Committee is conducting further work on systemically important financial institutions and contingent capital in close coordination with the Financial Stability Board. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in debt (which could be introduced by statute, possibly impacting existing as well as future issues of debt and exposing them to the risk of conversion into equity and/or write-down of principal amount). Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank becomes non-viable. The Basel Committee has committed to complete a methodology for identifying global systemically important financial institutions with a view to the Financial Stability Board and national authorities determining by mid-2011 those institutions to which the recommendations for global systemically important financial institutions will initially apply. In addition, by mid-2011, the Basel Committee is to complete a study of how much additional loss absorbency capacity global systemically important financial institutions should have and how much of such capacity could be provided by the various proposed instruments (which include contingent capital securities and bail-in debt).

The implementation of the Basel III reforms will begin on 1 January 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to be fully effective by 2019.

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 Notes issued under the Programme. See also “*Impact of Basel Committee reforms on subordinated debt*”.

### ***Additional risks related to the Merger***

#### *Synergy risks*

As a result of the Merger, the Bank expects to increase its revenues and reduce the operating expenses of the combined business. The Bank has stated that it expects to achieve estimated efficiency savings and income benefits of £60 million 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.

#### *Transformation risks*

The Bank is still in a process of transition from the Merger and is continuing to integrate heritage systems and processes. There are risks associated with the integration of two organisations of the size

of the Bank and Britannia Building Society. 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 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 the Bank is undertaking numerous transformation projects the most significant of these being the “banking transformation programme” (“bTp”) which will replace existing retail and corporate banking information technology platforms and infrastructure with a new, state of the art, core banking platform. The implementation of the bTp is expected to take several years and have a significant cost to the Bank.

If the implementation of such projects is not delivered on time, and / or the costs of implementation rise significantly and the Bank fails to exploit such projects once implemented, there is a risk that there could both be a delay to the future benefits, and an increased cost for the transformation process which may have an adverse effect on the Bank’s business, financial position and results of operations.

Furthermore, senior management may be required to devote significant time to the process of integrating the businesses which may decrease the time they have to manage the Bank’s ongoing 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.

#### *Concentration risk*

The lending book of the Bank has exposure to a range of customers, assets, industries and geographies which when combined could result in additional concentration risk, including in relation to United Kingdom residential mortgage lending. For further information on United Kingdom residential mortgage lending please refer to “Risk Factors – United Kingdom housing and commercial property markets”.

#### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

##### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;

- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes 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 Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *Notes subject to optional redemption by the Bank*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Loss of investment*

If, in the case of any particular Tranche of Notes, the relevant Final Terms specify that the Final Redemption Amount of the Notes is other than 100 per cent. of the nominal value of such Notes, there is a risk that any investor may lose the value of their entire investment or part of it.

#### *Index Linked Notes and Dual Currency Notes*

The Bank may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Bank may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;

- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### *Partly-paid Notes*

The Bank may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *The Bank's obligations under Subordinated Notes are subordinated*

The Bank's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to claims of Senior Creditors. "Senior Creditors" means creditors of the Bank whose claims are admitted to proof in the winding up of the Bank and who are unsubordinated creditors of the Bank, and "Subordinated Creditors" means creditors of the Bank (including, without limitation, the Subordinated Noteholders, the Subordinated Receiptholders and the Subordinated Couponholders) whose claims against the Bank are, or are expressed to be, subordinated in the event of the winding up of the Bank in any manner to the claims of any unsecured and unsubordinated creditor of the Bank, but excluding those subordinated creditors of the Bank (if any) whose claims rank, or are expressed to rank, junior to the claims of the Subordinated Noteholders, Subordinated Receiptholders and Subordinated Couponholders and/or to the claims of any other creditors of the Bank whose claims rank, or are expressed to rank, *pari passu* with the claims of the Subordinated Noteholders, Subordinated Receiptholders and Subordinated Couponholders or with whose claims the claims of the Subordinated Noteholders, Subordinated Receiptholders and Subordinated Couponholders rank, or are expressed to rank, *pari passu*. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Bank become insolvent.

### *Impact of Basel Committee reforms on subordinated debt*

On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III. The Basel III reforms require non-common Tier 1 and Tier 2 capital instruments to have a provision in their terms and conditions that require them to be written-off on the occurrence of a trigger event. The implementation of the Basel III reforms will begin on 1 January 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time.

The press release dated 13 January 2011 included the following statements:

The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction so conforms; and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to such loss.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority.

The terms of any Subordinated Notes issued pursuant to this Prospectus do not contain any such provision. There can be no assurance that the Banking Act, any amendment or supplementary legislation or any new legislation will be confirmed in due course by a peer group review (as referred to in clause (b) above) to conform with clause (a) above so that such Subordinated Notes would be subject to being written down or fully loss absorbing as set out in clause (a) in the above paragraph. If the authorities having regulatory oversight of the Bank at the relevant time (i) disclose that a peer group review has confirmed that the UK legislation conforms with clause (a) above and (ii) disclose that they do not require a change to the terms and conditions of any non-common Tier 1 and Tier 2 instruments to include a provision that requires either that they be written off or converted into equity upon the occurrence of a trigger event (which they may require even if UK legislation is deemed by a peer group review to conform with clause (a) in the above paragraph), then the Bank will notify holders of any affected Subordinated Notes in accordance with applicable transparency rules that, going forward, such instruments are confirmed as subject to loss as set out in clause (a) in the above paragraph. This may have an adverse effect on the position of holders of Subordinated Notes.

Furthermore, there can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Union and/or the authorities in the UK may implement the package of reforms, including the terms which capital securities are required to have, in a manner that is different from that which is currently envisaged, or may impose more onerous requirements on UK banks. See also “*Risks relating to the Banking Act 2009*”.

The EU Commission is expected to publish its directive (CRD IV) mid-2011 for implementation in domestic legislation at the beginning of 2013. There is a risk that the UK authorities, when implementing the directive, may enhance the Basel III reforms by implementing reforms which are stricter than those envisaged by the Basel Committee.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### ***Modification, waivers and substitution***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Bank, in the circumstances described in Conditions 16 and 18 of the conditions of the Notes.

### *European Monetary Union*

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in euro, (ii) the law may allow or require such Notes to be redenominated into euro and additional measures to be taken in respect of such Notes, and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

The European Commission has proposed certain amendments to EC Council Directive 2003/48/EC, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### *Change of law*

The conditions of the Notes 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.

### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Risks related to the market generally***

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

#### *The secondary market generally*

Notes 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 Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would 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 Notes.

#### *Exchange rate risks and exchange controls*

The Bank will pay principal and interest on the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. 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 Notes. 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.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such

registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings referred to in the Final Terms will be disclosed in the Final Terms.

*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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## Documents Incorporated by Reference

The following documents, which have been published and filed with the Financial Services Authority, shall be incorporated in, and form part of, this Prospectus:

- (i) the auditor's report and audited consolidated and non-consolidated annual financial statements of the Bank for the financial years ended 31 December 2010 and 31 December 2009;
- (ii) the section entitled "Terms and Conditions" on pages 20 – 39 of the Base Prospectus dated 14 May 2003 prepared by the Bank in relation to the Programme;
- (iii) the section entitled "Terms and Conditions" on pages 30 – 51 of the Base Prospectus dated 14 July 2006 prepared by the Bank in relation to the Programme; and
- (iv) the section entitled "Terms and Conditions" on pages 37 – 60 of the Base Prospectus dated 31 March 2010 prepared by the Bank in relation to the Programme; and
- (v) the RNS announcement "The Leek and Dovedale Programmes" dated 30 March 2011.

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. Any statement contained in this Prospectus or in a document incorporated by reference herein shall be deemed to be modified or superseded to the extent that a statement contained in any such supplement 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.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

## Overview of the Programme

The following Overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions specified as capitalised terms in “Form of the Notes” and defined in “Terms and Conditions of the Notes” below shall have the same meanings in this Overview.

**Issuer:** The Co-operative Bank p.l.c.

**Risk Factors:** There are certain factors that may affect the Bank’s ability to fulfil its obligations under Notes issued under the Programme. 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 Notes. In addition, there are risks associated with the merger (the “Merger”) with Britannia Building Society including operational risks around the integration of the two businesses and certain market and credit risks associated with the assumption of Britannia Building Society assets and liabilities.

In this Prospectus, references to the “Bank” are to the Co-operative Bank p.l.c. either subsequent to the Merger or prior to the Merger, depending on the context and references to “Britannia” are to the retail residential businesses of the Bank transferred from Britannia Building Society and references to “Britannia Building Society” are to Britannia Building Society prior to the Merger.

**Description:** Euro Note Programme

**Arranger:** J.P. Morgan Securities Ltd.

**Programme Dealers:** Barclays Bank PLC  
BNP Paribas  
Citigroup Global Markets Limited  
Credit Suisse Securities (Europe) Limited  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities Ltd.  
The Royal Bank of Scotland plc  
UBS Limited

**Trustee:** The Law Debenture Trust Corporation p.l.c.

**Agent:** The Bank of New York Mellon, London Branch

<b>Programme Size:</b>	Up to £3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
<b>Legal and regulatory requirements:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale” below).
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Euro, Sterling and U.S. dollars and subject to any applicable legal or regulatory restrictions, any other currency as may be agreed between the Bank and the relevant Dealer.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the applicable Final Terms.
<b>Maturities:</b>	Such maturities as may be agreed between the Bank and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Bank or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer form, which may be in new global note (“NGN”) form, as described in “Form of the Notes” below.
<b>Fixed Rate Notes:</b>	Interest on Fixed Rate Notes will be payable on such date or dates as may be agreed between the Bank and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption.  Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Bank and the relevant Dealer.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> </ul>

(iii) on such other basis as may be agreed between the Bank and the relevant Dealer,

(in each case as indicated in the applicable Final Terms).

The Margin (if any) relating to such floating rate will be agreed between the Bank and the relevant Dealer for each issue of Floating Rate Notes.

**Interest Periods for Floating Rate Notes:** Such period or periods as the Bank and the relevant Dealer may agree (as indicated in the applicable Final Terms).

**Index Linked Notes:** Payments in respect of interest on Index Linked Interest Notes or in respect of principal on Index Linked Redemption Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Bank and the relevant Dealer may agree (as indicated in the applicable Final Terms).

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:** Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Bank and the relevant Dealer, will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction as may be agreed between the Bank and the relevant Dealer.

**Change of Interest Basis or Redemption/Payment Basis:** Notes may be converted from one Interest Basis or Redemption/Payment Basis to another if so provided in the applicable Final Terms.

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Bank and the relevant Dealer may agree (as indicated in the applicable Final Terms).

**Zero Coupon Notes:** Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:** The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Bank and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or, as the case may be, the Bank on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be repayable in two or more instalments of such amounts and on such dates as indicated therein.

No redemption of Subordinated Notes for taxation reasons or otherwise at the option of the Bank, or purchase of Subordinated Notes by the Bank, may be made without the prior consent of the Financial Services Authority.

**Denomination of Notes:** Notes will be issued in such denominations as may be agreed between the Bank and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

The minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:** All payments in respect of the Notes will be made without deduction for or on account of any withholding taxes imposed by the Tax Jurisdiction (as defined in Condition 8), subject as provided in Condition 8. In the event that any such deduction is made, the Bank will, save in the circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

**Negative Pledge:** The Ordinary Notes will contain a negative pledge provision as described in Condition 4.

**Cross Default:** The Ordinary Notes will contain a cross-default provision relating to Indebtedness as defined and further described in Condition 10.

**Status of the Ordinary Notes:** The Ordinary Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 and to applicable statutory provisions, unsecured obligations of the Bank and will rank *pari passu* among themselves and (subject as aforesaid) equally with all other unsecured and unsubordinated obligations of the Bank from time to time outstanding.

**Status of the Subordinated Notes:** The Subordinated Notes will constitute subordinated and unsecured obligations of the Bank and will rank *pari passu* among themselves. In the event of the winding up of the Bank, the claims of the holders of Subordinated Notes pursuant thereto will be subordinated to the claims of Senior Creditors (as defined in Condition 3) in the manner and to the extent provided in the Trust Deed.

**Listing and Admission to Trading:** Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

**Governing Law:** The Trust Deed and the Notes are governed by, and shall be

construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom) and Japan. In connection with the offering and sale of a particular Tranche of Notes additional or alternative restrictions may be imposed which will be set out in the applicable Final Terms. See “Subscription and Sale” below.

**United States Selling Restrictions:**

Regulation S, Category 2; TEFRA C or D or TEFRA not applicable, as specified in the applicable Final Terms.

## Form of the Notes

Each Tranche of Notes will be in bearer form and will either be initially represented by a temporary global Note (without receipts, interest coupons or talons) or, if agreed between the Bank and the relevant Dealer, be represented by a permanent global Note (without receipts, interest coupons or talons) which, unless otherwise agreed between the Bank and the relevant Dealer, will (i) if the global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Clearstream, Luxembourg and Euroclear; and (ii) if the global Notes are not intended to be issued in NGN form, be delivered to a common depository for Clearstream, Luxembourg and Euroclear. Any reference in this section “Form of the Notes” to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, except in relation to Notes issued in NGN form, be deemed to include a reference to any additional or alternative clearing system approved by the Bank, the relevant Dealer, the Agent and the Trustee.

Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owner of such Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Clearstream, Luxembourg and/or Euroclear and Clearstream, Luxembourg and/or Euroclear, as applicable, has given a like certification (based on the certifications it/they has/have received) to the Agent.

On and after the date (the “Exchange Date”) which is the later of (i) 40 days after the date on which a temporary global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue) (the “Distribution Compliance Period”), but, if such temporary global Note is issued in respect of a Tranche of Notes described as Partly Paid Notes in the applicable Final Terms, only if the final instalment on all outstanding such Notes has been paid, interests in the temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note (without receipts, interest coupons or talons) of the same Series or for security printed definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described above unless such certification has already been given as described above. The holder of a temporary global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of an interest in the temporary global Note for an interest in a permanent global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a permanent global Note will be made through Clearstream, Luxembourg and/or Euroclear (against presentation or (as the case may be) surrender of the permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes in bearer form with, where applicable, receipts, interest coupons and talons attached either (i) save in respect of Notes for which the applicable Final Terms permit trading in the Clearing Systems in Tradeable Amounts which are not a Specified Denomination, upon not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these

purposes, “Exchange Event” means that the Bank has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available. The Bank will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all global Notes and definitive Notes which have an original maturity of more than 365 days and on all receipts, interest coupons and talons relating to such Notes, unless otherwise agreed between the Bank and the relevant Dealer:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

## Form of Final Terms

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

**The Co-operative Bank p.l.c.**

**[Title of relevant Series of Notes (specifying type of Notes)]**

**issued pursuant to the £3,000,000,000 Euro Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 5 April 2011 which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the “Prospectus Directive”) to the extent that such amendments have been implemented in a Member State). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at and copies may be obtained from, the registered office of the Issuer and the specified office of the Agent.

[Prospective investors should note that these Final Terms do not constitute “final terms” within the meaning of the Prospectus Directive.] *[Include for unlisted notes with a minimum denomination of EUR100,000 (or its equivalent).]*

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [*original date*] which are incorporated by reference in the Prospectus dated [*current date*] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 5 April 2011 which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [*current date*]. Copies of such Offering Circular and Prospectus are available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs.]*

- |    |                                   |   |
|----|-----------------------------------|---|
| 1. | Issuer:                           | The Co-operative Bank p.l.c.  |
| 2. | [(i)] Series Number:              | [ ]   |
|    | [(ii)] Tranche Number:            | [ ]   |
|    |                                   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i> |
| 3. | Specified Currency or Currencies: | [ ]   |

4. Aggregate Nominal Amount: [ ]
- (i) Series: [ ]
- (ii) Tranche: [ ]
5. Issue Price of Tranche: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (i) Specified Denominations: [ ]
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.)*
- (ii) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date [and Interest Commencement Date]: [ ]
- (ii) Interest Commencement Date (if different from the Issue Date): [ ]
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]

[Partly Paid]  
[Instalment]  
[specify other]

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

11. Change of Interest Basis or Redemption/Payment: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer call]  
[(further particulars specified below)]
13. Status of the Notes: [Ordinary/Subordinated]
14. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear] *(If payable other than annually, consider amending Condition 5)*
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date [specify other] *(NB: This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: [Actual/Actual (ICMA) or 30/360 or specify other]
- (vi) [Determination Date(s): [ ] in each year  
[(Insert interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon  
NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration  
NB: only relevant where the Day Count Fraction is Actual/Actual (ICMA))]
- (vii) Other terms relating to the [None/Give details]

method of calculating interest for  
Fixed Rate Notes:

16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ *[specify other]*]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination:
- Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling LIBOR or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (viii) Margin(s): [ +/– ] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)]

- Actual/365 (Fixed)  
 Actual/365 (sterling)  
 Actual/360  
 30/360  
 30E/360  
 30E/360 (ISDA)  
 Other]
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payments: [Conditions 7(e)(iii) and 7(j) apply/specify other]
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (iv) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]  
*[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]

- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
19. Dual Currency Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable: [ ]  
*[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount/specify other/see Appendix
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ] *(N.B. If setting notice periods which are different to those provided in the Conditions, the*

*Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

21. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount/specify other/see Appendix
- (iii) Notice period (if other than as set out in the Conditions): [ ] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
22. Final Redemption Amount: [ ] per Calculation Amount/specify other/see Appendix  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
23. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [ ] per Calculation Amount/specify other/see Appendix

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in*

*paragraph 6 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

25. New Global Note: [Yes] [No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vii) relate)*
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]  
*(NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)*
29. Details relating to Instalment Notes: Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
30. Redenomination applicable: Redenomination [not] applicable [*If redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)]
31. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

## **DISTRIBUTION**

32. (i) If syndicated, names of Managers: [Not Applicable/give names]  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis)*

*and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)*

(ii) Date of [Subscription] Agreement: [ ]

*(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).*

(iii) Stabilising Manager (if any): [ ]

33. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

34. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]

35. Additional selling restrictions: [Not Applicable/give details]

#### **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on *[specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange’s regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant listing on an official list (for example, the Official List of the UK Listing Authority)]* of the Notes described herein pursuant to the £3,000,000,000 Euro Note Programme of The Co-operative Bank p.l.c.

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. *[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source].* The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify sources]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange’s regulated market or the Regulated Market of the Irish Stock Exchange)*] and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange’s regulated market or the Regulated Market of the Irish Stock Exchange)*] and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [ ]]

[Moody’s: [ ]]

[[Other]: [ ]]

[[*Insert full legal name of the credit rating agency*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert full legal name of the credit rating agency*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]

[[*Insert full legal name of the credit rating agency*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.]

[[Insert full legal name of the credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert full legal name of the credit rating agency].]

[[Insert full legal name of the credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [insert the full legal name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) No. 1060/2009. [Insert the full legal name of the relevant EU-registered credit rating agency] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[Insert full legal name of the credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

[Please also refer to “Ratings of the Notes” in the *Risk Factors* section of this Prospectus.]

### **3. NOTIFICATION**

The Financial Services Authority has provided the [names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

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

- [(i) Reasons for the offer: [ ]
- [(ii) Estimated net proceeds: [ ]
- [(iii) Estimated total expenses: [ ]]

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

**6. YIELD** (*Fixed Rate Notes only*)

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

**7. PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Index-Linked Notes only*)

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

*(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

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

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

*(N.B. This paragraph 8 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

## **9. OPERATIONAL INFORMATION**

- |       |  |   |
|-------|--|---|
| (i)   | Intended to be held in a manner which would allow Eurosystem eligibility:  | [Yes][No]<br>[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositories (“ICSD”) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][ <i>include this test if “yes” selected in which case the Notes must be issued in NGN form.</i> ] |
| (ii)  | ISIN:  | [ ]   |
| (iii) | Common Code:   | [ ]   |
| (iv)  | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/ <i>give name(s) and number(s)</i> ]  |
| (v)   | Delivery:  | Delivery [against/free of] payment  |
| (vi)  | Names and addresses of additional Paying Agent(s) (if any):  | [ ]   |

## Terms and Conditions of the Notes

This Note is one of a series of Notes issued by The Co-operative Bank p.l.c. (the “Bank”) constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time and most recently by a Ninth Supplemental Trust Deed dated 5 April 2011, the “Trust Deed”), dated 31 May 1994 made between the Bank and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include any successor as Trustee). References herein to the “Notes” shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note. The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Amended and Restated Agency Agreement (as further modified and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 5 April 2011 and made between the Bank, The Bank of New York Mellon, as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms applicable to this Note (or the relevant provisions thereof) is attached hereto or incorporated herein and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note.

References herein to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached hereto or incorporated herein.

The Trustee acts for the benefit of the holders of the Notes (the “Noteholders”, which expression shall, in relation to any Notes represented by a global Note, be construed as provided below), the holders of the Receipts (the “Receiptholders”) and the holders of the Coupons (the “Couponholders”, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The following statements include summaries of, and are subject to, the detailed provisions of the Trust Deed and the applicable Final Terms. Copies of the Trust Deed, the Agency Agreement and the Final Terms applicable to this Note are available for viewing at, and copies may be obtained from, the registered office of the Trustee, being at 28 July 2008 at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents save that the applicable Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a Noteholder and such Noteholder must produce evidence satisfactory to the Trustee or the relevant

Paying Agent, as the case may be, as to identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

So long as the Notes are represented by a temporary global Note or a permanent global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and integral multiples of the Tradeable Amount in excess thereof provided in the relevant Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. This Note is an Ordinary Note or a Subordinated Note, as indicated in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Dual Currency Redemption Note, a Partly Paid Note, an Instalment Note, or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Bank, the Trustee, the Replacement Agent (as defined in the Agency Agreement) and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and/or Euroclear Bank S.A./N.V. (“Euroclear”) each person who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Bank, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such Notes, for which purpose the bearer of the relevant global

Note shall be treated by the Bank, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the Trust Deed (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be.

References to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, except in relation to Notes in NGN form, be deemed to include a reference to any additional or alternative clearing system approved by the Bank, the Agent and the Trustee and specified in the applicable Final Terms.

## **2. Status of the Ordinary Notes**

The Ordinary Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 and to any applicable statutory provisions) unsecured obligations of the Bank and rank *pari passu* among themselves and (subject as aforesaid) equally with all other unsecured and unsubordinated obligations of the Bank from time to time outstanding.

## **3. Status and Subordination of Subordinated Notes**

### **(i) Status**

The Subordinated Notes and the relative Receipts and Coupons are unsecured and, in accordance with paragraph (ii) below, subordinated obligations of the Bank and rank *pari passu* without any preference among themselves.

### **(ii) Subordination**

Claims against the Bank in respect of the principal of and interest on the Subordinated Notes will be subordinated, in the event of the winding up of the Bank, to the claims of Senior Creditors (as defined below) in that amounts in respect of such principal and interest shall be due and payable by the Bank in such winding up only if and to the extent that the Bank could make payment thereof rateably with the claims of other Subordinated Creditors (as defined below) and still be solvent immediately thereafter. For this purpose, the Bank shall be considered to be solvent if (1) it is able to pay its debts as they fall due and (2) its Assets (as defined below) exceed its Liabilities (as defined below) to Senior Creditors.

A report in writing as to the solvency of the Bank by its liquidator shall, unless the contrary is proved, be treated and accepted by the Bank, the Trustee and the holders of the Subordinated Notes (the “Subordinated Noteholders”), the relative Receipts (the “Subordinated Receipts”, and “Subordinated Receiptholders” will be construed accordingly) and the relative Coupons (the “Subordinated Coupons”, and “Subordinated Couponholders” will be construed accordingly) as correct and sufficient evidence thereof.

In this paragraph (ii):

“Assets” means the total amount of the non-consolidated gross assets of the Bank and “Liabilities” means the total amount of the non-consolidated gross liabilities of the Bank, in each case as shown by the latest published audited balance sheet of the Bank, but adjusted for contingencies and subsequent events in such manner as the above-mentioned liquidator may determine.

“Senior Creditors” means creditors of the Bank whose claims are admitted to proof in the winding up of the Bank and who are unsubordinated creditors of the Bank, and “Subordinated Creditors” means creditors of the Bank (including, without limitation, the Subordinated Noteholders, the Subordinated Receiptholders and the Subordinated Couponholders) whose claims against the Bank are, or are expressed to be, subordinated in the event of the winding up of the Bank in any manner to the claims of any unsecured and unsubordinated creditor of the Bank, but excluding those subordinated creditors of the Bank (if any) whose claims rank, or are expressed to rank, junior to the claims of the Subordinated Noteholders, Subordinated Receiptholders and Subordinated Couponholders and/or to the claims of any other creditors of the Bank whose claims rank, or are expressed to rank, *pari passu* with the claims of the Subordinated Noteholders, Subordinated Receiptholders and Subordinated Couponholders or with whose claims the claims of the Subordinated Noteholders, Subordinated Receiptholders and Subordinated Couponholders rank, or are expressed to rank, *pari passu*.

**(iii) Set-Off**

Subject to applicable law, neither any Subordinated Noteholder, Subordinated Receiptholder or Subordinated Couponholder nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the Subordinated Notes, Subordinated Receipts or Subordinated Coupons and each Subordinated Noteholder, Subordinated Receiptholder and Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Subordinated Note, Subordinated Receipt or Subordinated Coupon, be deemed to have waived all such rights of set-off.

**4. Negative Pledge**

So long as any of the Ordinary Notes remains outstanding (as defined in the Trust Deed), the Bank will not, and will procure that none of its Subsidiaries (as defined in the Trust Deed) shall, create or permit to be outstanding, any Encumbrance (other than a Permitted Encumbrance) upon the whole or any part of its undertaking or assets, present or future, to secure any Relevant Liability without at the same time according to the Ordinary Notes and the relative Receipts and Coupons either the same security as is granted to or is outstanding in respect of such Relevant Liability or such other security as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the holders of the Ordinary Notes or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Ordinary Notes.

“Encumbrance” means any mortgage, pledge, lien (other than any lien arising by operation of law), charge, assignment by way of security or hypothecation (other than any encumbrance arising out of any title retention provision contained in any contract for the sale or purchase of goods entered into in the ordinary course of business);

“Permitted Encumbrance” means an Encumbrance over the whole or any part of the Bank’s or any of its Subsidiary’s present or future assets or undertakings, for the purpose of obtaining funding through secured loans and structured finance transactions (howsoever described) (including, but not limited to, the issuance of covered bonds (howsoever described)) pursuant to the relevant contractual arrangements or under the provisions of any legislations or regulations applicable thereto for the time being in force in England and Wales;

“Relevant Liability” means any payment obligation of the Bank under any Relevant Indebtedness of the Bank or under any guarantee or indemnity given by the Bank in respect of any Relevant Indebtedness of any other person; and

“Relevant Indebtedness” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures or other similar securities which (i) have an initial stated maturity of not less than one year, (ii) are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange or other securities market and (iii) are either in bearer form or, if not in bearer form, more

than 50 per cent. of the principal amount of which is initially offered (with the consent of the Bank) outside the United Kingdom.

## **5. Interest**

### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date so specified if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
  - (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;
- and, in each case,

multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the 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 relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

**(i) Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) i there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall

apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “Business Day” means a day which is both:

- (A) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars shall be Sydney) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open.

(ii) **Rate of Interest**

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Index Linked Notes will be determined in the manner specified in the applicable Final Terms.

(iii) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of Notes (the “ISDA Definitions”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iii), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Euro-zone” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

(iv) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(v) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraphs (ii), (iii) and (iv) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraphs (ii), (iii) and (iv) above is

greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) **Determination of Rate of Interest and Calculation of Interest Amounts**

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(vii) **Notification of Rate of Interest and Interest Amount**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bank, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(viii) **Determination or Calculation by Trustee**

If for any reason at any time after the Issue Date the Agent or, as the case may be, the Calculation Agent, defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraphs (ii), (iii) or (iv) above, as the case may be, and, in each case, (vi) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or, as the case may be, the Calculation Agent.

(ix) **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent, the

Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Bank, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

**(d) Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

**(e) Accrual of Interest**

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

**6. Payments**

**(a) Method of Payment**

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, shall be Sydney); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

**(b) Presentation of Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)). Payments under paragraph (a) above made, at the option of the bearer of the Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by transfer will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. Subject as provided below, no payment in respect of any definitive Note or Coupon will be made upon presentation and surrender of such definitive Note or Coupon at any office or agency of the Bank or any Paying Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Payments of instalments of principal (if any) in respect of definitive Notes (if issued), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant definitive Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Unmatured Receipts and Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Bank. Upon the date on which any definitive Note becomes due and repayable, unmaturred Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmaturred Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturred Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturred Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmaturred Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmaturred Coupons and Talons (if any) relating thereto (whether or nor attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable, against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States, subject as provided below. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such global Note either by such Paying Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Bank will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of

Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each payment so made by the Bank to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). No person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Bank in respect of any payments due on that global Note.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

- (i) the Bank has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Bank, adverse tax consequences to the Bank.

**(c) Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to any further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation; and
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars shall be Sydney) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

**(d) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Instalment Notes, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Bank under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **7. Redemption and Purchase**

### **(a) At Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Bank at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### **(b) Redemption for Tax Reasons**

The Notes may (subject, in the case of the Subordinated Notes, to the prior consent of the Financial Services Authority) be redeemed at the option of the Bank in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes and Index Linked Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes and Index Linked Interest Notes), on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Bank satisfies the Trustee immediately before the giving of the aforementioned notice that:

- (i) on the occasion of the next payment due under the Notes, the Bank has or will become obliged either to pay additional amounts as provided or referred to in Condition 8 or to account to any taxing authority in the country in which the Bank is incorporated for any amount (other than tax withheld or deducted from interest payable on such Notes) in respect of such payment in each case as a result of any change in, or amendment to, the laws or regulations of the Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts or make a payment in respect of which it would be obliged to account to any taxing authority as aforesaid were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Bank shall deliver to the Trustee a certificate signed by two Directors of the Bank stating that the

Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such additional amounts or make a payment in respect of which it would be obliged to account to any taxing authority as aforesaid as a result of such change or amendment and the Trustee shall be entitled to accept 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 Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(c) Redemption at the Option of the Bank (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Bank may (subject, in the case of the Subordinated Notes, to the prior consent of the Financial Services Authority), having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any redemption in part must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the certificate numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Bank to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

**(d) Redemption at the Option of the Noteholders (Investor Put)**

The provisions of this paragraph (d) are inapplicable to Subordinated Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Bank in accordance with Condition 15 not less than 15 nor more than 30 days' notice or such either period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Bank will, upon the expiry of such notice, redeem (subject to, and in accordance with, the terms specified in the applicable Final Terms) in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised,

certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is to be made by cheque, an address) to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

**(e) Early Redemption Amounts**

For the purpose of paragraph (b) above and Conditions 10 and 11, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

Where:

“*RP*” means the Reference Price; and

“*AY*” means the Accrual Yield; and

“*y*” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms; or

- (iv) in the case of Index Linked Notes, at the amount (the “Calculated Redemption Amount”) determined by reference to the Index and/or the Formula or the manner specified in the applicable Final Terms; or

- (v) in the case of Dual Currency Notes where the amount payable upon redemption falls to be determined by reference to the Rate of Exchange, at the amount calculated by reference to such Rate of Exchange.

**(f) Instalments**

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

**(g) Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

**(h) Purchases**

The Bank or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith and provided further that, in the case of Subordinated Notes, the Bank has obtained the prior consent of the Financial Services Authority) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Bank, surrendered to any Paying Agent for cancellation.

**(i) Cancellation**

All Notes which are redeemed will, subject to paragraph (h) above, forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

**(j) Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 or 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholder either in accordance with Condition 15 or individually.

**8. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Bank will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Tax Jurisdiction (as defined below), unless such withholding or deduction is required by law. In such event, the Bank will (save as may be provided in the applicable Final Terms) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of

such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) the Noteholder, Receiptholder or Couponholder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- (iii) presented for payment in the United Kingdom; or
- (iv) 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (a) “Tax Jurisdiction” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (b) the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## **9. Prescription**

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## **10. Events of Default and Enforcement relating to Ordinary Notes**

If any one or more of the following events (each an “Event of Default”) shall have occurred and be continuing namely:

- (i) default is made in the payment of any principal or interest due on the Ordinary Notes or any of them on the due date and such default continues in the case of principal for a period of 7 days and in the case of interest for a period of 15 days; or
- (ii) default is made by the Bank in the performance or observance of any obligation, condition or provision under the Ordinary Notes (other than any obligation for the payment of any amount due in respect of any of the Ordinary Notes) or the Trust Deed and (but only in a case where the Trustee considers such default to be capable

of being remedied) such default shall not be remedied to the Trustee's satisfaction within 30 days (or such longer period as the Trustee may permit) of first written notification from the Trustee to the Bank requiring such default to be remedied; or

- (iii) any Indebtedness of the Bank or any of its Principal Subsidiaries (being Indebtedness having an outstanding aggregate principal amount in excess of £10,000,000 or its equivalent in any other currency) becomes prematurely repayable as a result of a default in respect of the terms thereof, or the Bank or any of its Principal Subsidiaries defaults in the repayment of any Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of £10,000,000 or its equivalent in any other currency) at the maturity thereof or at the expiration of any applicable grace period therefor as originally provided, or, in the case of Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of £10,000,000 or its equivalent in any other currency) due on demand, the Bank or any of its Principal Subsidiaries defaults in the payment of such Indebtedness on demand or at the expiration of any applicable grace period therefor as originally provided, or any guarantee or indemnity in respect of any Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of £10,000,000 or its equivalent in any other currency) of others given by the Bank or any of its Principal Subsidiaries is not honoured when due and called upon or upon the expiration of any applicable grace period therefor as originally provided; or
- (iv) an order is made or an effective resolution is passed for the winding-up or dissolution (a) of the Bank, except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or the substitution of a Holding Company or a Successor in Business (each as defined in the Trust Deed) pursuant to Condition 18, or (b) of any Principal Subsidiary, except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or for the purposes of the solvent winding-up of such Principal Subsidiary where the assets of such Principal Subsidiary attributable directly or indirectly to the Bank are distributed to any one or more of the Bank and its other subsidiaries; or
- (v) the Bank or any of its Principal Subsidiaries (a) stops payment (within the meaning of any applicable bankruptcy law) or (b) (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction as is referred to in paragraph (iv) above) ceases or through an official action of the Board of Directors or other governing entity of the Bank or any of its Principal Subsidiaries (as the case may be) threatens to cease to carry on business or a substantial part of its business or (c) is unable to pay its debts as and when they fall due; or
- (vi) an administrative or other receiver or an administrator or other similar official is appointed in relation to the Bank or any Principal Subsidiary or in relation to the whole or a material part of the assets of any of them, or an encumbrancer takes possession of the whole or a material part of the assets of any of them, or a distress or execution or other process is levied or enforced upon or sued out against the whole or a material part of the assets of any of them, and, in any of the foregoing cases, is not discharged within 30 days,

then the Trustee at its discretion may, and if so requested in writing by holders of Ordinary Notes holding at least one-fifth in nominal amount of the Ordinary Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Ordinary Notes shall (subject in each case to being indemnified to its satisfaction), (provided that, except in the case of the happening of the event mentioned in paragraph (i) above, the Trustee shall have certified that, in its opinion, such event is

materially prejudicial to the interests of the holders of the Ordinary Notes) give notice to the Bank that the Ordinary Notes are, and they shall thereby become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(e)) together with accrued interest as provided in the Trust Deed.

At any time after the Ordinary Notes become due and repayable and have not been repaid, the Trustee may at its discretion and without further notice take such proceedings against the Bank as it may think fit to enforce the obligations of the Bank under the Trust Deed and the Ordinary Notes and the relative Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Ordinary Notes or so requested in writing by holders of at least one-fifth in nominal amount of the Ordinary Notes outstanding and (ii) it shall have been indemnified to its satisfaction. No holder of an Ordinary Note, or of a Receipt or Coupon appertaining thereto, shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

For the purpose of paragraph (iii) above, (a) “Indebtedness” means any moneys borrowed and bonds, debentures, notes or other instruments of indebtedness or any other loan indebtedness, and (b) any Indebtedness which is in a currency other than Sterling shall be translated into Sterling at the “spot” rate for the sale of Sterling against the purchase of the relevant currency as quoted by the Agent on the day in London on which such default occurs (or, if for any reason such a rate is not available on that day, on the immediately preceding day on which such a rate was quoted by the Agent) or, if the Agent does not so quote the spot rate for the sale of sterling against the purchase of the relevant currency, as quoted by a London clearing bank selected by the Trustee.

“Principal Subsidiary” means any subsidiary of the Bank, at least 50 per cent. of the issued share capital of which is owned directly or indirectly by the Bank, whose total assets as shown by the audited non-consolidated accounts (or, where the subsidiary in question itself prepares consolidated accounts, whose consolidated total assets as shown by the audited consolidated accounts) of such subsidiary used for the purposes of the preparation of the latest audited consolidated accounts of the Bank are at least ten per cent. of the consolidated total assets of the Bank and its subsidiaries attributable to the Bank as shown by such latest audited consolidated accounts, provided that, in relation to the consolidated total assets of the Bank and its subsidiaries, “attributable to the Bank” means such consolidated total assets after deducting amounts attributable directly or indirectly, assuming there are no liabilities to be deducted, to outside interests in the subsidiaries of the Bank. A report by the Auditors (as defined in the Trust Deed) that in their opinion a subsidiary of the Bank is or is not or was or was not at a specified date or during a specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

## **11. Events of Default and Enforcement relating to Subordinated Notes**

- (a) If default is made in the payment of any principal or interest due on the Subordinated Notes or any of them on the due date and such default continues in the case of principal for a period of 7 days and in the case of interest for a period of 15 days the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Bank, but may take no other action in respect of such default.
- (b) If, otherwise than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Bank, the Trustee may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Subordinated Notes shall (subject in each case to being indemnified to its satisfaction), give notice to the Bank that the Subordinated Notes are, and they shall thereby become, immediately due and repayable at their Early

Redemption Amount (as described in Condition 7(e), together with accrued interest as provided in the Trust Deed.

- (c) The Trustee shall not be bound to take the action referred to in paragraph (a) above unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Subordinated Notes or so requested in writing by the holders of at least one-fifth in nominal amount of the Subordinated Notes outstanding and (b) it shall have been indemnified to its satisfaction.
- (d) No remedy against the Bank, other than the institution of proceedings by the Trustee for the winding-up of the Bank, shall be available to the Trustee or the holders of the Subordinated Notes or the relative Receiptholder or Couponholders for the recovery of amounts owing in respect of the Subordinated Notes or the relative Receipts or Coupons as aforesaid and no holder of a Subordinated Note, or of a Receipt or Coupon appertaining thereto shall be entitled to institute proceedings for the winding-up of the Bank or to prove in such winding-up, except that if the Trustee, having become bound so to proceed, fails to do so or fails to prove in such winding-up, in each case within a reasonable time and such failure shall be continuing, any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself either institute proceedings for the winding-up of the Bank or prove in such winding-up.

## **12. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Replacement Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 15, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Bank may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **13. Agent and Paying Agents**

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Bank is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in Europe;
- (iii) there will at all times be an Agent; and
- (iv) the Issuer will ensure that it maintains a Paying Agent in a European Union Member State (if any) 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.

In addition, the Bank shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when

it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents will act solely as agents of the Bank and, in certain circumstances specified therein, of the Trustee, and will not assume any obligations or relationships of agency or trust to or with the Noteholders, the Receiptholders and the Couponholders, except that (without affecting the obligations of the Bank to the Noteholders, the Receiptholders and the Couponholders to repay the Notes and to pay interest thereon) funds received by the Paying Agents for the payment of any sums due in respect of the Notes shall be held by them on behalf of the Noteholders, the Receiptholders and the Couponholders until the expiry of the relevant period of prescription under Condition 9. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for their relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Bank without being liable to account to the Trustee, the Noteholders, the Receiptholders or the Couponholders for any resulting profit.

#### **14. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

#### **15. Notices**

All notices regarding the Notes shall be valid if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* or another daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe. The Bank shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of publication or, if published more than once or if required to be published in more than one newspaper, on the date of the first publication in all the required newspapers.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its or their entirety on behalf of Clearstream, Luxembourg and Euroclear, be substituted for such publication in such newspaper the delivery of the relevant notice to Clearstream, Luxembourg and Euroclear for communication by them to the holders of the Notes provided that, for so long as the Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or that relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Clearstream, Luxembourg and Euroclear.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Clearstream,

Luxembourg and/or Euroclear, as the case may be, in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear, as the case may be, may approve for this purpose.

#### **16. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or certain provisions of the Trust Deed. Such a meeting may be convened by the Bank or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes 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 dear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) 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 Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, 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 Terms and 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, 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 Noteholders or to any modification of any of these Terms and 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 Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15. No modification to the provisions of Condition 3(ii) shall be effected without the prior consent of the Financial Services Authority.

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 Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders 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 Noteholder, Receiptholder or Couponholder be entitled to claim, from the Bank or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

## **17. Further Issues**

The Bank shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

## **18. Substitution**

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

## **19. 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 to its satisfaction.

## **20. 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 Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **21. Governing Law**

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

## **Use of Proceeds**

The net proceeds from each issue of Notes will be applied by the Bank for its general corporate purposes.

If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

# Description of the Bank

## History & Development

The Bank's origins date back to 1872, originally being formed as the Banking Department of the Co-operative Wholesale Society Limited ("CWS"), which changed its name on 3 December 2007 to Co-operative Group Limited following the merger with United Co-operatives on 29 July 2007 (the "Co-operative Group").

In October 1970, the Co-operative Bank Limited was incorporated and, following the passing of the Co-operative Bank Act 1971, the business formerly carried on by the Banking Department of the Co-operative Group was transferred to and vested in the Bank in July 1971. This was followed, in June 1973, by the transfer of the business of the banking department of the former Scottish Co-operative Wholesale Society to the Bank.

The Bank obtained clearing bank status in 1975 and was granted recognised status by the Bank of England under the terms of the Banking Act 1979. In 1981, the Bank re-registered under the Companies Act 1980 as a public company and was re-registered on 10 January 1993 with its present name. On 19 June 2002, the Co-operative Group transferred its entire shareholding in the Bank to Co-operative Financial Services Limited, a newly incorporated Industrial and Provident Society. The ultimate parent organisation remains the Co-operative Group.

The Co-operative Group operates a range of businesses in food and non-food retailing, farming, funerals, travel, and pharmacy. It also provides buying, marketing, distribution and other services for the co-operative movement.

Co-operative Financial Services Limited ("CFS") is incorporated under the Industrial and Provident Societies Acts of 1965 to 2003 and is also the parent of the Bank's primary sister organisations – Co-operative Insurance Society Limited ("CIS") and CIS General Insurance Limited ("CISGIL").

With effect from 15 January 2006, the Executive Management of the Boards of CFS, CIS, CISGIL and the Co-operative Bank have been reorganised under a single Executive Management Framework. At this date all the Directors of the CFS Board were appointed to the Bank Board ensuring a common understanding of objectives.

The Bank's registered office, which is also its Head Office, is situated at 1 Balloon Street, Manchester M60 4EP, telephone number: +44 (0)161 832 3456, fax number: +44 (0)161 829 4475. The registered number of the Bank is 990937.

## Merger with Britannia Building Society

On 21 January 2009, the boards of Britannia Building Society and Co-operative Financial Services Limited jointly announced their proposal to Merge. On 29 April 2009, Britannia Building Society shareholding and borrowing members voted in favour of the Merger. The Merger became effective on 1 August 2009 through a transfer of the business, assets and liabilities of the Britannia Building Society to the Bank under section 97 of the Building Societies Act 1986 and Britannia Building Society ceased to exist as a legal entity.

Prior to the Merger, Britannia Building Society was the United Kingdom's second largest building society in terms of total consolidated assets. At the date of this Prospectus, the retail residential lending and savings franchise transferred from Britannia Building Society (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.

## Ethical Policy

The Bank is the only UK bank with a customer led ethical policy.

In 1992, the Bank became the first bank to launch a customer-led ethical policy<sup>1</sup>. The policy is based on extensive consultation with its customers and reflects their ethical concerns about who their money will and will not finance.

The Ethical Policy covers human rights, international development, social enterprise, ecological impact and animal welfare.

Of the loans and overdrafts offered by the Bank, 24 per cent.<sup>1</sup> support organisations with a distinctly ethical or social purpose such as co-operatives or public services.

All of the Bank's existing banking services for charities, the social housing sector and renewable energy schemes have been brought together within a new social banking unit, to provide over £2billion of support to UK organisations.

### *Innovative ethical products*

The Bank offers a range of financial products and services based on the principles set out in its Ethical Policy, including basic bank accounts for those who find it difficult to access finance, green mortgages and insurance policies and the 'think' credit card – the world's first credit card rewarding ethical consumerism.

In 2010 CFS outperformed 110 financial institutions from 44 countries to win the prestigious Financial Times Sustainable Bank of the Year Award. This recognises the Bank's approach to sustainability, from its green electricity procurement to its groundbreaking customer campaigns.

## The Co-operative Bank's operating result and profit before taxation

	2010 £m	2009 £m	Change £m	Change %
Income	821.8	652.9	168.9	26%
Operating costs - steady state	(555.5)	(413.8)	(141.7)	-34%
Operating costs - strategic initiatives	(26.0)	(11.8)	(14.2)	-120%
Impairment losses	(95.8)	(112.1)	16.3	15%
<b>Operating result</b>	<b>144.5</b>	<b>115.2</b>	<b>29.3</b>	<b>25%</b>
Significant items	(55.5)	(38.1)	(17.4)	-46%
PPI provision	(4.3)	-	(4.3)	0%
Share of post tax profits/(losses) from joint ventures	0.7	(0.1)	0.8	800%
Financial services compensation scheme levies	(11.5)	(3.7)	(7.8)	-211%
<b>Profit before tax, distributions and fair value amortisation</b>	<b>73.9</b>	<b>73.3</b>	<b>0.6</b>	<b>1%</b>
Fair value amortisation	(14.2)	99.1	(113.3)	-114%
<b>Profit before taxation and distributions</b>	<b>59.7</b>	<b>172.4</b>	<b>(112.7)</b>	<b>-65%</b>
Membership dividend	(10.8)	(7.8)	(3.0)	-38%
<b>Profit before taxation</b>	<b>48.9</b>	<b>164.6</b>	<b>(115.7)</b>	<b>-70%</b>

<sup>1</sup> Please see the Sustainability Report which can be found at [http://www.co-operative.coop/Corporate/sustainability/2010/downloads/FINAL\\_Sustainability\\_Report\\_2009.pdf](http://www.co-operative.coop/Corporate/sustainability/2010/downloads/FINAL_Sustainability_Report_2009.pdf). These statements and figures have been subject to third party independent assurance as described on page 12.-13 of the Sustainability Report.

## Balance Sheet

	<b>2010 Total</b>	<b>2009 Total</b>
	£m	£m
Loans and advances to customers	35,144	34,231
Investments	9,033	10,432
Other assets	1,403	1,476
<b>Total Assets</b>	<b>45,581</b>	<b>46,139</b>
Amounts owed to customers	34,303	32,805
Wholesale liabilities	2,939	6,082
Debt securities in issue	4,212	3,334
Other liabilities	1,078	1,094
Minority interest	32	34
Other borrowed funds	975	947
Equity	2,042	1,843
<b>Total Liabilities &amp; Equity</b>	<b>45,581</b>	<b>46,139</b>

## Business & Principal Activities

The Bank is an established U.K. settlement bank with a diversified range of retail banking activities, substantially servicing U.K. customers. It has an established presence in its chosen segments of the U.K. market and has a continuing programme centred upon mutuality to differentiate itself from the competition and to improve customer loyalty, through its member owned, customer led and ethically guided principles.

The Bank, as part of CFS, has goals centred around a “balance score card” under the categories of “Financial”, “Customer”, “People” and “Process”. These categories capture performance in areas such as profit, liquidity, customer advocacy, efficiency and colleague engagement.

The Bank consists of two main business segments – Retail and Corporate and Business Banking.

### Retail Business

The Retail business offers a range of financial products and services to individuals, households and small businesses throughout the UK, trading as The Co-operative Bank, Britannia and smile.

#### *Retail savings and current accounts*

The Bank has just under 5.5 million retail banking customers, and operates a range of current accounts and savings products. The Bank had £28.6 billion personal customer deposit balances as at 31 December 2010. These balances are held in a mixture of instant access, notice accounts and fixed rate deposits as well as current accounts. The Bank distributes its retail products through over 330 branches and call centres across the UK and through the internet.

The strength of the retail customer proposition has been recognised by a range of awards: the Bank achieved the highest rating in the Forrester UK bank website benchmarking survey (beating NatWest, Santander, Barclays, Lloyds TSB and Halifax), and was the highest placed high street bank in the influential JD Power survey.

### *Residential Mortgage Lending*

The Bank offers variable, fixed and tracker mortgages. As at 31 December 2010 the residential mortgage portfolio of the Bank is predominantly of prime mortgages (68 per cent.), with a broad geographical spread. The portfolio is well seasoned with low and reducing Loan to Values (“LTV”).

New mortgage lending has focused on lower LTV, in 2010 39 per cent. was lower than 65 per cent. LTV, 93 per cent. was lower than 85 per cent. LTV.

As at 31 December 2010, the Bank had £25.3 billion of gross advances, before fair value adjustments, secured on residential property. At 31 December 2010, the total provision held against residential loans was £8.6 million.

As at 31 December 2010 the mortgage portfolio comprised:

<i>Mortgage Type</i>	<i>Amount</i>	<i>percentage. of Book</i>
Prime	£17.2bn	68 per cent.
Non Conforming	£3.1bn	12 per cent.
Self Certificated	£2.4bn	10 per cent.
Buy to Let	£2.6bn	10 per cent.
Total	£25.3bn	

### *Geographical analysis of residential mortgages*

London & South East	40 per cent.
Northern England	22 per cent.
Midlands and East Anglia	21 per cent.
Wales and South West	12 per cent.
Other	5 per cent.

### *Loan to Value (indexed) of Residential Mortgage Portfolio*

LTV < 50 per cent.	27 per cent.
LTV 50-75 per cent.	31 per cent.
LTV 75-100 per cent.	33 per cent.
LTV > 100 per cent.	9 per cent.

### *Personal Unsecured Loans*

The Bank’s book comprises mostly fixed rate lending to Bank customers (personal loans) and non-bank customers (direct loans). Risk based pricing is utilised. The Bank’s unsecured lending book was £0.8 billion as at 31 December 2010.

### *Credit Cards*

The Bank’s credit card book was £0.6 billion as at 31 December 2010. Credit card growth is focused on customer retention and targeted growth opportunities.

## *Smile*

In October 1999, the Bank launched Smile, the UK's first full Internet bank. Smile currently has approximately 370,000 customers as at 31 December 2010, of which a high proportion are relationship customers. Smile offers services including current accounts, unsecured loans, credit cards, mortgages, savings products and insurance either directly or through other Co-operative companies.

### *Retail performance*

Retail impairment in 2010 was 22.9 per cent. better than at 31 December 2009 reflecting a combination of improved arrears collection processes, strong quality of the mortgage book, declining credit card exposures and the continued tightening of credit risk scorecards in the unsecured lending business.

## **Corporate and Business Banking**

### *Commercial Lending*

The Bank has a diversified portfolio of commercial lending totalling £8.4 billion at the end of December 2010. The majority of the commercial property lending is to low risk customers with tangible net assets and/or very high quality tenant covenants.

Most of the commercial lending book is comprised of bilateral facilities, underpinning the relationship based model. The portfolio has a reasonably well spread maturity profile which provides a good longer term earnings stream. A centralised underwriting process provides strong control and governance. The portfolio consists of loans to the following industries:

#### *Commercial lending portfolio (Dec 10)*

Commercial Investments	35 per cent.
Consumer Cyclical*	14 per cent.
Housing Associations	11 per cent.
PFI	11 per cent.
Residential Investments	7 per cent.
Consumer non- cyclical**	7 per cent.
Other***	6 per cent.
Construction	4 per cent.
Education / Public Sector	3 per cent.
Manufacturing	2 per cent.

#### *Definition of sectors;*

\* *Consumer cyclical - football clubs, garages/ retail of motor vehicles, hotels/ restaurants/ clubs/ institutes*

\*\* *Consumer non-cyclical - care*

\*\*\* *Other - utilities, renewable energy, professionals, leasing and other financial institutions*

### *Savings and Current Accounts*

The Bank had £4.9 billion corporate customer deposit balances as at 31 December 2010, including deposit notes. These balances are held in a mixture of instant access, notice accounts and fixed rate deposits as well as current accounts.

## **Treasury and wholesale lending**

The core responsibilities for the Bank's treasury department (the "Treasury") are to ensure a strong and stable liquidity base, provide diverse sources of wholesale funding to the bank, manage market risk within risk appetite and deliver a strong financial performance on the investment portfolio. The Treasury asset portfolio continues to remain of high quality assets with over 82 per cent. of assets with a credit rating of A or above at 31 December 2010.

## **Wholesale Funding Markets**

The Bank aims to achieve a diversified mix of wholesale funding by currency, investor category and maturity to prevent dependence on any particular funding sector. The Bank has a variety of programmes in place so it can meet its short term and long term funding needs, including:

- Covered Bond Programme
- Euro Medium Term Note Programme
- Euro Commercial Paper Programme

## **Platform**

Platform is one of the leading intermediary only lenders in the UK residential mortgage market. Launched in February 2003, the company was created from the merger of Platform Home Loans and Verso, both Britannia subsidiaries. It is focused on prime lending.

## **Optimum**

Optimum has been established to provide commercial focus on the specialist mortgage portfolio and the delivery of broader loss mitigation strategies across the Bank. The business unit was created following the merger and is a closed book.

## **Liquidity Management**

The Bank's Individual Liquidity Adequacy Assessment ("ILAA") documents how liquidity risk is identified, measured, monitored and managed; process and procedures in place and governance to mitigate the risk. In particular the ILAA covers:

- Liquidity Risk Appetite
- Adequate systems and controls
- Stress testing
- Contingency planning
- Maintaining a liquid asset buffer

Liquidity risk appetite is defined as the board approved survival period under stress scenarios. The Bank undertakes the following stress tests utilising a mismatch model on a weekly basis:

- a moderate firm specific stress which assumes a credit rating notch downgrade and consequential outflows;
- a severe firm specific stress which assumes a two notch credit rating downgrade and consequential outflows;
- an idiosyncratic stress scenario which assumes a two notch credit rating downgrade and a 'run' on the Bank defined as twice the worst gross outflows experienced over the last ten years;

- a moderate market wide stress which assumes a restriction in the operation of wholesale markets; and
- a severe market wide stress which assumes a total restriction in the operation of wholesale markets.

The Bank's liquidity management framework is designed in line with FSA BIPRU regulations and industry guidelines, including Institute of International Finance (IIF) and Bank for International Settlements (BIS) recommendations, and is being developed in response to emerging FSA requirements.

The Bank manages liquidity risk by applying:

- a systematic control process embedded in the Bank's operations;
- controlled end-to-end liquidity management with:
  - net outflows monitored to ensure they are within FSA limits;
  - maintenance of a well diversified deposit base;
  - management of stocks: high quality primary liquidity including cash, and secondary liquidity including certificates of deposit;
  - target strategic ratios; and
  - stress testing.

The strategic measures set by ALCO and monitored monthly are:

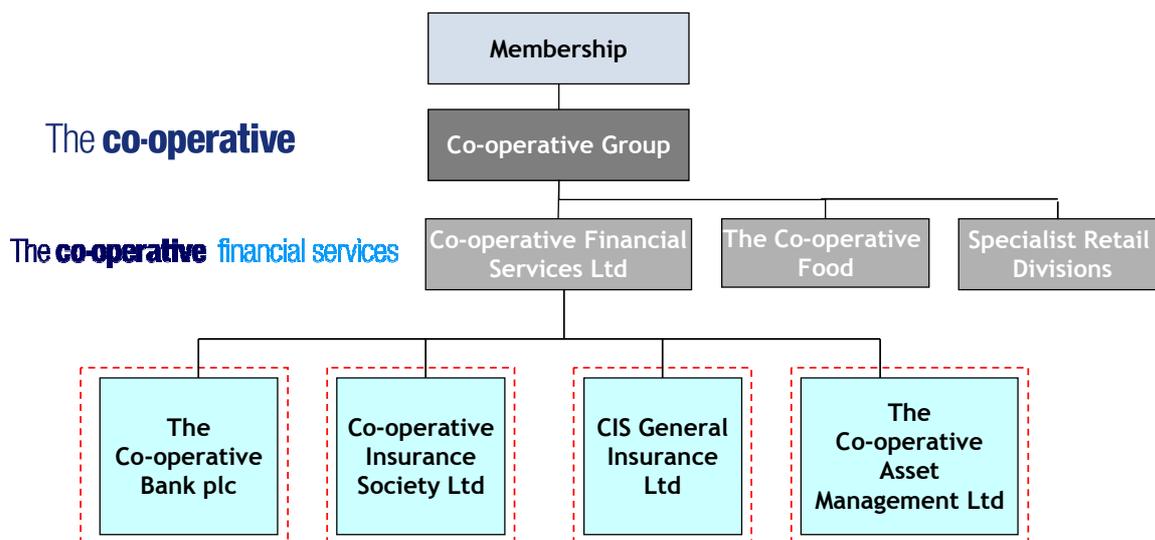
- Wholesale borrowing ratio – which the amount of whole borrowing versus total liabilities
- Liquid Asset Ratio – amount of total assets that are liquid assets
- Customer loan / deposit ratio – amount of customer loans funded by customer deposits

Day-to-day cash flow (tactical liquidity) is managed by Treasury within guidelines laid down by ALCO and in accordance with the standards established for all banks by banking regulators.

The Bank has a high proportion of retail assets funded by retail deposits, ensuring there is no over reliance on wholesale funding. There are customer funding and wholesale funding ratios as described above which are set in line with the Board approved strategic plan. The Group's structural liquidity risk management is therefore retail based and is dependent on behavioural analysis of both customer demand and deposit and loan drawdown profiles by product category based on experience over the last ten years. The behaviour of retail products is reviewed by ALCO and in addition the Group has maturity mismatch limits to control the exposure to longer term mismatches.

The Bank's liquidity position is monitored on a daily basis and reported to ALCO each month. Marketable assets are maintained as a liquidity pool against potential outflows. The liquidity pool consists of the highest quality debt, such as high quality government-issued debt and cash at the Bank of England.

## Summary Group Structure



 Regulatory ring fence

Through its subsidiary, Co-operative Commercial Ltd, the Bank owns 27 per cent of the equity of Unity Trust Bank Plc (“UTB”). UTB provides retail banking services, principally to trade unions and social economy sector organisations. In accordance with U.K. accounting practice, the financial results of UTB are consolidated within the statutory accounts of the Bank.

## 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
Paul Flowers	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non-Executive Director and Chair	Deputy Chair of Co-operative Group Limited. Non-Executive Director and Chair of Co-operative Financial Services Limited, Co-operative Insurance Society Limited and CIS General Insurance Limited. Member of the Co-operative Group North Regional Board.
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. Deputy Chief Executive Co-operative Group Limited. Director of Mutuo (Communicate Mutuality Limited).
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.

<b>Name</b>	<b>Business Address</b>	<b>Function within the Bank</b>	<b>Principal outside activity (if any) of significance to the Bank</b>
			Chair of The Co-operative Academy of Manchester.
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. Non-Executive Director of Reclaim Fund Ltd.
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.
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 Management Services Limited.
Rodney Baker-Bates	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director and Deputy Chair	Non-Executive Director and Deputy Chair 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 Square Trust Limited, EG Solutions plc, G's Group Holding Limited and Stobart Group plc.
Duncan Bowdler	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Trade Liaison Manager, Co-operative Group Ltd. Non-Executive Director of Co-operative Group Limited, Co-operative Financial Services Limited, Co-operative Insurance Society Limited, and CIS General Insurance Limited. Member of the Co-operative Group North West and North Midlands Regional Board.
David Wyndham Davies	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director, Deputy Chair and Senior Independent Director	Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited and CIS General Insurance Limited. Chair of Sunlife Assurance Company of Canada (UK) and Nortel Network Pension Scheme in the UK. Non-Executive Director of Interglobal Insurance Company Ltd.
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. Non-Executive Director of Marshalls Holdings Limited. Consultant to Berwin Leighton Paisner LLP.
Paul William Hewitt	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. Non-Executive Director of Kiln Group and Collins Stewart plc. Chairman of Four Times Enterprises Limited, R J Kiln & Co Limited and the Good Care Group Limited. Industrial partner with Lyceum Capital. Trustee of NEST (the National Employment Savings Trust).
Chris Jones	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. Non-Executive Director of The Businessdesk Limited, Agenda Management Services Limited, Armitage Jones LLP, Tourmalet Consulting, Montpellier Business Reorganisation Limited and Trango Limited. Chair of Illius Properties Limited.

<b>Name</b>	<b>Business Address</b>	<b>Function within the Bank</b>	<b>Principal outside activity (if any) of significance to the Bank</b>
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 and CIS General Insurance Limited. Senior Managing Director at FT1 Consulting Limited.
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	Non-Executive Director of Co-operative Financial Services Limited, Co-operative Insurance Society Limited, CIS General Insurance Limited and Reclaim Fund Limited. 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 and CIS General Insurance Limited. Chair of Walsall Hospitals NHS Trust.
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 and CIS General Insurance Limited. Member of the South East Regional Board. Director of Communicate Mutuality Ltd.
Martyn James Wates	Governance Department, 5th Floor New Century House, Corporation Street, Manchester, M60 4ES	Non Executive Director	Deputy Chief Executive, 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 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 and Unity Trust Bank plc.
John Piers Williamson	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 Non-Executive Directorships with various Industrial and Provident Societies and funding vehicles associated with the Housing Finance Corporation, where he is Chief Executive.
Maira 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.

Rodney Baker-Bates is Chairman of and 5 per cent. 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 Baker-Bates joining the Board.

Rodney Baker-Bates is also chairman of Assura Group Limited (registered in England and Wales No. FC028394). Co-operative Insurance Society has been a periodic investor in this company.

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 which undertakes 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.

## **Recent Developments**

On the merger of Britannia Building Society and the Bank in 2009, in accordance with accounting rules, fair value adjustments were made to the liabilities in the Bank's accounts represented by certain securitisation transactions. These fair value adjustments have the effect of initially reducing the balance sheet carrying value of the liabilities, and amortise as a charge to profit and loss over several years from the date of the merger to the anticipated redemption date for each of the instruments in issue. The redemption of these liabilities by the Bank or its subsidiaries on their respective step-up and call dates would result in these fair value adjustments unwinding on such dates, with a corresponding one-off charge to profit and loss, rather than amortising over time. On 30 March 2011, consent solicitations were launched to restructure these securitisation transactions including a new investor redemption option under which the holders of the relevant instruments may elect to have their instruments redeemed on a date falling five years after the respective anticipated redemption dates.

## **Material Contracts**

### *Transfer Agreement*

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

The transfer of the Britannia Building Society'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 Building Society became a deposit account or mortgage account with the Bank on the same terms and conditions as existed with Britannia Building Society. Britannia Building Society's members were given the option to become members of the Co-operative Group.

# Taxation

## UK Taxation

The following, which applies only to persons who are absolute beneficial owners of the Notes, is a summary of the Bank's understanding of current law and HM Revenue & Customs (HMRC) practice in the United Kingdom as at the date of this Prospectus relating to the withholding tax treatment of payments of principal and interest on the Notes and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Bank) to whom special rules may apply. The United Kingdom treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future sometimes with retrospective effect. Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes. Prospective Noteholders who are in doubt as to their tax position should seek their own professional advice.

1. The Bank will be entitled to make payments of interest without withholding or deduction on account of United Kingdom tax on Notes which have a maturity of less than a year from the date of issue provided those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.
2. The Bank, provided that it continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the "Act"), and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act, is entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax. In accordance with the published practice of HMRC, such payments will be accepted as being made by the Bank in the ordinary course of its business unless either:
  - (i) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the Financial Services Authority whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or
  - (ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.
3. Payments of interest on the Notes may be made without deduction or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. 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 Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax whether or not the Bank carries on a banking business in the United Kingdom and whether or not interest is paid in the ordinary course of its business.
4. In other cases, an amount must generally be withheld from payments of interest on the Notes, on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to

such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or any other exemption which may apply.

5. Noteholders 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 Noteholder. This is the case whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom Income and whether or not the Holder is resident in the United Kingdom for taxation purposes. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2012. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.
6. Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to United Kingdom income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder 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 Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

7. Noteholders should be aware that the provisions relating to additional amounts set out in Condition 8 above would not apply if HMRC sought to assess the person entitled to the relevant interest directly to United Kingdom tax on that interest. However, exemption from or reduction of such United Kingdom tax liability might be available for a Noteholder who is not resident for tax purposes in the United Kingdom under an applicable double taxation treaty except where the relevant interest is attributable to a permanent establishment in the United Kingdom.
8. Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax, but may be subject to reporting requirements as outlined in paragraph 5 above and in "EU Savings Directive" below.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax, and to reporting requirements as outlined in paragraph 5 above and "EU Savings Directive" below.

9. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

10. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 18 of the Notes or otherwise and does not consider the tax consequences of any substitution.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

The European Commission has proposed certain amendments to EC Council Directive 2003/48/EC, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## Subscription and Sale

The Programme Dealers have, in an amended and restated dealer agreement dated 5 April 2011 as supplemented and/or further amended and restated from time to time (the “Dealer Agreement”), agreed with the Bank a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. In the Dealer Agreement, the Bank has agreed to reimburse the Programme Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme. The Bank may also agree to issue Notes to persons other than the Programme Dealers (“Issue Dealers”) on, and subject to, the terms of the Dealer Agreement. References in this Prospectus to relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain 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 Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or 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.

Each Programme Dealer has represented and agreed and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer, or in the case of an issue of Notes on a syndicated basis, the relevant lead manager of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with an available exemption from the registration under the Securities Act.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Bank and the relevant Dealer shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each Programme Dealer has agreed and, if different, the relevant Dealer in respect of each such issue will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

### Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be

required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in such Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each Programme Dealer has represented and agreed and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **General**

Each Programme Dealer has agreed and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission which is (to be best of its knowledge and belief) required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Bank nor any other Dealer shall have any responsibility therefor.

Neither the Bank nor any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Bank and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## **General Information**

### **Admission of Notes to the Official List of the UK Listing Authority**

It is expected that each Tranche of Notes which is to be admitted for listing to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or about 8 April 2011.

### **Authorisation**

The establishment, updates and increase of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of the Bank dated 29 March 1994, 20 June 1995, 13 April 2004, 6 July 2004, 1 April 2008 and 10 March 2010.

### **Documents Available**

For the period of 12 months from the date of this Prospectus and for so long as the Programme remains in effect or any Notes remain outstanding, 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 and non-consolidated annual financial statements of the Bank for the financial years ended 31 December 2009 and 31 December 2010 together with the reports of the auditors thereon;
- (iii) the Agency Agreement, the Trust Deed and the Schedule of Forms containing the forms of the temporary and permanent global Notes, the definitive Notes, the Receipts, the Coupons and the Talons from time to time issuable under the Programme;
- (iv) a copy of this Prospectus;
- (v) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that the applicable Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and that such holder must produce evidence satisfactory to the Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (vi) in the case of a syndicated issue of Notes admitted to trading on the London Stock Exchange's regulated market, the syndication agreement (or equivalent document).

### **Clearing Systems**

The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear which are the entities in charge of keeping the records. The appropriate common code and ISIN for each Tranche of Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and the amount of Notes to be issued under the Programme will be determined by the Bank and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **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 31 December 2010 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 31 December 2010.

### **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 the date of 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.

Industry wide regulatory action in respect of payment protection insurance may expose the Bank to compensatory claims from customers.

### **Auditors**

The auditors of the Bank are KPMG Audit Plc, Chartered Accountants and Registered Auditors (“KPMG”), who have audited the Bank’s accounts, without qualification, for the financial periods ending, 31 December 2009 and 31 December 2010.

### **Post-Issuance Information**

Save as set out in the Final Terms, the Bank does not intend to provide any post-issuance information in relation to any issue of Notes.

### **Dealers transacting with the Bank**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions within and may perform services to the Bank and its affiliates in the ordinary course of business.

**THE BANK**

The Co-operative Bank p.l.c.  
1 Balloon Street  
Manchester M60 4EP

**TRUSTEE**

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

**AGENT**

The Bank of New York Mellon  
One Canada Square  
London E14 5AL

**PAYING AGENT**

The Bank of New York Mellon (Luxembourg)  
S.A.  
Vertigo Building – Polaris  
2-4 rue Eugène Ruppert  
L-2453  
Luxembourg

**ARRANGER**

J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ

**PROGRAMME DEALERS**

Barclays Bank PLC  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

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10 Harewood Avenue  
London NW1 6AA

Citigroup Global Markets Limited

Citigroup Centre  
Canada Square  
London E14 5LB

Credit Suisse Securities (Europe)  
Limited  
One Cabot Square  
London E14 4QJ

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

The Royal Bank of Scotland plc  
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J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ

UBS Limited  
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London EC2M 2PP

#### **LEGAL ADVISERS**

*To the Bank:*

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*To the Programme Dealers and the Trustee*

Clifford Chance LLP  
10 Upper Bank Street  
London E14 5JJ

#### **AUDITORS TO THE BANK**

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St. James' Square  
Manchester M2 6DS