

990937

SUPPLEMENTARY LISTING PARTICULARS


The COOPERATIVE BANK
The Co-operative Bank p.l.c.
(incorporated with limited liability in England with registered number 990937)
£50,000,000
Step-Up Fixed Rate Perpetual Subordinated Notes

issued pursuant to a
£400,000,000 Euro Note Programme

Issue Price: 99.277 per cent.

These supplementary listing particulars are prepared in connection with the £400,000,000 Euro Note Programme of The Co-operative Bank p.l.c. (the "Issuer") and are supplemental to the Offering Circular which comprises listing particulars dated 30th May, 1995 (the "Listing Particulars"). This document should be read in conjunction with the Listing Particulars. Terms defined in the Listing Particulars have the same meaning when used in these supplementary listing particulars, unless the context indicates otherwise.

These supplementary listing particulars are issued in connection with the issue by the Issuer of £50,000,000 Step-up Fixed Rate Perpetual Subordinated Notes (the "Perpetual Notes") and include certain modifications to the Terms and Conditions. Such modifications are as set out in the Pricing Supplement below.

Save as disclosed herein there has been no significant change and no significant new matter has arisen since publication of the previous particulars.

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

A copy of this document, which comprises supplementary listing particulars with regard to the issue of the Perpetual Notes in accordance with Part IV of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales as required by Section 149 of such Act.

Copies of the Pricing Supplement will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD for a period of 14 days from the date hereof:

ABN AMRO Hoare Govett
UBS Limited

The date of these Supplementary Listing Particulars is 13th December, 1995

PRICING SUPPLEMENT

The Co-operative Bank p.l.c.
£50,000,000 Step-up Fixed Rate Perpetual Subordinated Notes
issued pursuant to the £400,000,000 Euro Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions.

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| 1. | Series number and, if not a new Series, the date from which the Tranche being issued will form a single Series with the other Notes comprised in that Series: | 8 |
| 2. | Status of Notes: Ordinary Notes/Subordinated Notes: | Subordinated (see also paragraph 43 below) |
| 3. | Specified Currency (or Currencies in the case of Dual Currency Notes): | Sterling |
| 4. | Aggregate Nominal Amount: | £50,000,000 |
| 5. | Interest/Payment Basis; and if more than one, the dates during which each Interest/ Payment Basis will apply and/or details as to if convertible automatically or at option of Bank and/or Notcholders into Notes of another Interest/Payment Basis: | Fixed Rate Notes with interest reset as provided in paragraphs 16 and 43 below |
| 6. | Issue Date: | 20th December, 1995 |
| 7. | Specified Denomination(s) | £1,000
£10,000
£100,000 |
| 8. | Issue Price: | 99.277 per cent. |
| 9. | 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 (if any) of failure to pay: | N/A |
| 10. | Interest Commencement Date (for interest bearing Notes): | 20th December, 1995 |
| 11. | Maturity Date (Notes other than Floating Rate Notes): | Perpetual. Redeemable at the option of the Issuer on 21st December, 2005 and thereafter on every fifth Fixed Interest Date |
| 12. | Redemption Month (Floating Rate Notes): | N/A |
| 13. | Final Redemption Amount: | 100 per cent. of the nominal amount of the Notes |
| 14. | Instalment Dates (Instalment Notes): | N/A |
| 15. | Instalment Amounts (Instalment Notes): | N/A |
| 16. | Fixed Rate(s) of Interest (Fixed Rate Notes): | 9 $\frac{3}{4}$ per cent. per annum to (but excluding) 21st December, 2005. From (and including) that date interest will be at the rate or rates set as described in Schedule 2 hereto |

17.	Fixed Interest Date(s) (Fixed Rate Notes):	20th December in each year.
18.	Initial Broken Amount (Fixed Rate Notes):	N/A
19.	Final Broken Amount (Fixed Rate Notes):	N/A
20.	Interest Period(s) (Floating Rate Notes):	N/A
21.	Manner in which the Rate of Interest is to be determined (Floating Rate Notes):	N/A
22.	Margin (Floating Rate Notes):	N/A
23.	Reference Rate (Screen Rate Determination):	N/A
24.	Interest Determination Date(s) (Screen Rate Determination):	N/A
25.	Relevant Screen Page (Screen Rate Determination):	N/A
26.	The party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent) (Floating Rate Notes):	N/A
27.	Applicable "Business Day" definition and relevant convention (if different from that in Condition 6(b)(i)) (Floating Rate Notes):	N/A
28.	Minimum Rate of Interest (Floating Rate Notes):	N/A
29.	Maximum Rate of Interest (Floating Rate Notes):	N/A
30.	The denominator for calculating the Interest Amount (if different from that in Condition 6(b)(vi)) (Floating Rate Notes):	N/A
31.	Accrual Yield (Zero Coupon Notes):	N/A
32.	Reference Price (Zero Coupon Notes):	N/A
33.	Any other formula/basis of determining amount payable (Zero Coupon Notes):	N/A
34.	Index/Formula (Indexed Notes):	N/A
35.	(a) The calculation agent responsible for calculating the principal and/or interest due (Indexed Notes):	N/A
	(b) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable (Indexed Notes):	N/A
36.	(a) Rate of Exchange/method of calculating Rate of Exchange (Dual Currency Notes):	N/A
	(b) The calculation agent, if any, responsible for calculating the principal and/or interest payable (Dual Currency Notes):	N/A
	(c) Provisions where calculation by reference to Rate of Exchange is impossible or impracticable (Dual Currency Notes):	N/A
	(d) Person at whose option Specified Currencies is/are payable (Dual Currency Notes):	N/A

37.	Issuer's Optional Redemption — Yes	
	(a) Optional Redemption Date(s):	Optional redemption in whole (subject to prior consent of Bank of England) on 21st December, 2005 and thereafter on every fifth Fixed Interest Date
	(b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	100 per cent. of the nominal amount of the Notes
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	N/A
	(ii) Higher Redemption Amount:	N/A
	(iii) Notice period if other than as set out in Conditions:	N/A
38.	Redemption at the option of the Noteholders — No	
	(a) Optional Redemption Date(s):	N/A
	(b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	N/A
	(c) Notice period if other than as set out in Conditions:	N/A
39.	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 8(e)):	Condition 8(e) applies
40.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Yes, if definitive Notes issued
41.	Details of the relevant stabilising manager:	UBS Limited
42.	Additional selling restrictions:	N/A
43.	Other terms or special conditions:	(1) The provisions of Conditions 3, 6(a) and 12(a) shall be modified as specified in Schedule 1 hereto (2) The provisions of Condition 6(a) shall be further modified as described in Schedule 2 hereto
44.	Definition of "Payment Business Day" if different from Condition 7(d):	Condition 7(d) applies
45.	Details of additional/alternative clearance system approved by the Bank, the Trustee and the Agent:	N/A
46.	Notes to be listed on a Relevant Stock Exchange:	Yes — London Stock Exchange
47.	Whether a Temporary Global Note or a Permanent Global Note is to be issued:	Temporary Global Note

48.	Whether interests in the Temporary Global Note are exchangeable for interests in the Permanent Global Note and/or Definitive Notes and in the case of Definitive Notes, the notice period required (Temporary Global Note):	Permanent Global Note. Exchangeable for Definitive Notes (i) upon the happening of any of the events referred to in the Terms and Conditions under "Events of Default and Enforcement relating to Subordinated Notes" in relation to the Bank, (ii) if either Euroclear or Cedel is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available or (iii) if the Trustee is satisfied that on the occasion of the next payment in respect of the Notes, the Bank or any Paying Agent would be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form
49.	Notice period required for exchange of interests in the Permanent Global Note for Definitive Notes (Permanent Global Note):	N/A
50.	Method of distribution:	Syndicated
51.	If syndicated, names of Managers and, if non-syndicated, name of Dealer:	ABN AMRO Hoare Govett Corporate Finance Limited UBS Limited
52.	Details of further subordinated issues, if any, with which Subordinated Notes being issued, are expressed to rank pari passu:	N/A
53.	In the case of Ordinary Notes denominated in Sterling whether or not they are issued pursuant to the Bank of England Notice entitled "Commercial Paper, Medium Term Notes and Other Financial Instruments" dated 11th January, 1990:	N/A
	Euroclear and Cedel Common Code:	6223397
	ISIN:	XS0062233977

Application is hereby made to list this issue of Notes pursuant to the listing of the £400,000,000 Euro Note Programme of The Co-operative Bank p.l.c. (as from 20th December, 1995).

The Chase Manhattan Bank, N.A. (as Agent)

SCHEDULE 1

The Terms and Conditions of the Notes shall be modified as follows:

1. The following additional wording shall be inserted immediately above Condition 1:

"The obligations of the Bank in respect of the Notes and Coupons are conditional upon the Bank being solvent at the time of payment by the Bank and immediately thereafter. Neither these Terms and Conditions nor the Trust Deed provide any remedy for non-payment of interest in respect of the Notes so long as no dividend has been paid or declared in respect of the preference share capital of the Bank in the six months immediately preceding the applicable Relevant Interest Payment Date (as defined below). In the event of a winding up of the Bank the right to claim for interest (including Arrears of Interest (as defined below)) may be limited by applicable insolvency laws."

2. The first sentence of Condition 3(ii) ("Subordination") shall be deleted and substituted by the following:

"The rights of the Trustee, the Noteholders and the Couponholders in respect of principal and interest are subordinated to the claims of Senior Creditors (as defined below) and, accordingly, payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank, and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter."

3. (a) The following shall be inserted below the second paragraph of Condition 3(ii):

"If at any time the Bank is in winding up, there shall be payable in respect of the principal and interest on the Notes (in lieu of any other payment but subject as provided in this Condition 3) such amounts (if any) as would have been payable in respect thereof as if, on the day immediately prior to the commencement of the winding up of the Bank and thereafter, the Noteholders and/or the Couponholders and/or the Trustee, as the case may be, were the holders of a class of preference shares in the capital of the Bank having a preferential right to a return of assets in the winding up over the holders of all other classes of shares for the time being in the capital of the Bank on the assumption that such preference shares were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such winding up an amount equal to the principal amount of the Notes together with interest accrued to the date of repayment (as provided in the Trust Deed) and any Arrears of Interest."

- (b) The last paragraph of Condition 3(ii) shall be deleted and substituted by the following:

*"Senior Creditors" means creditors of the Bank whose claims are admitted to proof in the winding up of the Bank and (i) who are unsubordinated creditors of the Bank or (ii) who are subordinated creditors of the Bank other than those with whose claims the claims of the Noteholders and Couponholders are expressed to rank *pari passu* and those whose claims are expressed to rank *pari passu* with or junior to the claims of the Noteholders and Couponholders and any claims ranking *pari passu* with or junior to such last-mentioned claims."*

4. The following additional paragraph shall be inserted at the end of Condition 3:

"If the Bank would not otherwise be solvent (having taken into account liabilities to both Senior Creditors and creditors other than Senior Creditors), the amount of principal and of sums which would otherwise be payable as interest in respect of the Notes will be available to meet the losses of the Bank."

5. The following shall be inserted below the second paragraph of Condition 6(a) ("Interest on Fixed Rate Notes"):

"Relevant Interest Payment Dates, Relevant Periods and Arrears of Interest

Interest in respect of the Notes is (subject to Condition 3) payable on each Compulsory Interest Payment Date (as defined below) in respect of the Relevant Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Bank so elects, but subject to Condition 3) the interest in respect of the Notes accrued in the Relevant Period ending on the day immediately preceding such date, but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest in respect of the Notes not paid on a Relevant

Interest Payment Date, together with any other interest in respect thereof not paid on any other Relevant Interest Payment Date, shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Bank, but subject to Condition 3, be paid in whole or in part at any time upon the expiration of not less than 15 days' notice to such effect given to the Trustee and to the Noteholders in accordance with Condition 16, but all Arrears of Interest in respect of all Notes for the time being outstanding (as defined in the Trust Deed) shall (subject to Condition 3) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of preference share capital of the Bank, (ii) the date fixed for any repayment pursuant to Condition 8(b) or 8(c) or (iii) the commencement of a winding up of the Bank. If notice is given by the Bank of its intention to pay the whole or any part of Arrears of Interest, the Bank shall be obliged (subject to Condition 3) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relative Relevant Interest Payment Date or consecutive Relevant Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

As used herein:

"Relevant Interest Payment Date" means 20th December in each year.

"Compulsory Interest Payment Date" means any Relevant Interest Payment Date if, in the six months immediately preceding such Relevant Interest Payment Date, any dividend has been declared or paid on any class of preference share capital of the Bank.

"Optional Interest Payment Date" means any Relevant Interest Payment Date other than a Compulsory Interest Payment Date.

"Relevant Period" means the period from and including one Relevant Interest Payment Date (or, as the case may be, the Issue Date) up to but excluding the next (or first) Relevant Interest Payment Date.

In the event that the latest dividend declared or paid on any class of preference share capital of the Bank is so declared or paid more than six months prior to a Relevant Interest Payment Date, such Relevant Interest Payment Date will not be a Compulsory Interest Payment Date."

6. Condition 12(a) ("Events of Default and Enforcement relating to Subordinated Notes") shall be deleted and substituted with the following:

"If the Bank shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of 7 days or more after the due date for the same or (in the case of any payment of interest) for a period of 15 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Bank. For the purposes of this paragraph (a), a payment shall be deemed to be due or compulsory even if the condition set out in the first sentence of Condition 3(ii) is not satisfied."

SCHEDULE 2

The Fixed Rates of Interest on the Notes from (and including) 21st December, 2005 will be calculated on the basis of the provisions set out below.

Determination of Rates of Interest and Calculation of Interest Amounts

On 21st December in the year 2005 and on 20th December in every fifth year thereafter, the Agent will determine the Rate of Interest (as defined below) which will apply for the period from (and including) 21st December, 2005 and 20th December in every fifth year thereafter (each such date an **"Interest Adjustment Date"**) to (but excluding) the next following Interest Adjustment Date (the **"Relevant Interest Period"**) and calculate the amount of interest (each such amount an **"Interest Amount"**) payable on the Notes of each Specified Denomination on each Fixed Interest Date applicable to the Relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination.

The Rate of Interest for each Relevant Interest Period shall be the sum (rounded upwards, if necessary, to the nearest integral multiple of 1/16 per cent.) of (i) the gross redemption yield (rounded, if necessary, to five decimal places, with 0.000005 being rounded upwards) on the five year benchmark gilt (such gilt to be determined by the Agent with the prior approval of the Trustee) (the **"Reference Gilt"**) prevailing on the relevant Interest Adjustment Date, calculated having regard to the price of the Reference Gilt on the London Stock Exchange at 11.00 a.m. (London time) on the relevant Interest Adjustment Date, such price to be determined by the Agent as the arithmetic mean (rounded, if necessary, to six decimal places, with 0.0000005 being rounded upwards) of the bid and offered prices quoted on a dealing basis for settlement on the following Business Day by three market makers selected by the Agent with the prior approval of the Trustee (or such other number of market makers as the Trustee shall agree in writing) in the gilt-edged market and (ii) a margin of 2.70 per cent. The gross redemption yield will be expressed as a percentage and will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Vol.105, Part 1, 1978, page 18.

In this Schedule 2, "Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London.

Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest for each Relevant Interest Period and the related Interest Amounts to be notified to the Bank, the Trustee, each Paying Agent and the London Stock Exchange and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

Determination or Calculation by Trustee

If for any reason the Agent at any time defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount as provided 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 Schedule 2), 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.

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 Schedule 2, 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 and Couponholders and (in the absence as aforesaid) no liability to the Bank, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by any of them of their respective powers, duties and discretions pursuant to such provisions.

TAXATION

Subject to the following comments, interest on the Notes will not be treated as a distribution for United Kingdom tax purposes. The Perpetual Notes will constitute "equity notes" within the terms of section 209(9) of the Taxes Act. Accordingly, when interest is paid in respect of a Perpetual Note held by a person who is associated with the Bank or is a "funded company" within the terms of section 209(11) of that Act and, in either case, who is not within the charge to United Kingdom corporation tax, it will be treated as a distribution for the purposes of United Kingdom taxation. For these purposes the Inland Revenue has indicated that a company acquiring equity notes will only be treated as a funded company if there is a linkage between the provision of funds to, and the acquisition of the equity notes by, that company. Where a holder of a Perpetual Note incidentally has a banking relationship with the Bank or any associate of the Bank, the holder of the Perpetual Note will not be treated as a funded company for these purposes. In the event that interest paid to an investor is treated as a distribution, certain of the statements made in the tax section of the Offering Circular dated 30th May, 1995 will not apply to such payments.

The United Kingdom Government has published draft legislation to reform the taxation treatment of interest and other returns from the holding or disposal of debt securities. The legislation is not yet in final form but it seems unlikely that it will change the position on when a withholding should be made on interest payments from that described in the tax section of the Offering Circular dated 30th May, 1995.

Under proposals contained in the Chancellor's November 1995 Budget statement, it is likely that from the year of assessment 1996/97, where interest is to be paid by the Bank under deduction of United Kingdom income tax, the rate of tax to be withheld will be lower rate United Kingdom income tax, currently at 20 per cent.

THE BANK

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

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Princes House
95 Gresham Street
London EC2V 7LY

AGENT

The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

PAYING AGENT

Chase Manhattan Bank Luxembourg, S.A.
5 rue Plaetis
L-2338 Luxembourg-Grund

LEGAL ADVISERS

To the Bank:

Freshfields
65 Fleet Street
London EC4Y 1HS

To the Managers and the Trustee:

Allen & Overy
One New Change
London EC4M 9QQ

AUDITORS TO THE BANK

KPMG
St. James's Square
Manchester M2 6DS

LISTING AGENT

UBS Limited
100 Liverpool Street
London EC2M 2RH

The COOPERATIVE BANK

The Co-operative Bank p.l.c.

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

£400,000,000

Euro Note Programme

Under this £400,000,000 Euro Note Programme (the "Programme"), The Co-operative Bank p.l.c. (the "Bank") 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 (including ECU) agreed between the Bank and the relevant Dealer (as defined herein).

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") for Notes issued under the Programme for a period of 12 months from the date hereof to be admitted to the Official List. Notice of the aggregate nominal amount of, interest (if any) payable in respect of, the issue price of, the issue date and maturity date of, and any other terms and conditions not contained herein which are applicable to, each Tranche (as defined on page 14) of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be admitted to the Official List of the London Stock Exchange, will be delivered to the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

Copies of this Offering Circular, which contains the listing particulars approved by the London Stock Exchange as required by the Financial Services Act 1986 (the "Listing Particulars") in relation to Notes issued under the Programme during the period of twelve months from the date of this Offering Circular, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 149 of that Act. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List of the London Stock Exchange) will be available from Companies Fiche Service, operated by Extel Financial Limited, at 37-45 Paul Street, London EC2A 4PB and from the specified office set out below of the Trustee (as defined herein) and each of the Paying Agents (as defined herein).

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 be deposited on the issue date thereof with a common depository on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), and Cedel Bank, société anonyme ("Cedel") and/or any other agreed clearance system and which, in the case of a temporary global note, will be exchangeable, as specified in the applicable Pricing Supplement, 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.

Arrangers

UBS Limited
Schweizerische Bankgesellschaft (Deutschland) AG

Programme Dealers

Merrill Lynch International Limited
UBS Limited

NatWest Capital Markets Limited
S.G.Warburg Securities

for DM issues

Schweizerische Bankgesellschaft (Deutschland) AG

The date of this Offering Circular is 30th May, 1995.

The Bank accepts responsibility for the information contained in this Offering Circular. 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 Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below) (provided, however, that such incorporated documents do not form part of the Listing Particulars). This Offering Circular shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular but not part of the Listing Particulars.

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 in this Offering Circular or any other information provided by the Bank. Neither any Dealer nor the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Bank in connection with the Programme.

No person has been authorised to give any information or to make any representation not contained in or consistent with this Offering Circular or any other information supplied in connection with the Programme 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 Offering Circular nor any other information supplied in connection with the Programme (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 Offering Circular or any other information supplied in connection with the Programme 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 Offering Circular nor any other information supplied in connection with the Programme 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.

The delivery of this Offering Circular does not at any time 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 and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme. Investors should review, *inter alia*, the most recent consolidated financial statements, if any, of the Bank when deciding whether or not to purchase any Notes.

The distribution of this Offering Circular 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 document may be lawfully distributed, or that the 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 (save for the approval of this Offering Circular as listing particulars by the London Stock Exchange and delivery of copies of this Offering Circular or any other offering material relating to the Programme or Notes issued thereunder to the Registrar of Companies in England and Wales) which would permit a public offering of the 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 Offering Circular 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. Each Dealer has represented or, as the case may be, will be required to represent that all offers and sales by it will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom and Germany (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 U.S. persons (see "Subscription and Sale" below).

All references in this document 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, (iii) "Deutsche Marks" and "DM" refer to the currency of Germany and (iv) "ECU" refer to European Currency Units.

In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of the Notes of the Series of which such Tranche forms part at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time. Such stabilising shall be in compliance with all relevant laws and regulations.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular (provided, however, that such incorporated documents do not form part of the Listing Particulars):

- (a) the publicly available audited annual financial statements and the interim financial statements (if any) of the Bank for the most recent financial period; and
- (b) all supplements to this Offering Circular circulated by the Bank from time to time in accordance with the provisions of the Dealer Agreement described below,

save that any statement contained herein or in a document which is deemed to be incorporated in whole or in part by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular (but not the Listing Particulars) to the extent that a statement contained in any such subsequent document which is deemed to be incorporated in whole or in part by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the oral or written request of such person, a copy of any or all of the documents deemed to be incorporated in whole or in part herein by reference 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 Offering Circular. In addition, such documents will be available from the principal office in England of UBS Limited in its capacity as listing agent (the "Listing Agent") for the Notes.

The Bank has undertaken in the Dealer Agreement (as defined in "Subscription and Sale" below) to comply with sections 147 and 149 of the Financial Services Act 1986 and the Listing Rules in that regard. In the event that supplementary listing particulars are produced pursuant to such undertaking, a copy of such supplementary listing particulars will accompany this Offering Circular.

GENERAL DESCRIPTION OF THE PROGRAMME

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £400,000,000 (or its equivalent in other currencies calculated as described herein). A description of the restrictions applicable at the date of this Offering Circular relating to the maturity of certain Notes is set out on page 6.

The Notes will be issued on a continuing basis to one or more of the Programme Dealers (as defined herein) and any additional Programme Dealer or Issue Dealer (as defined herein) appointed under the Programme from time to time. The Programme Dealers and the Issue Dealers are herein together referred to as the "Dealers" and references to a "Dealer" are to a Programme Dealer or, as the case may be, an Issue Dealer. References to the "relevant Dealer" are references to the Dealer or Dealers with whom the Bank has agreed or proposes to agree the terms of an issue of Notes under the Programme.

The Ordinary Notes have been rated A- by IBCA Limited.

The Bank may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes or the form of Notes herein, in which event (in the case of Notes admitted to the Official List of the London Stock Exchange) supplementary listing particulars or further listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Under the Programme, the Bank may from time to time issue Notes denominated in any currency (including ECU) and having a minimum maturity of one month, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Bank and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "Form of the Notes" below.

This Offering Circular and any supplement will only be valid for listing Notes on the London Stock Exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed £400,000,000 or its equivalent in other currencies. For the purpose of calculating the Sterling equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the Sterling equivalent of Notes denominated in another Specified Currency (as defined under "Form of the Notes" on page 10) shall be determined, at the discretion of the Bank, as of the date of agreement to issue such Notes (the "Agreement Date") or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of Sterling against the purchase of the relevant Specified Currency in the London foreign exchange market quoted by any leading bank selected by the Bank on such date;
- (b) the Sterling equivalent of Dual Currency Notes, Indexed Notes and Partly Paid Notes (each as defined under "Form of the Notes" on page 10) shall be calculated in the manner specified above by reference to the original nominal amount of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the Sterling equivalent of Zero Coupon Notes (as defined under "Form of the Notes" on page 10) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Bank for the relevant issue.

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer:	The Co-operative Bank p.l.c.
Description:	Euro Note Programme
Arrangers:	UBS Limited Schweizerische Bankgesellschaft (Deutschland) AG (for issues of DM denominated Notes)
Programme Dealers:	Merrill Lynch International Limited NatWest Capital Markets Limited (as agent for National Westminster Bank Plc) UBS Limited S.G.Warburg Securities Ltd. Schweizerische Bankgesellschaft (Deutschland) AG (for issues of DM denominated Notes)
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	The Chase Manhattan Bank, N.A.
Programme Size:	Up to £400,000,000 (or its equivalent in other currencies calculated as described herein on page 4) outstanding at any time. The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Legal and regulatory requirements:	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).
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	<p>Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Bank and the relevant Dealer including, without limitation, Australian dollars, Austrian schillings, Canadian dollars, Danish kroner, Deutsche marks, ECU, Finnish markkas, Hong Kong dollars, Irish pounds, Italian lire, New Zealand dollars, Sterling, Swedish kronor, Swiss francs and United States dollars (as indicated in the applicable Pricing Supplement).</p> <p>Each issue of Notes denominated in DM will take place only in compliance with the guidelines for the time being of the German Central Bank regarding the issue of DM-denominated debt securities. In particular, only credit institutions domiciled in Germany will act as Dealers in relation to such Notes except in the case of the issue of DM-denominated Notes on a syndicated basis (where only the lead manager need be a credit institution domiciled in Germany).</p> <p>Each issue of Notes denominated in Swiss francs or carrying a Swiss franc related element will be effected in compliance with the relevant regulations of the Swiss National Bank, to the extent applicable, by a bank or finance company domiciled in Switzerland which is regulated under article 8 of the Federal Law on Banks and Savings Banks of 1934 (as amended) (which includes a branch or subsidiary located in Switzerland of a foreign bank). Under the current guidelines of the Swiss National Bank, to the extent applicable, the Swiss entity must obtain authorisation from the Swiss National Bank before carrying out the transaction.</p>

- Maturities:** Such maturities as may be agreed between the Bank and the relevant Dealer and as indicated in the applicable Pricing Supplement, 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. At the date of this Offering Circular, the minimum maturity of all Notes is one month except in the case of Notes denominated in Sterling or Deutsche marks where the minimum maturity is one year and one day and two years, respectively.
- Issue Price:** 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.
- Form of Notes:** Each Tranche of Notes 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 be deposited on the relevant Issue Date with a common depositary for Euroclear and Cedel and/or any other agreed clearance system and which, in the case of a temporary global Note, will be exchangeable as described therein for either a permanent global Note or definitive Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement) in each case not earlier than 40 days after the relevant Issue Date and only upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole or, in certain circumstances described in "Form of the Notes" below, in part for definitive Notes upon not less than 60 days' written notice to the Agent as described in "Form of the Notes" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of the clearance system or clearance systems with which it is deposited.
- Fixed Rate Notes:** 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 Pricing Supplement) and on redemption.
- Interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed (or such other basis as may be indicated in the applicable Pricing Supplement).
- Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined 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 1991 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 on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Bank and the relevant Dealer (in each case as indicated in the applicable Pricing Supplement).
- 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.
- Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
- Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Bank and the relevant Dealer, will be payable on the first day of the next following Interest Period and will be calculated on the basis of the actual number of days in the Interest Period concerned divided by 360 (or 365/366, in the case of Notes denominated in Sterling) unless otherwise indicated in the applicable Pricing Supplement.

Interest Periods for Floating Rate Notes:	Such period or periods as the Bank and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).
Changes of Interest/Payment Basis:	Notes may be converted from one Interest/Payment Basis to another if so provided in the applicable Pricing Supplement.
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 Pricing Supplement).
Indexed Notes:	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Indexed Notes will be calculated by reference to such index and/or formula as the Bank and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).</p> <p>Each issue of Indexed Notes denominated in DM will be made in compliance with the policy of the German Central Bank regarding the indexation of DM-denominated debt obligations of non-German issuers.</p>
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	<p>The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), 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 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) 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 Pricing Supplement. Under applicable laws and regulations at the date of this Offering Circular, Notes denominated in Sterling and Deutsche marks may not be redeemed (other than for taxation reasons or following an Event of Default) prior to one year and one day and two years, respectively, from the relevant Issue Date.</p> <p>The applicable Pricing Supplement may provide that Notes may be repayable in two or more instalments of such amounts and on such dates as indicated therein.</p> <p>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 Bank of England.</p>
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 Pricing Supplement 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.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the United Kingdom, subject as provided in Condition 9.
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 11.
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 <i>pari passu</i> 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 <i>pari passu</i> 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.
Rating:	The Ordinary Notes have been rated A- by IBCA Limited.
Listing:	Application has been made to list the Notes on the London Stock Exchange. The Notes may also be listed on such other or further stock exchange or stock exchanges as may be agreed between the Bank and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued. The Pricing Supplement relating to each issue will state whether or not and, if so, on which stock exchange or stock exchanges the Notes are to be listed.
Governing Law:	The Trust Deed is, and the Notes will be, governed by, and construed in accordance with, English law.
Selling Restrictions:	There are selling restrictions in relation to the United States, the United Kingdom and Germany. 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 Pricing Supplement. See "Subscription and Sale" below.

FORM OF THE NOTES

Each Tranche of Notes 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 which, in either case, unless otherwise agreed between the Bank and the relevant Dealer, will be delivered to a common depositary for Euroclear and Cedel. Any reference in this section "Form of the Notes" to Euroclear and/or Cedel shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance 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) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note 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 Euroclear and/or Cedel and Euroclear and/or Cedel, 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 40 days after the date on which a temporary global Note is issued, interests in the temporary global Note will be exchangeable (provided that, if it is a Partly Paid Note (as described below), all instalments of the subscription moneys due before the date of such exchange have been paid) (free of charge) upon a request as described therein either for interests in a permanent global Note (without receipts, interest coupons or talons) or for security printed definitive Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement) 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 or principal due on or after the Exchange Date. Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" below) the Agent shall arrange, unless otherwise instructed by the Bank, that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Cedel which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days after the completion of the distribution of the Notes of such Tranche. The end of such period (and the common code and ISIN thereafter applicable to the Notes of the relevant Series) will be notified by the Agent to the relevant Dealer.

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Cedel against presentation or (as the case may be) surrender of the permanent global Note without any requirement for certification. A permanent global Note will be exchangeable (provided that, if it is a Partly Paid Note (as described below), all instalments of the subscription moneys due before the date of such exchange have been paid) (free of charge), in whole or (subject to the Notes which continue to be represented by the permanent global Note being regarded by Euroclear and Cedel as fungible with the definitive Notes issued in partial exchange for such permanent global Note) in part, for definitive Notes (with, where applicable, receipts, interest coupons and talons attached) upon not less than 60 days' written notice from the Noteholder to the Agent expiring at least 90 days after the Exchange Date as described therein. At the date hereof, neither Euroclear nor Cedel regard Notes in global form as fungible with Notes in definitive form.

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

The following legend will appear on all global Notes, definitive Notes, receipts, interest coupons and talons, 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.

The Pricing Supplement relating to each Tranche of Notes will contain such of the following information as is applicable in respect of such Notes (all references to numbered Conditions being to the Terms and Conditions of the relevant Notes):

- (i) the Series number and, if not a new Series, the date from which the Tranche being issued will form a single series with the other Notes comprised in that Series;

- (ii) whether the Notes:
 - (a) are to be unsubordinated ("Ordinary Notes"); or
 - (b) are to provide that the rights of Noteholders with regard to payments of principal and interest are to be subordinated as described in Condition 3 ("Subordinated Notes");
- (iii) the currency (which expression shall include ECU) in which the Notes are denominated (and, in the case of ECU, its composition) and, in the case of Dual Currency Notes (as defined below), the currency or currencies in which payments in respect of the Notes are to be made (each a "Specified Currency");
- (iv) the aggregate nominal amount of the Notes to be issued;
- (v) the interest and/or payment basis (the "Interest/Payment Basis") of the Notes, which may be one or more of the following:
 - (a) Notes bearing interest on a fixed rate basis ("Fixed Rate Notes");
 - (b) Notes bearing interest on a floating rate basis ("Floating Rate Notes");
 - (c) Notes issued on a non-interest bearing basis ("Zero Coupon Notes");
 - (d) Notes in respect of which principal and/or interest is calculated by reference to an index and/or a formula ("Indexed Notes");
 - (e) Notes in respect of which principal and/or interest is or may be payable in one or more Specified Currencies other than the Specified Currency in which they are denominated ("Dual Currency Notes");
 - (f) Notes which are to be issued on a partly paid basis ("Partly Paid Notes"); or
 - (g) Notes in respect of which principal is redeemable in instalments ("Instalment Notes");
- (vi) if the Notes are not to, or may not, have a single specified Interest/Payment Basis, the dates from (and including) to (but excluding) which such Notes will have or may have each specified Interest/Payment Basis and if the Bank and/or the Noteholders are to have the option to convert the Interest/Payment Basis the date(s) upon which such option(s) may be exercised and all other relevant details;
- (vii) the date on which the Notes will be issued (the "Issue Date");
- (viii) the denomination(s) of such Notes (each a "Specified Denomination");
- (ix) the price (generally expressed as a percentage of the nominal amount of the Notes) at which the Notes will be issued (the "Issue Price");
- (x) in the case of Partly Paid Notes, the amount of each payment comprising the Issue Price, the date on which each payment is to be made and the consequences (if any) of failure to make any such payment and any other relevant information;
- (xi) in the case of interest-bearing Notes, the date from which such Notes bear interest (the "Interest Commencement Date") which may or may not be the Issue Date;
- (xii) in the case of Notes other than Floating Rate Notes, the date on which such Notes (unless previously redeemed or purchased and cancelled) will be redeemed (the "Maturity Date");
- (xiii) in the case of Floating Rate Notes, the month and year in which such Notes (unless previously redeemed or purchased and cancelled) will be redeemed (the "Redemption Month");
- (xiv) the amount at which each Note (including Instalment Notes) will be redeemed under (xii) or (xiii) above (the "Final Redemption Amount"), generally expressed as a percentage of the nominal amount of the Notes and/or, in the case of Indexed Notes or Dual Currency Notes, as specified in accordance with (xix) or (xx) below;
- (xv) in the case of Instalment Notes:

- (a) the date on which each instalment is payable (each an "Instalment Date"); and
 - (b) the amount, generally expressed as a percentage of the nominal amount of the Notes, of each such instalment (each an "Instalment Amount", the final such Instalment Amount being the Final Redemption Amount);
- (xvi) in the case of Fixed Rate Notes:
- (a) the rate, generally expressed as a percentage rate per annum, at which the Notes bear interest (the "Fixed Rate of Interest"), which may remain the same throughout the life of the Notes or increase and/or decrease;
 - (b) the date(s) which may occur once or more than once in each year and may or may not be the same throughout the life of the Notes in each year on which interest is payable throughout the life of the Notes (each a "Fixed Interest Date");
 - (c) where the period from the Interest Commencement Date to the first Fixed Interest Date differs from the period between subsequent Fixed Interest Dates, the amount of the first payment of interest (the "Initial Broken Amount"); and
 - (d) where the Maturity Date is not a Fixed Interest Date, the amount of the final payment of interest (the "Final Broken Amount");
- (xvii) in the case of Floating Rate Notes:
- (a) the number of months or other period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined in Condition 6(b)(i)) and from (and including) that and each successive Interest Payment Date thereafter to (but excluding) the next following Interest Payment Date (each an "Interest Period"), which may or may not be the same number of months or other period throughout the life of the Notes;
 - (b) the manner in which the rate of interest (the "Rate of Interest") is to be determined, including:
 - (1) where the Rate of Interest is to be determined by reference to the ISDA Definitions (as defined in Condition 6(b)(i) and described in Condition 6(b)(iii)) ("ISDA Determination"), the margin (the "Margin") (which Margin may remain the same throughout the life of the Notes or increase and/or decrease) specifying whether any such Margin is to be added to, or subtracted from, the relevant ISDA Rate;
 - (2) where the Rate of Interest is to be calculated otherwise than by ISDA Determination ("Screen Rate Determination"):
 - (A) the reference rate (the "Reference Rate") by which the Rate of Interest is to be determined;
 - (B) the Margin, if any, (expressed as a percentage rate per annum) over or under the Reference Rate by which the Rate of Interest is to be determined (which Margin may remain the same throughout the life of the Notes or increase and/or decrease) specifying whether any such Margin is to be added to, or subtracted from, the Reference Rate;
 - (C) the dates on which such Rate of Interest is to be determined (each an "Interest Determination Date");
 - (D) the page (the "Relevant Screen Page"), whatever its designation, on which the Reference Rate is for the time being displayed on the Reuter Monitor Money Rates Service or the appropriate Associated Press-Dow Jones Telerate Service (or such other service as may be designated in the applicable Pricing Supplement);
 - (3) where the Rate of Interest is to be calculated otherwise than by reference to (1) or (2) above, details of the basis for determination of the Rate of Interest, any relevant Margin and any fall-back provisions;
 - (c) if different from the Agent, the party responsible for calculating the Rate of Interest and Interest Amount in respect of any Notes;

- (d) the applicable definition of "Business Day" and relevant convention for the purposes of Condition 6 (if different from that set out in Condition 6(b)(i));
 - (e) the minimum Rate of Interest, if any, at which the Notes will bear interest, which may remain the same throughout the life of the Notes or increase and/or decrease;
 - (f) the maximum Rate of Interest, if any, at which the Notes will bear interest, which may remain the same throughout the life of the Notes or increase and/or decrease; and
 - (g) the denominator to be used in the calculation of the Interest Amount payable in respect of the Notes (if different from that set out in Condition 6(b)(vi));
- (xviii) in the case of Zero Coupon Notes:
- (a) the accrual yield in respect of such Notes (the "Accrual Yield") expressed as a percentage rate per annum;
 - (b) the reference price attributed to the Notes on issue (the "Reference Price"); and
 - (c) any other formula or basis of determining the amount payable,
- (in each case for the purposes of Condition 8(e)(iii));
- (xix) in the case of Indexed Notes:
- (a) the index (the "Index") to which amounts payable in respect of principal and/or interest are linked and/or the formula (the "Formula") to be used in determining the amounts of principal and/or interest due and determining the Calculated Redemption Amount and the Early Redemption Amount (as determined in accordance with Condition 8(e));
 - (b) the calculation agent responsible for calculating the amount of principal and/or interest due; and
 - (c) the provisions regarding calculation of principal and/or interest in circumstances where such calculation by reference to the Index and/or the Formula is impossible and/or impracticable;
- (xx) in the case of Dual Currency Notes:
- (a) the exchange rate(s) or basis of calculating the exchange rate(s) to be used in determining the amounts of principal and/or interest payable in the Specified Currencies (the "Rate of Exchange");
 - (b) the calculation agent, if any, responsible for calculating the amount of principal and/or interest payable in the Specified Currencies;
 - (c) the provisions regarding calculation of principal and/or interest in circumstances where such calculation by reference to the Rate of Exchange is impossible and/or impracticable; and
 - (d) the person at whose option any Specified Currency or Currencies is or are to be payable;
- (xxi) whether the Notes are to be redeemable at the option of the Bank (other than for taxation reasons) and/or the Noteholders and, if so:
- (a) each date upon which redemption may occur (each an "Optional Redemption Date");
 - (b) each redemption amount for the Notes (each an "Optional Redemption Amount") and/or the method, if any, of calculating the same; and
 - (c) in the case of Notes redeemable by the Bank in part, the minimum nominal amount of the Notes permitted to be so redeemed at any time (the "Minimum Redemption Amount"), any greater nominal amount of the Notes permitted to be so redeemed at any time (each a "Higher Redemption Amount"), if any, and the notice period, if other than as set out in the Terms and Conditions;
- (xxii) the redemption amount (the "Early Redemption Amount") in respect of the Notes payable on redemption for taxation reasons or following an Event of Default and/or the method, if any, of

calculating the same if required to be specified by, or if different from that set out in, Condition 8(e) and the notice period, if other than as set out in the Terms and Conditions;

- (xxiii) whether talons for future interest coupons or receipts are to be attached to definitive Notes on issue and, if so, the date on which such talons mature;
- (xxiv) details of the relevant stabilising manager, if any;
- (xxv) any additional selling restrictions which are required;
- (xxvi) details of any other relevant terms of such Notes or special conditions and of any modifications to the Terms and Conditions of the Notes as described below not inconsistent with the provisions of the Trust Deed;
- (xxvii) applicable definition of "Payment Business Day" (for the purpose of Condition 7) if different from that set out in Condition 7(d);
- (xxviii) the relevant Euroclear and Cedel Common Code and the relevant ISIN;
- (xxix) details of any additional or alternative clearance system approved by the Bank, the Agent and the Trustee;
- (xxx) details of whether or not the Notes are to be listed on the London Stock Exchange or any other stock exchange or stock exchanges;
- (xxxi) whether a temporary global Note or a permanent global Note is to be issued initially;
- (xxxii) whether interests in the temporary global Note, if any, can be exchanged for interests in a permanent global Note and/or definitive Notes and, in the case of definitive Notes, the notice period required for such exchange;
- (xxxiii) the notice period required for exchange of interests in a permanent global Note, if any, for definitive Notes;
- (xxxiv) the method of distribution of the Notes (syndicated or non-syndicated) including, if syndicated, the names of the managers and, if non-syndicated, the identity of the relevant Dealer;
- (xxxv) in the case of Ordinary Notes denominated in Sterling whether or not they are issued pursuant to the Bank of England Notice entitled "Commercial Paper, Medium Term Notes and Other Financial Instruments" dated 11th January, 1990; and
- (xxxvi) details of any further subordinated issues with which Subordinated Notes being issued are expressed to rank *pari passu*.

If the Pricing Supplement applicable to a Tranche of Notes specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modifications relate only to Conditions 1, 5, 6, 7, 8 (except Condition 8(b)), 13, 14, 15, 16 (insofar as Notes are not listed on any stock exchange) and 18, they will not necessitate the preparation of supplementary listing particulars or a supplementary Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplementary Offering Circular or a further Offering Circular describing the modification (and, if appropriate, constituting listing particulars or supplementary listing particulars) will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global Note and which will be endorsed upon (or, if permitted by the relevant Stock Exchange and agreed between the Bank and the relevant Dealer, incorporated by reference into) each definitive Note. The applicable Pricing Supplement in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement will be endorsed upon, or attached to, each global Note and definitive Note. Reference should be made to "Form of the Notes" above for a description of the content of Pricing Supplements which will include the definition of certain terms used in the following Terms and Conditions.

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 (the "Trust Deed") dated 31st 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 Agency Agreement (the "Agency Agreement") dated 31st May, 1994 and made among the Bank, The Chase Manhattan Bank, N.A. as issuing and principal paying agent and agent bank (the "Agent", which expression shall include any successor agent specified in the applicable Pricing Supplement), 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 Pricing Supplement) have interest coupons ("Coupons") and, if indicated in the applicable Pricing Supplement, 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.

The Pricing Supplement applicable to this Note 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 Pricing Supplement" are to the Pricing Supplement 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 "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) 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 Pricing Supplement. Copies of the Trust Deed, the Agency Agreement and the Pricing Supplement applicable to this Note are available for inspection at the registered office of the Trustee, being at 31st May, 1994 at Princes House, 95 Gresham Street, London EC2V 7LY and at the specified office of each of the Paying Agents save that a Pricing Supplement relating to an unlisted Note 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 Pricing Supplement which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Pricing Supplement 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 Pricing Supplement, the applicable Pricing Supplement 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.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Note, a Dual Currency Note, a Partly Paid Note or an Instalment Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Pricing Supplement. This Note is an Ordinary Note or a Subordinated Note, as indicated in the applicable Pricing Supplement.

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 may 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and/or Cedel Bank, société anonyme ("Cedel") each person who is for the time being shown in the records of Euroclear or of Cedel as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Cedel 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 Euroclear or of Cedel, as the case may be.

References to Euroclear and/or Cedel shall, whenever the context so permits, 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 Pricing Supplement.

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 Issuer and "Liabilities" means the total amount of the non-consolidated gross liabilities of the Issuer, in each case as shown by the latest published audited balance sheet of the Issuer, 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 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);

"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. Composition of the ECU

Subject to the provisions of Condition 7(c), if the Notes are denominated in ECU, the composition of the ECU in which the Notes are denominated or, if the Notes are Dual Currency Notes payable in ECU, the composition of the ECU in which the Notes are payable ("ECU") will be the same as the composition of the European Currency Unit that is from time to time used in the European Monetary System (the "EC ECU").

6. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest so specified payable in arrear on the Fixed Interest Date(s) in each year and on the Maturity Date so specified if that does not fall on a Fixed Interest Date. The first payment of interest will be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount. If the Maturity Date is not a Fixed Interest Date, interest from (and including) the preceding Fixed Interest Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount.

If interest is required to be calculated for a period of other than a full year, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on each interest payment date (each an "Interest Payment Date") which (save as otherwise mentioned in these Terms and Conditions or in the applicable Pricing Supplement) falls the number of months or other period specified as the Interest Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. If any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), it 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 the Interest Payment Date shall be brought forward to the immediately preceding Business Day and, thereafter, each subsequent Interest Payment Date shall be the last Business Day of the last month of each subsequent Interest Period.

In this Condition, "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 in London; and
- (B) either (1) in relation to interest payable in a Specified Currency other than ECU, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) and which if the Specified Currency is Australian dollars shall be Sydney or (2) in relation to interest payable in ECU, an ECU Settlement Day (as defined in the 1991 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions")).

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(iii) *ISDA Determination*

Where ISDA Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement 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 ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period equal to that Interest Period; 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) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

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

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period:

- (A) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent in accordance with this sub-paragraph (iii); and
- (B) the Agent will be deemed to have discharged its obligations under Condition 6(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

(iv) *Screen Rate Determination*

Where Screen Rate Determination is specified in the applicable Pricing Supplement 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 deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) 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 the London inter-bank offered rate, the

Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

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

If the applicable Pricing Supplement 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 above provisions 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 Pricing Supplement 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 above provisions 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 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 and calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360, or such other denominator determined by the Agent to be customary for such calculation, and rounding the resultant figure to the nearest penny (or its approximate equivalent in the relevant Specified Currency), half a penny (or its approximate equivalent in the relevant Specified Currency) being rounded upwards.

(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 are for the time being listed and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 7(c)) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) 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 are for the time being listed and to the Noteholders in accordance with Condition 16.

(viii) *Determination or Calculation by Trustee*

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or 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 Pricing Supplement), 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.

(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) *Indexed Notes and Dual Currency Notes*

In the case of Indexed Notes or Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an index and/or a formula or, as the case may be, an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *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 Pricing Supplement.

(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, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

7. Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in respect of definitive Notes in a Specified Currency other than ECU 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 respect of definitive Notes in ECU will be made by credit or transfer to an ECU account specified by the payee.

(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 surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. 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), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against surrender of the relevant definitive Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains, against which the amount payable in respect of the relevant instalment will be paid. 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, unmaturing 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 Indexed Notes) should be presented for payment together with all unmaturing 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 unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured 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 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured 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 Indexed Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Fixed Interest Date or 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 and otherwise in the manner specified in the relevant global Note 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 against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

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 Euroclear or Cedel as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Cedel, 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 9.

Notwithstanding the foregoing, 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 in a Component Currency*

If any payment of principal or interest in respect of a Note is to be made in ECU and, on the relevant due date, the ECU is used neither as the unit of account of the European Communities nor as the currency

of the European Union and/or banks in all member countries of the EC have ceased to provide ECU accounts, the Trustee shall, without liability on its part and without having regard to the interests of individual Noteholders, Receiptholders or Couponholders and after consultation, if, in the opinion of the Trustee, such consultation is practicable, with the Bank, choose a currency which was a component of the ECU when the ECU was most recently used as the unit of account of the European Communities (the "chosen currency") in which all payments due on that due date with respect to such Notes, Receipts and Coupons shall be made. Notice of the chosen currency selected by the Trustee shall, where practicable, be published by the Agent in accordance with Condition 16. The amount of each payment in such chosen currency shall be computed on the basis of the equivalent of the ECU in that currency, determined as set out in this paragraph (c), as of the fourth London Business Day prior to the date on which such payment is due. For the purposes of this paragraph (c), the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London.

Without prejudice to the preceding paragraph, on the first London Business Day on which the ECU is used neither as the unit of account of the European Communities nor as the currency of the European Union and/or on which banks in all member countries of the EC have ceased to provide ECU accounts, the Trustee shall, without liability on its part and without having regard to the interests of individual Noteholders, Receiptholders or Couponholders and after consultation if, in the opinion of the Trustee, such consultation is practicable, with the Bank, choose a currency which was a component of the ECU when the ECU was most recently used as the unit of account of the European Communities (also the "chosen currency") in which all payments with respect to Notes, Receipts and Coupons having a due date prior thereto but not yet presented for payment are to be made. Notice of the chosen currency selected by the Trustee shall, where practicable, be published in accordance with Condition 16. The amount of each payment in such chosen currency shall be computed on the basis of the equivalent of the ECU in that currency, determined as set out in this paragraph (c), as of such first London Business Day.

The equivalent of the ECU in the relevant chosen currency as of any date (the "Day of Valuation") shall be determined on the following basis by the Agent. The component currencies of the ECU for this purpose (the "Components") shall be the currency amounts which were components of the ECU:

- (i) as of the last date on which the ECU was used as the unit of account of the European Communities; or
- (ii) where the selection of a chosen currency is required only because banks in all member countries of the EC have ceased to provide ECU accounts, as of the Day of Valuation.

The equivalent of the ECU in the chosen currency shall be calculated by the Agent by first aggregating the U.S. dollar equivalents of the Components and then, using the rate used for determining the U.S. dollar equivalent of the Components in the chosen currency as set forth below, calculating the equivalent in the chosen currency of such aggregate amount in U.S. dollars. The U.S. dollar equivalent of each of the Components shall be determined by the Agent on the basis of the middle spot delivery quotations prevailing at 11.00 a.m. (London time) on the Day of Valuation, as obtained by the Agent from one or more leading banks as selected by the Agent in the country of issue of the Component in question.

If the official unit of any Component is altered by way of combination or subdivision, the number of units of that Component shall be divided or multiplied in the same proportion. If two or more Components are consolidated in a single currency, the amounts of those Components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated Components expressed in such single currency. If any Component is divided into two or more currencies, the amount of the Component shall be replaced by the amounts of such two or more currencies each of which shall be equal to the amount of the former Component divided by the number of currencies into which that Component was divided.

If no direct quotations are available for a Component as of a Day of Valuation from any of the banks selected by the Agent for this purpose because foreign exchange markets are closed in the country of issue of that Component or for any other reason, the most recent direct quotations for that Component obtainable by the Agent shall be used in computing the U.S. dollar equivalent of the ECU on such Day of Valuation, provided, however, that such most recent quotations may be used only if they were prevailing in the country of issue of such Component not more than two London Business Days before such Day of Valuation. If the most recent quotations obtained by the Agent are those which were so prevailing more than two London Business Days before such Day of Valuation, the Agent shall determine the U.S. dollar

equivalent of such Component on the basis of cross rates derived from the middle spot delivery quotations for such Component and for the U.S. dollar prevailing at 11.00 a.m. (London time) on such Day of Valuation, as obtained by the Agent from one or more leading banks, as selected by the Agent and approved by the Trustee, in a country other than the country of issue of such Component. If such most recent quotations obtained by the Agent are those which were so prevailing not more than two London Business Days before such Day of Valuation, the Agent shall determine the U.S. dollar equivalent of such Component on the basis of such cross rates if the Trustee judges that the U.S. dollar equivalent so calculated is more representative than the U.S. dollar equivalent calculated on the basis of such most recent direct quotations. Unless otherwise specified by the Trustee, if there is more than one market for dealing in any Component by reason of foreign exchange regulations or for any other reason, the market to be referred to in respect of such Component shall be that upon which a non-resident issuer of securities denominated in such Component would ordinarily purchase such Component in order to make payments in respect of such securities.

All choices and determinations made by the Trustee or the Agent for the purposes of this paragraph (c) shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Bank and all Noteholders, Receiptholders and Couponholders.

Whenever a payment is to be made in a chosen currency as provided in this paragraph (c), such chosen currency shall be deemed to be the Specified Currency for the purposes of the other provisions of these Terms and Conditions.

(d) Payment Business Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Business Day, the holder thereof shall not be entitled to payment until the next following Payment Business 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 Business Day" means any day which is both:

- (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation; and
- (ii) a Business Day (as defined in Condition 6(b)(i)).

(e) 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 9 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 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 9 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

8. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Bank at its Final Redemption Amount specified in, or determined in the manner specified

in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month (in the case of a Floating Rate Note).

(b) Redemption for Tax Reasons

The Notes may (subject, in the case of the Subordinated Notes, to the prior consent of the Bank of England) 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) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 16, 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 9 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 United Kingdom or any political subdivision or any authority thereof or therein having power to tax, 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 8(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

If the Bank is specified in the applicable Pricing Supplement as having an option to redeem the Notes, the Bank may (subject, in the case of the Subordinated Notes, to the prior consent of the Bank of England), having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16; 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), 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 Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the applicable Pricing Supplement. 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 Cedel, 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 16 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. 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 16 at least 5 days prior to the Selection Date.

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

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

If the Noteholders are specified in the applicable Pricing Supplement as having an option to redeem, upon the holder of any Note giving to the Bank in accordance with Condition 16 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Pricing Supplement (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 Pricing Supplement) 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 Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period accompanied by 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 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.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Conditions 11 and 12, 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 Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") equal to the sum of:
 - (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or
- (iv) in the case of Indexed 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 Pricing Supplement; 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.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or such other calculation basis as may be specified in the applicable Pricing Supplement.

(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 Pricing Supplement.

(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 Bank of England) 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 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 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 11 or 12 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 16 or individually.

9. **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 United Kingdom or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Bank will (save as may be provided in the applicable Pricing Supplement) 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 presented for payment:

- (i) by or on behalf of a Noteholder, Receiptholder or Couponholder who 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) 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) in the United Kingdom.

As used herein, 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 or the Trustee 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 16.

10. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment 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 9) 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 7(b) or any Talon which would be void pursuant to Condition 7(b).

11. 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 19, 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 8(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.

12. 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 8(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.

13. 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 16, 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.

14. 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;

- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe; and
- (iii) there will at all times be an Agent.

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 7(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 16.

In acting under the Agency Agreement, the Agent and the other 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 Agent and the other 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 10. 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.

15. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, 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 10. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

16. 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 on which the Notes are for the time being listed. 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 Euroclear and Cedel, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Cedel for communication by them to the holders of the Notes. 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 Euroclear and Cedel.

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

17. 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 clear 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 16. No modification to the provisions of Condition 3(ii) shall be effected without the prior consent of the Banking Supervision Division of the Bank of England.

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 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

18. 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.

19. 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 Banking Supervision Division of the Bank of England.

20. Indemnification

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.

21. Governing Law

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.

DESCRIPTION OF THE BANK

Introduction

The Bank is an established U.K. settlement bank, whose origins date back to 1872, originally being formed as the Banking Department of the Co-operative Wholesale Society Limited ("CWS").

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 CWS 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 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 10th January, 1993 with its present name. The Bank is a wholly owned direct subsidiary of CWS. The CWS is the prime farming, wholesaling, retailing and advisory service for the U.K. Co-operative sector and is regulated under the Industrial and Provident Societies Acts of 1965 to 1978.

The Bank's registered office, which is also its Head Office, is situated at 1 Balloon Street, Manchester M60 4EP.

Business

The Bank is a U.K. settlement bank with a broad, 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 to differentiate itself from the competition and to improve customer loyalty.

Retail banking services are provided to the personal sector, the small to medium sized corporate and commercial sectors along with public sector and charitable institutions. Financial advice and specialised financial services are also provided to individuals, corporates and institutions by the Bank's Financial Advisory, Treasury, Asset Based Finance and Investment Management operations. The Bank is a major supplier of financial services to local authorities and to the Co-operative retail sector.

The Bank's distinctive presence is partly due to a strong market penetration in certain key sectors of its business, the promotion of its Co-operative heritage and its "Ethical Policy" (summarised in the latest annual report of the Bank), coupled with a history of product and customer service innovation.

As illustrations of product innovation, during 1993 the Bank became the largest issuer of Visa Gold credit cards in the U.K. following the launch of a "free for life" product at a time when other issuers were introducing annual fees. In May 1991, following the centralisation of account administration, the Bank introduced a telephone banking service, "Armchair Banking", which can handle up to 20,000 calls a day and in 1994 received over 4 million calls.

The Bank now provides a 24 hour, 7 days a week service to its personal customers. In addition to Armchair Banking, its nationwide distribution system encompasses 132 outlets (comprising 115 branches and 17 automated Bankpoint Kiosks), over 2,000 banking facilities within Co-operative stores and approximately 8,500 automated teller machines (through its membership of LINK). It offers personal customers an extensive range of facilities, including current accounts, deposit and loan facilities, along with several types of payment and credit card.

In January 1993, a Business Account Management Centre was established to handle the administration needs of business customers from a central point. Computerised, desktop banking is provided to larger corporates using the Bank's proprietary system ("Financial Director"). A network of Business Centres provides for local customer contact with corporate managers and specialists.

The increased use of remote electronic services for both personal and corporate customers is intended to permit the Bank to improve both the cost effectiveness and quality of its service.

Specialised financial services to larger corporate customers are provided by the Bank's Treasury and Asset Based Finance businesses, including access to the wholesale money markets, structured finance, deposits and lending activities, leasing and a range of risk management facilities. Institutional investment management is provided by CIM Fund Managers Ltd. and independent financial advice is offered by Co-operative Bank Financial Advisors Ltd. Both of these companies are wholly owned subsidiaries of the Bank.

The Bank owns 36 per cent. of the equity of Unity Trust Bank Plc. ("UTB"). UTB and its subsidiaries provide retail banking services to personal and corporate customers, principally trade unions and their members. In accordance with U.K. accounting practice, the financial results of UTB are consolidated within the statutory accounts of the Bank.

The Bank is an active member of the International Co-operative Alliance and the European Association of Co-operative Banks which is committed to developing pan-European business opportunities. Recent developments include Tipa-Net, an advanced cross-border payment system, in connection with which the Bank is the sole manager of the U.K. network.

Directors

The Directors and the Secretary of the Bank, their functions in the Bank and their principal outside activities (if any) of significance to the Bank are as follows:

<i>Name</i>	<i>Function within the Bank</i>	<i>Principal outside activity (if any) of significance to the Bank</i>
Chairman T. Agar	Chairman	Secretary, Lincoln Co-operative Chemists Limited
Managing Director T.J. Thomas FCIB, Dip.IA	Managing Director	Chairman, Vector Investments Limited
Non-Executive Directors G.R. Bennett	—	Chief Executive Officer and Secretary, Portsea Island Mutual Co-operative Society Limited
R.H. Burlton	—	Chief Executive Officer, Oxford Swindon & Gloucester Co-operative Society Limited
G.L. Fyfe	—	Chief Executive Officer, Midlands Co-operative Society Limited
D.T. Hughes	—	Chief Executive Officer, Associated Co-operative Creameries Limited
G.J. Melmoth	—	Secretary, CWS
W.A. Prescott	—	Controller, Finance and Property, CWS
D. Skinner	—	Chief Executive, CWS
Executive Directors M.A. Firth, BA (Hons)	Executive Director, Personal Banking	Director, VISA (UK) Limited Director, APACS Administration Limited
K.J. Lewis, BSc(Econ) (Hons), FIPM	Executive Director Group Resources	None
W.J. Marper, FCA	Executive Director Group Finance	Deputy Chairman, UTB
M.J. Woodward, ACIB	Executive Director Corporate and Commercial	Director, UTB
Company Secretary R.K. Jones, BA(Econ) (Hons), Barrister	Company Secretary	Deputy Secretary, CWS

The business address of the Directors is The Co-operative Bank p.l.c., 1 Balloon Street, Manchester M60 4EP.

Management and Staff

The day-to-day management of the Bank is the responsibility of the Managing Director and Executive Directors. The Bank and its subsidiaries employ approximately 3,816 people.

CAPITALISATION OF THE BANK

The authorised share capital of the Bank is 600,000,000 ordinary shares of 5p each, which are all issued and fully paid, and 75,000,000 9.25 per cent. non cumulative irredeemable preference shares of £1 each, of which 60,000,000 are issued and fully paid.

The following table sets out the audited consolidated share capital of the Bank and its subsidiaries (the 'Group') at 14th January, 1995, the audited consolidated reserves of the Group at 14th January, 1995 and the unaudited consolidated indebtedness of the Group at 6th May, 1995:

Shareholders' Funds

	£'000
Issued and fully paid share capital	90,000
Reserves:	
Profit and loss account	60,725
Share premium account.	8,814
	69,539
Total shareholders' funds	159,539

Indebtedness

Medium Term Notes:	33,000
Dated loan capital:	
Subordinated Floating Rate Notes 2000.	75,000
Subordinated Floating Rate Loan Stock 2003	6,033
Total indebtedness	114,033

Notes:—

- (1) There has been no material change in the consolidated shareholders' funds of the Bank since 14th January, 1995 or in the consolidated indebtedness of the Bank since 6th May, 1995.
- (2) Save as disclosed above, and apart from intra-group indebtedness, the Group did not have as at 6th May, 1995 any loan capital outstanding or created but unissued, any term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances, acceptance credits, hire purchase commitments, obligations under finance leases, mortgages or charges, or any guarantees or other contingent liabilities.

AUDITORS' REPORT

St. James' Square
Manchester M2 6DS

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

30th May, 1995

Dear Sirs,

The Co-operative Bank p.l.c.

We have examined the financial information set out on pages 37 to 62 of the "Offering Circular" of The Co-operative Bank p.l.c., Euro Note Programme, which is based on the financial statements of The Co-operative Bank p.l.c. and its subsidiary companies (the "Group") for the year ended 14th January, 1995, which we audited in accordance with Auditing Standards, and on which we reported without qualification.

Respective responsibilities of directors and auditors

As described on page 26 of the financial statements the Bank's directors are responsible for their preparation. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to the members of The Co-operative Bank p.l.c.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial information set out on pages 37 to 62 gives a true and fair view of the state of affairs of The Co-operative Bank p.l.c. and of the Group as at 14th January, 1995 and of the Group's profit for the year then ended.

Yours faithfully

KPMG

FINANCIAL STATEMENTS OF THE BANK

The Financial Statements set out on pages 37 to 62 have been extracted from the audited accounts of the Bank and its subsidiaries for year ended 14th January, 1995. The 1994 heading used in this extract refers to the year ended 14th January, 1995, whilst that for 1993 refers to the year ended 8th January, 1994.

CONSOLIDATED PROFIT & LOSS ACCOUNT

		1994 (53 weeks)	1993 (52 weeks)
	Notes	£'000	£'000
Interest receivable			
Interest receivable and other income arising from debt securities		35,836	20,301
Other interest receivable and similar income.		217,610	224,651
		<u>253,446</u>	<u>244,952</u>
Interest payable		(114,320)	(114,955)
Net Interest Income		139,126	129,997
Dividend income.	2	189	14
Fees and commissions receivable.		114,569	107,089
Fees and commissions payable.		(14,106)	(14,040)
Dealing profits		1,189	2,810
Other operating (losses)/income		(2,749)	1,861
Operating Income		238,218	227,731
Administrative expenses			
Staff costs	3	(83,890)	(82,008)
Other		(84,259)	(79,762)
Depreciation and amortisation.	19	(10,712)	(10,653)
		<u>(178,861)</u>	<u>(172,423)</u>
Provisions for bad and doubtful debts.	14	59,357	55,308
Losses from associated undertakings		(31,977)	(38,444)
		<u>(232)</u>	<u>(38)</u>
Operating profit		27,148	16,826
Profit on sale of property		363	963
Profit on Ordinary Activities before Taxation	4	27,511	17,789
Taxation on profit on ordinary activities.	7	(9,463)	(6,698)
Profit on Ordinary Activities after Taxation		18,048	11,091
Minority interests		(201)	(101)
Profit for the Financial Year	8	17,847	10,990
Dividends (includes amounts attributable to non-equity shareholders)	9	(8,641)	(8,035)
Retained Profit for the Year.	28	9,206	2,955
Earnings per share.	10	2.03p	0.91p

(i) Movements in profit and loss account reserves are shown in Note 28 on page 57

(ii) The above results are derived from continuing operations.

CONSOLIDATED BALANCE SHEET

		1994	1993
	Notes	£'000	£'000
Assets			
Cash and balances at central banks		37,822	31,813
Cheques in course of collection		105,711	156,076
Loans and advances to banks	12	698,510	1,018,907
Loans and advances to customers	13	1,789,703	1,720,947
Debt securities	15	564,216	382,883
Equity shares	16	880	880
Interests in associated undertakings	17	590	594
Tangible fixed assets	19	44,518	40,307
Other assets.	20	13,752	14,164
Prepayments and accrued income		38,573	31,940
Total assets	11	3,294,275	3,398,511
Liabilities			
Deposits by banks	21	602,285	572,437
Customer accounts.	22	2,273,370	2,410,507
Debt securities in issue	23	49,500	66,750
Other liabilities	24	59,581	73,622
Accruals and deferred income		53,967	29,758
Provisions for liabilities and charges			
Deferred taxation	25	8,178	7,450
Subordinated liabilities	26	81,033	81,033
Minority interests		6,822	6,621
Called up share capital	27		
Ordinary shares		30,000	30,000
Preference shares (non-equity).		60,000	60,000
Share premium account.	28	8,814	8,814
Profit and loss account	28	60,725	51,519
Share capital and reserves.		159,539	150,333
Total liabilities	11	3,294,275	3,398,511
Memorandum items	29		
Contingent liabilities			
Acceptances and endorsements		81,406	42,047
Guarantees and assets pledged as collateral security		67,243	69,675
		148,649	111,722
Commitments			
Other commitments		1,750,399	1,812,560
		1,750,399	1,812,560

BALANCE SHEET

		1994	1993
	Notes	£'000	£'000
Assets			
Cash and balances at central banks		37,640	31,667
Cheques in course of collection		105,365	155,809
Loans and advances to banks	12	617,267	946,557
Loans and advances to customers	13	1,717,663	1,655,402
Debt securities	15	528,456	350,178
Equity shares	16	527	527
Interests in associated undertakings	17	17	17
Shares in group undertakings	18	1,157	1,157
Tangible fixed assets	19	43,896	39,806
Other assets	20	15,655	13,531
Prepayments and accrued income		34,211	28,369
Total assets	11	3,101,854	3,223,020
Liabilities			
Deposits by banks	21	605,717	572,437
Customer accounts	22	2,133,025	2,282,156
Debt securities in issue	23	49,500	66,750
Other liabilities	24	53,223	66,297
Accruals and deferred income		30,759	15,965
Provisions for liabilities and charges			
Deferred taxation	25	2,570	1,052
Subordinated liabilities	26	75,000	75,000
Called up share capital	27		
Ordinary shares		30,000	30,000
Preference shares (non-equity)		60,000	60,000
Share premium account	28	8,814	8,814
Profit and loss account	28	53,246	44,549
Share capital and reserves		152,060	143,363
Total liabilities	11	3,101,854	3,223,020
Memorandum items			
Contingent liabilities	29		
Acceptances and endorsements		81,406	42,047
Guarantees and assets pledged as collateral security		66,991	69,372
		148,397	111,419
Commitments			
Other commitments		1,749,598	1,812,560
		1,749,598	1,812,560

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>
Profit for the financial year	17,847	10,990
Revaluation of property	—	56
Total recognised gains and losses for the year	<u>17,847</u>	<u>11,046</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>
Profit for the financial year	17,847	10,990
Dividends.	(8,641)	(8,035)
Other recognised gains and losses for the year	—	56
Goodwill written off	—	(16)
Net increase in shareholders' funds.	<u>9,206</u>	<u>2,995</u>
Shareholders' funds at beginning of year	<u>150,333</u>	<u>147,338</u>
Shareholders' funds at end of year	<u>159,539</u>	<u>150,333</u>

CONSOLIDATED CASH FLOW STATEMENT

	Notes	1994	1993
		£'000	£'000
Net cash outflow from operating activities	30	(302,209)	(47,797)
Returns on investments and servicing of finance			
Investment interest received		28,137	13,661
Ordinary dividends paid		(2,500)	—
Preference dividends paid		(5,550)	(5,550)
Loan stock interest paid		(4,478)	(5,409)
Net cash inflow from returns on investments and servicing of finance		15,609	2,702
Taxation			
United Kingdom corporation tax (paid)/received		(5,616)	3,355
Investing activities			
Purchase of investments		(621,580)	(720,802)
Sale of investments		582,595	587,791
Purchase of tangible fixed assets		(17,060)	(16,195)
Sale of tangible fixed assets		1,318	1,831
Investment in associated undertakings		(150)	(275)
Net cash outflow from investing activities		(54,877)	(147,650)
Net cash outflow before financing		(347,093)	(189,390)
Financing		—	—
Decrease in cash and cash equivalents	30	(347,093)	(189,390)
		(347,093)	(189,390)

ACCOUNTING POLICIES

1(a) Basis of consolidation and accounting date

- (i) The financial statements of the Group relate to the 53 weeks to 14th January, 1995 (corresponding figures for the previous year, 52 weeks to 8th January, 1994). Since the Group accounting date is virtually co-terminous with the calendar year 1994 the financial year's figures are headed 1994 and the corresponding figures for the previous year are headed 1993. The financial statements are prepared on a historical cost basis in accordance with applicable accounting standards and with the special provisions of Part VII of the Companies Act 1985 relating to Banking Groups.

The financial statements contain information prepared on a basis consistent with the requirements of Schedule 9 to the Companies Act 1985 which sets out specific requirements regarding the format of the balance sheet and profit and loss account.

(ii) Associated undertakings

In the consolidated balance sheet associated undertakings are shown at cost and the Group's share of reserves from the date of acquisition, less amounts written off.

(iii) Goodwill

The premium paid on the acquisition of shares in subsidiary undertakings, being the excess of the amount paid over the net tangible assets at the date of acquisition, has been written off against reserves.

(b) Debt securities

Held as investment securities

Dated securities are valued at cost, adjusted for the amortisation of premiums and discounts in the purchase price.

Undated securities are valued at the lower of cost or market value.

The amortisation of premiums and discounts of dated securities is included in interest income and is calculated to maintain a level yield from the date of acquisition to maturity.

Realised profits and losses on the sale of debt securities held in designated closed investment portfolios are taken to profit and loss account based on the maturity profile of the portfolio.

This treatment has been adopted in order that the financial statements give a true and fair view of the operation of these closed investment portfolios. As a consequence in this respect, the financial statements depart from the Companies Act 1985. The normal treatment is to recognise profits and losses as they arise. The treatment of amortising profits and losses has been adopted to reflect the fact that the closed portfolio operates as a single financial fixed asset.

Realised profits and losses on the sale of other investment debt securities are taken to profit and loss account in the period in which they arise.

Held as dealing securities

Securities held for dealing purposes are stated at market value.

(c) Loans and advances

The amount charged against operating profit for losses on advances comprises specific provisions against identifiable losses and a general provision to cover latent but unidentifiable losses due to doubtful debts. Both provisions are based on a year end appraisal of loans and advances. Loans and advances are shown in the balance sheet after deducting those provisions.

Debts are written off when there is no realistic prospect of further recovery of the amounts owing.

Fees charged at the inception of the advance which represent a payment for services provided in setting up the advance are credited to profit and loss account when they are receivable.

Fees charged at the inception of the advance which represent either a payment for continuing services or an additional interest charge are credited to profit and loss account on a straight line basis or pro rata to the amount outstanding as appropriate.

Interest earned on loans and advances is credited to the profit and loss account as it accrues. When the collection of interest becomes doubtful this is credited to a suspended interest account and therefore excluded from the profit and loss account.

ACCOUNTING POLICIES (CONTINUED)

(d) Depreciation

Depreciation is provided on a straight line basis at the following rates which are estimated to write down the assets to realisable values at the end of their useful lives.

Freehold and long leasehold buildings	2.5 per cent. per annum
Short leasehold buildings	life of lease
Equipment	10 to 33½ per cent. per annum
Vehicles	25 per cent. per annum

(e) Assets leased to customers

Assets leased to customers are valued at original cost less depreciation, which is calculated to write off that cost over the primary period of the lease. Depreciation for the period represents the full amount of lease payments due in the period, less the amounts credited to the profit and loss account.

Income from assets leased to customers is credited to the profit and loss account in proportion to the funds invested and includes amounts in respect of both regional development grants and tax credits which arise from falling corporation tax rates, grossed up at the average rate of corporation tax applicable to the period.

In the case of back to back leases, obligations of the Group under finance leases are included in other liabilities and rentals receivable from leases are included in assets leased to customers, both net of future finance charges.

(f) Leased assets

Assets acquired under finance leases are capitalised, based on the purchase price of the assets. Depreciation is provided on the same basis as for owned assets. The interest element of the lease payment is charged to profit and loss account on the basis of the actuarial method over the primary period of the lease. The capital value of the lease is included in the balance sheet as a liability reduced by the capital element of the lease payments.

Operating lease rentals are charged to profit and loss account as they accrue.

(g) Deferred taxation

Provision is made under the liability method for taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes where there is a reasonable probability that such taxation will become payable in the foreseeable future.

(h) Pension costs

In accordance with actuarial advice pension costs are charged to the profit and loss account to ensure that the regular cost is substantially a level percentage of the current and anticipated pensionable earnings. Variations from the regular cost are allocated over the average remaining working lives of current employees.

(i) Exchange rates

Balances in foreign currencies are expressed in sterling at the rate ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

(j) Off balance sheet instruments

Forward foreign exchange contracts and other off balance sheet instruments used in trading activities are valued at market prices. Profits and losses on instruments which are being used in specifically designated hedging transactions are taken to profit and loss account in a manner that reflects the accounting treatment of the items being hedged.

(k) Dealing

Dealing profits comprise the net gain or loss arising from trading transactions in securities and financial instruments but exclude any gains or losses arising from financial fixed assets. Financial fixed assets are those assets intended for use on a continuing basis in the Bank's activities.

NOTES TO THE FINANCIAL STATEMENTS

2. Dividend income

	1994 (53 weeks)	1993 (52 weeks)
	£'000	£'000
Income from equity shares	189	14

3. Staff costs

	1994 (53 weeks)	1993 (52 weeks)
	£'000	£'000
Wages and salaries	62,340	62,312
Social security costs	4,793	4,916
Other pension costs	8,279	7,484
Severance payments and relocation costs	4,750	4,474
Other staff costs	3,728	2,822
	83,890	82,008

4. Profit on ordinary activities before taxation

	1994 (53 weeks)	1993 (52 weeks)
	£'000	£'000
Is stated after:		
(i) Income:		
Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	38,862	40,700
Income from listed investments	22,090	10,191
(Losses)/profits on securities dealing	(147)	798
(Losses)/profits on disposal of investment securities	(1,261)	1,145
(ii) Charges:		
Interest payable in respect of subordinated liabilities	4,600	5,046
Hire of computers, equipment and vehicles		
operating lease rentals	2,075	2,801
interest payments on finance leases	238	138
depreciation on finance leases	922	951
interest payments on hire purchase agreements	—	140
depreciation on hire purchase agreements	—	710
Other operating lease rentals	9,497	8,906
Auditors' remuneration — parent company £140,000 (1993 — £145,000)	235	241

The auditors' remuneration for non-audit work from The Co-operative Bank p.l.c. and its subsidiary undertakings was £127,000 (1993 — £105,000).

5. Emoluments of directors

	1994 (53 weeks)	1993 (52 weeks)
	£'000	£'000
Basic pay, pension contributions and benefits in kind	772	829
Performance related pay	108	—
Compensation for loss of office	—	470
	880	1,299

Emoluments of directors (continued)

The Chairman received no emoluments in the current or the preceding year. The emoluments of the highest paid director were as follows:—

	1994 (53 weeks)	1993 (52 weeks)
Basic pay and benefits in kind	£177,013	£166,185
Performance related pay	£31,644	—
Pension contributions	£23,972	£22,243
Total	£232,629	£188,428

The emoluments of the highest paid director include a performance related bonus. This amount was accrued for, but not paid, during 1994. It will be paid following publication of this report and financial statements. Provisions of the payment are included in a scheme agreed and supervised by the Bank's Remuneration Committee comprising only of non-executive directors and is entirely related to the Bank's return on shareholders' funds. This is the first occasion on which a payment will be made under this scheme and reflects the significant improvement in the Bank's pre-tax profit.

The emoluments for other executive directors also include performance related bonus payments arising from the same scheme.

The following table shows the number of directors of The Co-operative Bank p.l.c. in the United Kingdom receiving emoluments, excluding pension contributions, within the bands stated.

Emoluments £	Directors	
	1994	1993
Nil	8	9
25,001 – 30,000	1	1
50,001 – 55,000	—	1
75,001 – 80,000	—	1
80,001 – 85,000	—	2
85,001 – 90,000	—	1
110,001 – 115,001	1	—
120,001 – 125,000	2	—
130,001 – 135,000	—	1
165,001 – 170,000	1	1
205,001 – 210,000	1	—

6. Pensions

The Bank operates a funded pension scheme of the defined benefit type. This provides benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund.

The total pension charge was £8,279,000 (1993 – £7,484,000). The pension charge is assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest actuarial assessment of the scheme was at 2nd April, 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5 per cent. per annum, that salary increases would average 6.5 per cent. per annum and that present and future pensions would increase at the rate of 4.5 per cent. per annum.

At the date of the latest actuarial valuation the market value of the assets of the scheme was £144,106,000 and the actuarial value of the assets was sufficient to cover 115 per cent. of the benefits that had accrued to members, after allowing for future increases in earnings.

The amount charged in the profit and loss account exceeds the amount paid into the fund by £460,000 (1993 – £533,000 payment surplus) resulting in a prepayment of £81,000 (1993 – £541,000 prepayment).

The actuaries to the scheme are employed by Co-operative Insurance Society Limited, a fellow subsidiary undertaking of Co-operative Wholesale Society Limited.

7. Taxation

	1994	1993
	£'000	£'000
United Kingdom corporation tax at 33%	8,725	9,336
Tax credit on franked investment income	41	—
Deferred taxation	728	(2,973)
Notional tax on lease earnings equalisation	55	90
(Over)/under provision in previous years	(8)	201
	9,541	6,654
Share of associated undertakings' taxation	(78)	44
	9,463	6,698

8. Group profit dealt with in the accounts of The Co-operative Bank p.l.c.

£11,697,000 (1993-£3,802,000) of the Group profit attributable to ordinary shareholders has been dealt with in the accounts of The Co-operative Bank p.l.c. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of The Co-operative Bank p.l.c. has not been presented separately.

9. Dividends

	<i>1994</i> <i>pence per</i> <i>share</i>	<i>1993</i> <i>pence per</i> <i>share</i>	<i>1994</i> <i>£000</i>	<i>1993</i> <i>£000</i>
Proposed dividend on 600,000,000 ordinary shares of 5p each.	0.5p	0.417p	3,000	2,500
Dividend on 60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each (paid and proposed)	9.25p	9.25p	5,641	5,535
			<u>8,641</u>	<u>8,035</u>

10. Earnings per share

Earnings per share are calculated by dividing the profit for the financial year £17,847,000 (1993 - £10,990,000) less dividends on preference shares £5,641,000 (1993-£5,535,000) by the weighted average number of ordinary shares 600,000,000 (1993-600,000,000) in issue during the year.

11. Assets

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>(i) Assets and liabilities</i>				
Denominated in sterling	2,980,676	3,184,437	2,788,255	3,008,946
Denominated in currencies other than sterling	313,599	214,074	313,599	214,074
Total assets	<u>3,294,275</u>	<u>3,398,511</u>	<u>3,101,854</u>	<u>3,223,020</u>
Denominated in sterling	3,068,883	3,263,059	2,876,462	3,087,568
Denominated in currencies other than sterling	225,392	135,452	225,392	135,452
Total liabilities	<u>3,294,275</u>	<u>3,398,511</u>	<u>3,101,854</u>	<u>3,223,020</u>
<i>(ii) Assets subject to sale and repurchase transactions</i>				
Debt securities	—	20,100	—	20,100
<i>(iii) Assets leased to customers</i>				
Loans and advances to customers, finance leases	<u>150,229</u>	<u>165,568</u>	<u>22,574</u>	<u>25,246</u>
Assets acquired during the year for the purpose of letting under finance leases	<u>43,292</u>	<u>34,898</u>	<u>29</u>	<u>95</u>

12. Loans and advances to banks

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Remaining maturity:				
over 5 years	7,342	6,295	7,342	6,295
5 years or less but over 1 year	210	1,075	32	—
1 year or less but over 3 months	50,011	36,818	34,690	36,192
3 months or less but not repayable on demand	635,418	972,556	569,631	901,898
Repayable on demand	5,529	2,163	5,572	2,172
	<u>698,510</u>	<u>1,018,907</u>	<u>617,267</u>	<u>946,557</u>
Amounts include:				
Due from subsidiary undertakings, unsubordinated			2,293	3,358

13. Loans and advances to customers

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Remaining maturity:				
over 5 years	289,043	305,963	245,302	257,492
5 years or less but over 1 year	480,557	466,849	397,993	374,178
1 year or less but over 3 months	267,132	236,869	231,429	208,394
3 months or less but not repayable on demand	492,380	429,307	491,927	427,179
Repayable on demand	404,797	429,898	491,919	530,817
General and specific bad and doubtful debt provisions (note 14)	(144,206)	(147,939)	(140,907)	(142,658)
	<u>1,789,703</u>	<u>1,720,947</u>	<u>1,717,663</u>	<u>1,655,402</u>
Amounts include:				
Due from subsidiary undertakings, unsubordinated			127,013	149,955

14. Provisions for bad and doubtful debts

	1994				1993			
	<i>Specific</i>	<i>Suspended interest</i>	<i>General</i>	<i>Total</i>	<i>Specific</i>	<i>Suspended interest</i>	<i>General</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group:								
At 8th January, 1994	126,045	16,453	5,441	147,939	114,440	12,488	5,441	132,369
Suspended interest	—	3,052	—	3,052	—	4,933	—	4,933
Charge against profits	32,436	(459)	—	31,977	38,444	—	—	38,444
Amounts written off	(37,437)	(1,876)	—	(39,313)	(27,168)	(968)	—	(28,136)
Recoveries	522	—	—	522	329	—	—	329
Acquired portfolio	29	—	—	29	—	—	—	—
At 14th January, 1995	<u>121,595</u>	<u>17,170</u>	<u>5,441</u>	<u>144,206</u>	<u>126,045</u>	<u>16,453</u>	<u>5,441</u>	<u>147,939</u>
Bank:								
At 8th January, 1994	122,051	15,375	5,232	142,658	106,843	11,105	5,232	123,180
Suspended interest	—	2,854	—	2,854	—	4,673	—	4,673
Charge against profits	32,589	(459)	—	32,130	36,329	—	—	36,329
Amounts written off	(35,410)	(1,876)	—	(37,286)	(21,450)	(403)	—	(21,853)
Recoveries	522	—	—	522	329	—	—	329
Acquired portfolio	29	—	—	29	—	—	—	—
At 14th January, 1995	<u>119,781</u>	<u>15,894</u>	<u>5,232</u>	<u>140,907</u>	<u>122,051</u>	<u>15,375</u>	<u>5,232</u>	<u>142,658</u>

All provisions are held against loans and advances to customers.

During 1994 an active credit card portfolio was purchased along with a provision for bad debts as shown above.

Advances on which interest is suspended:

	1994	1993
	£'000	£'000
Group advances	133,481	144,225
Provision for bad and doubtful debts	(51,067)	(65,913)
	<u>82,414</u>	<u>78,312</u>
Bank advances	129,681	140,504
Provision for bad and doubtful debts	(50,017)	(65,818)
	<u>79,664</u>	<u>74,686</u>

15. Debt securities

	The Group				The Bank			
	1994		1993		1994		1993	
	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(i) Issue								
Issued by public bodies								
Investment securities								
government securities	287,990	272,340	153,884	163,063	262,230	249,091	136,139	144,670
other public sector securities . . .	2,901	3,127	2,906	3,797	2,901	3,127	2,906	3,797
	<u>290,891</u>	<u>275,467</u>	<u>156,750</u>	<u>166,860</u>	<u>265,131</u>	<u>252,218</u>	<u>139,045</u>	<u>148,467</u>
Other securities								
government securities	4,976	4,976	7,859	7,859	4,976	4,976	7,859	7,859
	<u>295,867</u>	<u>280,443</u>	<u>164,609</u>	<u>174,719</u>	<u>270,107</u>	<u>257,194</u>	<u>146,904</u>	<u>156,326</u>
Issued by other issuers								
Investment securities								
bank and building society								
certificates of deposit	64,951	64,993	175,016	175,208	54,951	54,999	160,016	160,208
other debt securities	35,917	35,745	24,436	29,502	35,917	35,745	24,346	29,502
	<u>100,868</u>	<u>100,738</u>	<u>199,452</u>	<u>204,710</u>	<u>90,868</u>	<u>90,744</u>	<u>184,452</u>	<u>189,710</u>
Other securities								
bank and building society								
certificates of deposit	162,974	162,974	20,073	20,073	162,974	162,974	20,073	20,073
other debt securities	14,952	14,952	9,984	9,984	14,952	14,952	9,984	9,984
	<u>278,794</u>	<u>278,664</u>	<u>229,509</u>	<u>234,767</u>	<u>268,794</u>	<u>268,670</u>	<u>214,509</u>	<u>219,767</u>
	<u>574,661</u>	<u>559,107</u>	<u>394,118</u>	<u>409,486</u>	<u>538,901</u>	<u>525,864</u>	<u>361,413</u>	<u>376,093</u>
Unamortised profit on sales of investment securities	(10,445)	—	(11,235)	—	(10,445)	—	(11,235)	—
	<u>564,216</u>	<u>559,107</u>	<u>382,883</u>	<u>409,486</u>	<u>528,456</u>	<u>525,864</u>	<u>350,178</u>	<u>376,093</u>
Amounts include:								
Subordinated debt securities . . .	14,952	14,952	9,984	9,984	14,952	14,952	9,984	9,984
(ii) Maturity								
Due within one year	227,925		199,130		217,925		180,089	
Due one year and over	346,736		194,988		320,976		181,324	
	<u>574,661</u>		<u>394,118</u>		<u>538,901</u>		<u>361,413</u>	
Unamortised profit on sales of investment securities	(10,445)		(11,235)		(10,445)		(11,235)	
	<u>564,216</u>		<u>382,883</u>		<u>528,456</u>		<u>350,178</u>	
Unamortised discounts and (premiums) on investment securities	(10,149)		(9,824)		(9,389)		(11,119)	

15. Debt securities (continued)

	The Group				The Bank			
	1994		1993		1994		1993	
	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value	Balance sheet	Market value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(iii) Listing								
Investment securities listed on a recognised U.K. exchange	326,808	311,212	181,008	196,184	301,048	287,963	163,303	177,791
unlisted	64,951	64,993	175,194	175,386	54,951	54,999	160,194	160,386
	391,759	376,205	356,202	371,570	355,999	342,962	323,497	338,177
Unamortised profit on sales of investment securities	(10,445)	—	(11,235)	—	(10,445)	—	(11,235)	—
	381,314	376,205	344,967	371,570	345,554	342,962	312,262	338,177
Other securities listed on a recognised U.K. exchange	19,928	19,928	17,843	17,843	19,928	19,928	17,843	17,843
unlisted	162,974	162,974	20,073	20,073	162,974	162,974	20,073	20,073
	182,902	182,902	37,916	37,916	182,902	182,902	37,916	37,916
	564,216	559,107	382,883	409,486	528,456	525,864	350,178	376,093

	<i>Cost</i>	<i>Discounts and premiums</i>	<i>Unamortised profit on sales</i>	<i>Carrying value</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
(iv) Movement				
Investment securities				
Group:				
At 8th January, 1994	357,412	(1,210)	(11,235)	344,967
Acquisitions	621,580	—	—	621,580
Disposals	(585,102)	456	(1,060)	(585,706)
Amortisation	—	(1,377)	1,850	473
	<u>393,890</u>	<u>(2,131)</u>	<u>(10,445)</u>	<u>381,314</u>
Bank:				
At 8th January, 1994	323,704	(207)	(11,235)	312,262
Acquisitions	494,394	—	—	494,394
Disposals	(460,909)	299	(1,060)	(461,670)
Amortisation	—	(1,282)	1,850	568
	<u>357,189</u>	<u>(1,190)</u>	<u>(10,445)</u>	<u>345,554</u>

16. Equity shares

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investments securities, unlisted	880	880	527	527
			<i>Group and Bank</i>	
			<i>1994</i>	<i>1993</i>
			<i>£'000</i>	<i>£'000</i>
Included above is the following trade investment:				
BACS Ltd 79,583 (1993-79,583) ordinary shares of £1 each			527	527

All unlisted securities are valued by the directors at cost and there are no provisions raised against shares held.

17. Interests in associated undertakings

The interests in associated undertakings, all of which are incorporated in Great Britain, registered in England and Wales and operate in England and none of which is quoted, are:

<i>Associated undertakings</i>	<i>Nature of business</i>	<i>Total issued share capital at 14th January, 1995</i>	<i>Group interest 1994</i>	<i>Group interest 1993</i>
*Co-operative Pension Funds Unit Trust Managers Limited	Investment managers	165,000 Ordinary shares of £1 each	33%	33%
§Unity Pension Services Limited	Marketing of pension plans	400,000 Ordinary shares of £1 each	18%	18%
§Unity Financial Services Limited	Marketing of financial services	1,000,000 Ordinary shares of £1 each	18%	18%
§Jacques Martin Unity Limited	Administration of pension schemes	850,000 Ordinary shares of £1 each	18%	18%

*The ultimate holding organisation of this undertaking is Co-operative Wholesale Society Limited.

§Held by Unity Trust Bank plc

The interest in associated undertakings is made up as follows:

	<i>Group share of net assets</i>	<i>Bank Cost</i>
	<i>£'000</i>	<i>£'000</i>
At 8th January, 1994	594	17
Acquisitions	150	—
Retained loss	(154)	—
At 14th January, 1995	590	17

18. Ultimate holding organisation and subsidiary undertakings

The Co-operative Wholesale Society Limited owns the whole of the issued ordinary share capital of the Bank and is also the ultimate holding organisation. The Co-operative Wholesale Society Limited is incorporated in England and is registered under the Industrial and Provident Societies Acts 1965 to 1978. The principal operating subsidiaries of The Co-operative Bank p.l.c., all of which are incorporated in Great Britain, registered in England and Wales and operate in England, are:

<i>Operating subsidiaries</i>	<i>Nature of business</i>	<i>Total issued share capital at 14th January, 1995</i>	<i>Group interest 1994</i>	<i>Group interest 1993</i>
Unity Trust Bank plc*	Banking	10,890,297 Ordinary shares of £1 each	36%	36%
Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
First Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Second Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Third Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Fourth Roodhill Leasing Limited	Leasing	100 Ordinary shares of £1 each	100%	100%
Co-operative Bank Financial Advisers Limited	Financial advisers	100,000 Ordinary shares of £1 each	100%	100%
CIM Fund Managers Limited	Investment managers	10,000 Ordinary shares of £1 each	100%	100%
CIM Unit Trust Managers Limited	Unit trust managers	10,000 Ordinary shares of £1 each	100%	100%
Larchvale Limited	Building contractors	2 Ordinary shares of £1 each	100%	100%
Unity Investment Management Limited*	Investment managers	10,000 Ordinary shares of £1 each	36%	36%
Unity Security Balloting Services Limited*	Balloting services	40,000 Ordinary shares of £1 each	27%	27%
Unity Corporate Advisors Limited*	Corporate finance	60,000 Ordinary shares of £1 each	36%	36%

18. Ultimate holding organisation and subsidiary undertakings (continued)

Shares in Group undertakings:

	<i>Cost</i>	<i>Provision</i>	<i>Carrying value</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 8th January, 1994	1,552	(395)	1,157
Acquisition	—	—	—
At 14th January, 1995	1,552	(395)	1,157

The above provision is held against dormant subsidiaries.

* Held through subsidiary undertakings.

Details of all Group companies will be annexed to the Bank's next annual return.

Unity Trust Bank plc and its subsidiaries, Unity Investment Management Limited, Unity Security Balloting Services Limited and Unity Corporate Advisors Limited, are considered to be subsidiary undertakings of The Co-operative Bank p.l.c. as The Co-operative Bank p.l.c. elects a majority of the Directors and appoints the Chairman and Managing Director of Unity Trust Bank plc.

The financial statements of the above undertakings are consolidated into the group financial statements.

The following undertakings have year ends which are not co-terminous with that of The Co-operative Bank p.l.c. to enable competitive leasing quotations to be offered throughout the year:—

First Roodhill Leasing Limited	31st March
Second Roodhill Leasing Limited	30th June
Third Roodhill Leasing Limited	30th September

The financial statements of these undertakings are consolidated into the group financial statements on the basis of management accounts made up to the parent undertaking's balance sheet date.

The financial statements of the ultimate holding organisation are available from Co-operative Wholesale Society Limited, New Century House, Manchester M60 4ES.

19. Tangible fixed assets

	<i>Freehold and leasehold buildings</i>	<i>Computer and other equipment</i>	<i>Finance leased assets</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Group:				
Cost				
At 8th January, 1994	3,309	94,687	6,987	104,983
Additions	(36)	16,056	—	16,020
Disposals	(750)	(7,287)	—	(8,037)
At 14th January, 1995	2,523	103,456	6,987	112,966
Accumulated depreciation				
At 8th January, 1994	800	60,793	3,083	64,676
Disposals	(19)	(6,921)	—	(6,940)
Charge for the year	81	9,709	922	10,712
At 14th January, 1995	862	63,581	4,005	68,448
Net book value at 14th January, 1995	1,661	39,875	2,982	44,518
Net book value at 8th January, 1994	2,509	33,894	3,904	40,307
Bank:				
Cost				
At 8th January, 1994	3,309	93,447	6,987	103,743
Additions	(36)	15,770	—	15,734
Disposals	(750)	(7,278)	—	(8,028)
At 14th January, 1995	2,523	101,939	6,987	111,449
Accumulated depreciation				
At 8th January, 1994	800	60,054	3,083	63,937
Disposals	(19)	(6,912)	—	(6,931)
Charge for the year	81	9,544	922	10,547
At 14th January, 1995	862	62,686	4,005	67,553
Net book value at 14th January, 1995	1,661	39,253	2,982	43,896
Net book value at 8th January, 1994	2,509	33,393	3,904	39,806

	<i>Group and Bank</i>	
	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>
The net book value of land and buildings comprises:		
Freehold	1,561	2,394
Long leasehold	21	22
Short leasehold	79	93
	1,661	2,509

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Future capital expenditure:				
Contracted but not provided in the financial statements . . .	3,706	1,687	2,511	1,687
Authorised by the directors but not contracted	1,310	1,060	1,310	1,060
	5,016	2,747	3,821	2,747

20. Other assets

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Foreign exchange and interest rate contracts	8,191	11,257	8,191	11,257
Trade debtors	5,561	2,907	4,911	1,935
Amounts due from subsidiary undertakings	—	—	2,553	339
	<u>13,752</u>	<u>14,164</u>	<u>15,655</u>	<u>13,531</u>

21. Deposits by banks

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
With agreed maturity dates or periods of notice, by remaining maturity:				
1 year or less but over 3 months	5,479	3,209	5,479	3,209
3 months or less but not repayable on demand	466,919	554,866	470,351	554,866
Repayable on demand	129,887	14,362	129,887	14,362
	<u>602,285</u>	<u>572,437</u>	<u>605,717</u>	<u>572,437</u>
Amounts include:				
Due to subsidiary undertakings			3,432	—

22. Customer accounts

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
With agreed maturity dates or periods of notice, by remaining maturity:				
5 years or less but over 1 year	2,250	37,299	—	37,299
1 year or less but over 3 months	20,065	19,569	19,981	19,569
3 months or less but not repayable on demand	747,979	1,022,090	713,559	983,678
Repayable on demand	1,503,076	1,331,549	1,399,485	1,241,610
	<u>2,273,370</u>	<u>2,410,507</u>	<u>2,133,025</u>	<u>2,282,156</u>
Amounts include:				
Due to subsidiary undertakings			5,515	3,480
Due to parent organisation	11,452	24,516	11,452	24,516
Due to fellow subsidiary undertakings	7,183	19,827	7,183	19,827

23. Debt securities in issue

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Medium term notes:				
due one year and over	28,000	—	28,000	—
Other debt securities in issue, by remaining maturity:				
1 year or less but over 3 months	2,000	14,750	2,000	14,750
3 months or less	19,500	52,000	19,500	52,000
	<u>49,500</u>	<u>66,750</u>	<u>49,500</u>	<u>66,750</u>

24. Other liabilities

	<i>The Group</i>		<i>The Bank</i>	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Foreign exchange and interest rate contracts	7,841	8,692	7,841	8,692
Items in the course of transmission to other banks	8,650	7,425	8,634	7,425
Trade creditors.	18,445	33,193	16,152	28,585
Taxation	11,863	8,721	7,814	6,004
Finance lease future obligations	9,113	12,529	9,113	12,529
Dividends	3,669	3,062	3,669	3,062
	<u>59,581</u>	<u>73,622</u>	<u>53,223</u>	<u>66,297</u>
External obligations under finance leases				
Gross obligations payable within one year	2,576	3,855	2,576	3,855
between one and five years	8,663	10,708	8,663	10,708
in five years or more.	—	778	—	778
	<u>11,239</u>	<u>15,341</u>	<u>11,239</u>	<u>15,341</u>
Less future finance charges	2,126	2,812	2,126	2,812
	<u>9,113</u>	<u>12,529</u>	<u>9,113</u>	<u>12,529</u>

25. Deferred taxation

	<i>The Group</i>		<i>The Bank</i>	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Taxation deferred by timing differences in accordance with the basis of accounting set out in Accounting Policy (g)				
Short term differences	822	166	958	390
Losses and other timing differences.	(11,386)	(12,165)	(3,176)	(4,153)
Capital allowances on fixed assets	2,709	2,475	2,709	2,475
Capital allowances on assets leased to customers	16,033	16,974	2,079	2,340
	<u>8,178</u>	<u>7,450</u>	<u>2,570</u>	<u>1,052</u>
The movement in the deferred taxation balance has all taken place through the Profit and Loss Account	728	(2,973)	1,518	(1,501)
The potential amount of deferred taxation not provided in the financial statements (all in respect of accelerated capital allowances) is	6,871	7,275	891	1,003

The potential liability on rolled over gains amounts to £922,000 (1993-£922,000).

26. Subordinated liabilities

	<i>The Group</i>		<i>The Bank</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
£75,000,000 Subordinated Floating Rate (minimum 5½%) Notes redeemable not later than July 2000	75,000	75,000	75,000	75,000
£6,033,000 Convertible Subordinated Unsecured Floating Rate Loan Stock 2003	6,033	6,033	—	—
	<u>81,033</u>	<u>81,033</u>	<u>75,000</u>	<u>75,000</u>

Subordinated Floating Rate Notes 2000

The notes are an unsecured obligation of the Bank and, in the event of the winding up of the Bank, the claims of noteholders will be subordinated in right of payment to the claims of depositors and other creditors of the Bank.

The Bank may redeem all or part of the notes on any interest payment date at their principal amount.

Unless previously redeemed, the Bank will redeem the notes at the principal amount on the interest payment date falling in July 2000.

Subordinated Floating Rate Loan Stock 2003

The loan stock is an unsecured obligation of Unity Trust Bank plc and, in the event of the winding up of Unity Trust Bank plc the claims of the holders will be subordinated in right of payment to the claim of depositors and other creditors of Unity Trust Bank plc.

Each £100 nominal of loan stock is convertible at the holder's option during May in any of the years 1993 to 2003 into 85 'C' ordinary shares of £1 each.

During the year loan stock amounting to £90 was converted into 76 'C' ordinary shares of £1 each.

All loan stock not previously purchased, converted or repaid, will be repaid on 30th June, 2003.

27. Called up share capital

	1994	1993
	£'000	£'000
Authorised	105,000	105,000
600,000,000 ordinary shares of 5p each	30,000	30,000
75,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	75,000	75,000
	<u>105,000</u>	<u>105,000</u>
Issued		
600,000,000 ordinary shares of 5p each	30,000	30,000
60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	<u>60,000</u>	<u>60,000</u>

All the issued share capital has been allotted, called up and fully paid.

The preference shares carry the right to a fixed non-cumulative preferential dividend on the capital for the time being paid up, at the rate of 9.25 per cent. per annum exclusive of any associated tax credit. The dividends are payable on 31st May and 30th November each year and take priority over dividends to any other class of share in the capital of the Bank.

On a return of capital on a winding up, the assets of the Bank shall be applied in repaying the preference share capital in priority to any payments to the holders of any other class of shares in the capital of the Bank. The amount receivable by the holders of the preference shares shall be the greater of the capital paid up or the average quoted price during the three months immediately preceding the date of the notice convening the meeting to consider the resolution to wind up.

The holders of the preference shares shall have the right to vote at a general meeting of the Bank only if and when, at the date of the notice convening the meeting, the dividend due to them has been in arrears for six months or more or if a resolution is to be proposed at the meeting abrogating or varying their rights or privileges or for the winding up of the Bank or other return of capital and then only on that resolution.

28. Reserves

	Bank and subsidiary undertakings	Associated undertakings	Group	Bank
	£'000	£'000	£'000	£'000
Share premium account				
At 8th January, 1994	8,814	—	8,814	8,814
At 14th January 1995	<u>8,814</u>	<u>—</u>	<u>8,814</u>	<u>8,814</u>
Profit and loss account				
At 8th January, 1994	52,241	(722)	51,519	44,549
Retentions for the year	9,360	(154)	9,206	8,697
At 14th January, 1995	<u>61,601</u>	<u>(876)</u>	<u>60,725</u>	<u>53,246</u>

The cumulative amount of goodwill arising on the acquisition of subsidiary undertakings, net of goodwill attributed to subsidiary undertakings disposed of, is £247,000 (1993 – £247,000).

29. Memorandum items, foreign exchange and interest rate contracts

The tables below give, for the Group and Bank, the nominal principal amounts, credit equivalent amounts and risk weighted amounts of off balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The credit equivalent and risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy.

	1994				1993	
	Contract amount	Credit equivalent amount	Risk weight	Risk weighted amount	Contract amount	Risk weighted amount
	£'000	£'000	£'000	£'000	£'000	£'000
Group:						
Contingent Liabilities						
Acceptances and endorsements	81,406	81,406	85.5%	69,602	42,047	31,037
Guarantees and irrevocable letters of credit	67,243	61,232	97.4%	59,640	69,675	59,734
	<u>148,649</u>			<u>129,242</u>	<u>111,722</u>	<u>90,771</u>

29. Memorandum items, foreign exchange and interest rate contracts (continued)

	1994				1993	
	<i>Contract amount</i>	<i>Credit equivalent amount</i>	<i>Risk weight</i>	<i>Risk weighted amount</i>	<i>Contract amount</i>	<i>Risk weighted amount</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Bank:						
Contingent Liabilities						
Acceptances and endorsements	81,406	81,406	85.5%	69,602	42,047	31,037
Guarantees and irrevocable letters of credit	66,991	61,106	97.4%	59,517	69,372	59,583
	<u>148,397</u>			<u>129,119</u>	<u>111,419</u>	<u>90,620</u>
Group:						
Other commitments						
documentary credits and short-term trade-related transactions	1,333	267	100%	267	510	88
forward asset purchases and forward deposits placed	5	5	100%	5	71,106	13,746
undrawn note issuance and revolving underwriting facilities	11,338	5,669	90.6%	5,136	25,607	12,208
undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	1,341	671	100%	671	1,124	562
less than 1 year (ii)	1,736,382	—	—	—	1,714,213	—
	<u>1,750,399</u>			<u>6,079</u>	<u>1,812,560</u>	<u>26,604</u>
Bank:						
Other commitments						
documentary credits and short-term trade-related transactions	1,333	267	100%	267	510	88
forward asset purchases and forward deposits placed	5	5	100%	5	71,106	13,746
undrawn note issuance and revolving underwriting facilities	11,338	5,669	90.6%	5,136	25,607	12,208
undrawn formal standby facilities, credit lines and other commitments to lend:						
1 year and over	1,341	671	100%	671	1,124	562
less than 1 year (ii)	1,735,581	—	—	—	1,714,213	—
	<u>1,749,598</u>			<u>6,079</u>	<u>1,812,560</u>	<u>26,604</u>

29. Memorandum items, foreign exchange and interest rate contracts (continued)

	1994				1993	
	<i>Contract amount</i>	<i>Credit equivalent amount</i>	<i>Risk weight</i>	<i>Risk weighted amount</i>	<i>Contract amount</i>	<i>Risk weighted amount</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Group and Bank:						
Exchange rate contracts (iii)						
hedging	366,173	5,001	20.5%	1,025	413,721	765
Interest rate contracts (iii)						
hedging	1,594,750	25,782	20.7%	5,337	859,958	5,815
trading	201,460	932	20.0%	186	560,975	127
				6,548		6,707
Replacement cost:						
exchange rate contracts . . .	1,209				957	
interest rate contracts . . .	21,811				22,467	
	23,020				23,424	

Notes:

- Under the Basle agreement, credit equivalent amounts, obtained by applying credit conversion factors, are risk weighted according to counterparty.
- Undrawn loan commitments which are conditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.
- For interest rate and exchange rate contracts, the credit equivalent amount is the total replacement cost, obtained by marking all contracts with a positive value to market, plus an additional amount which relates to potential future credit exposure. Contracts with a negative value to market have not been netted against replacement cost.

30. Consolidated cash flow statement

	1994	1993
	£'000	£'000
<i>(i) Reconciliation of Group profit on ordinary activities before taxation to net cash outflow from operating activities</i>		
Group profit on ordinary activities before taxation	27,511	17,789
Share of losses from associated undertakings	232	38
Investment income	(30,334)	(17,949)
Increase in prepayments and accrued income	(4,436)	(5,337)
Increase in accruals and deferred income	25,127	5,265
Interest payable in respect of subordinated liabilities	4,600	5,046
Effect of exchange rate movements	(1,605)	(1,776)
Provisions for bad and doubtful debts	31,977	38,444
Notional tax on lease earnings equalisation	(55)	(90)
Depreciation	10,712	10,653
Amortisation of investments	1,377	1,049
Loss/(profit) on sale of investments	1,261	(1,145)
Profit on sale of fixed assets	(221)	(741)
Net cash flow from trading activities	66,146	51,246
Increase/(decrease) in deposits by banks	15,799	(80,873)
(Decrease)/increase in customer accounts	(137,137)	261,825
Increase/(decrease) in debt securities in issue	20,750	(22,500)
Increase in loans and advances to banks	(115,878)	(150,828)
Increase in loans and advances to customers	(89,906)	(55,782)
Increase in trading debt securities	(94,986)	(23,913)
Net movement of other assets and other liabilities	(18,587)	6,205
Net decrease/(increase) in cheques in course of collection	51,590	(33,177)
Net cash flow from operating activities	(302,209)	(47,797)
<i>Analysis of changes in cash and cash equivalents during the year</i>		
At 8th January, 1994	324,528	512,142
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(347,093)	(189,390)
Effect of foreign exchange rate changes	1,605	1,776
At 14th January, 1995	(20,960)	324,528
	<u>1994</u>	<u>1993</u>
	£'000	£'000
<i>Analysis of the balances of cash and cash equivalents</i>		
Coin and bank notes and amounts with central banks	37,822	31,813
Money at call and short notice	505,569	881,017
Advances from banks	(564,351)	(588,302)
	<u>(20,960)</u>	<u>324,528</u>
	<u>1994</u>	<u>1993</u>
	£'000	£'000
		<i>Change in year</i>
		£'000
		6,009
		(375,448)
		23,951
		<u>(345,488)</u>

The Group is required to maintain balances with the Bank of England which at 14th January, 1995 amounted to £7,524,000 (1993-£6,441,000).

Money at call and short notice includes Treasury bills and other eligible bills, loans and advances to banks and loans and advances to customers with an original maturity of less than three months.

Advances from banks includes debt securities in issue, and deposits by banks, with an original maturity of less than three months.

31. Segmental analysis

The Group's activities have been segmented between retail banking, other financial services (mainly leasing, advisory services, correspondent banking and fund management) and Unity Trust group.

	1994	1993
	£'000	£'000
Profit before taxation:		
Retail banking	87,275	74,747
Other financial services	12,042	12,627
	99,317	87,374
Shared costs:		
Centralised service and processing	(45,391)	(42,867)
Management services and marketing	(22,182)	(19,463)
Profit before restructuring and service development costs	31,744	25,044
Unity Trust group and associates	517	270
Restructuring and service development costs	(4,750)	(7,525)
Profit before taxation	27,511	17,789
Gross assets:		
Retail banking	2,759,993	2,888,306
Other financial services	165,945	170,069
Unity Trust group	164,046	150,149
Group central assets	204,291	189,987
Total	3,294,275	3,398,511
Net assets:		
Retail banking	78,218	62,731
Other financial services	9,783	20,585
Unity Trust group	10,609	10,207
Group central net assets	67,751	63,431
Total	166,361	156,954

The segmental analysis for the year ended 8th January, 1994 has been restated to reflect minor changes in the Bank's structure to enable direct comparison with the analysis for the year ended 14th January, 1995.

Net assets are share capital, reserves and minority interest.

32. Directors' and Officers' Loans

The aggregate amounts outstanding at 14th January, 1995 under transactions, arrangements and agreements made by authorised institutions within the Group with those who were directors (including connected persons) or officers of The Co-operative Bank p.l.c. during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding	Number of persons
Directors		
loans	£149,498	7
quasi-loans	£11,563	10
Officers		
loans	£1,142,562	27
quasi-loans	£34,547	22

The above information concerning officers is presented only in respect of those officers within the meaning of the Banking Act 1987.

33. General

	1994		1993	
	<i>Land and buildings</i>	<i>Computer and other equipment</i>	<i>Land and buildings</i>	<i>Computer and other equipment</i>
	£'000	£'000	£'000	£'000
<i>(i) Operating lease commitments</i>				
At the year end, annual commitments under non-cancellable operating leases were:				
Group:				
Expiring within				
one year	270	239	1,422	260
between one and five years	698	218	635	754
in five years or more	8,067	—	7,183	—
	<u>9,035</u>	<u>457</u>	<u>9,240</u>	<u>1,014</u>
Bank:				
Expiring within				
one year	270	215	1,422	241
between one and five years	698	218	635	641
in five years or more	7,765	—	6,964	—
	<u>8,733</u>	<u>433</u>	<u>9,021</u>	<u>882</u>

(ii) Lease and similar finance arrangements

Amounts financed during the year under finance leases were £Nil (1993 – £3,260,000).

(iii) Management and agency services

The Group has investment management business.

(iv) Average number of employees

The average number of persons employed by the Group during the year was made up as follows:

	1994	1993
Managers.	473	474
Clerical staff	3,331	3,397
	<u>3,804</u>	<u>3,871</u>

(v) Concentration of exposure

The Group's exposure is almost entirely within the United Kingdom. The following industry concentrations of gross advances before provisions and suspended interest are considered significant.

	1994	1993
	£'000	£'000
Distribution, hotels and catering.	397,068	418,323
Business and other services	634,257	617,237
Home loans	91,136	104,320
Personal	582,578	543,947

TAXATION

The comments below are of a general nature based on the Bank's understanding of current United Kingdom law and practice. They may not apply to certain classes of taxpayer (such as dealers) and relate only to the withholding tax treatment of interest paid on the Notes and do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. Any return on a Note in the form of a discount or premium which does not constitute interest will not be subject to withholding for or on account of United Kingdom tax.

1. (a) The Bank, provided that it continues to be a bank carrying on a bona fide banking business in the United Kingdom within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") and provided the interest on the Ordinary Notes is paid in the ordinary course of that business within the meaning of the same section, is entitled to make payments of interest on Ordinary Notes without withholding or deduction for or on account of United Kingdom income tax whether such Ordinary Notes constitute quoted Eurobonds (as described in paragraph (b) below) or not.
- (b) Interest bearing Notes will constitute "quoted Eurobonds" provided they are and continue to be quoted on a recognised stock exchange within the meaning of section 841 of the Taxes Act and remain in bearer form. Accordingly, while Notes remain in global bearer form, are quoted on a recognised stock exchange and are held in a recognised clearing system designated as such for the purposes of section 124 of the Taxes Act, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. If Notes are issued in definitive form in the circumstances set out in "Form of the Notes" and are and continue to be quoted on a recognised stock exchange and are and continue to be held in bearer form, then payments of interest on such Notes may be made without such withholding or deduction where:
 - (i) the payment is made by or through a paying agent who is not in the United Kingdom; or
 - (ii) the payment is made by or through a paying agent who is in the United Kingdom and:
 - (aa) it is proved to the satisfaction of the United Kingdom Inland Revenue that the person who is the beneficial owner of the Note and entitled to the interest (or where the interest is by virtue of any provision of United Kingdom tax legislation deemed to be income of some other person, that other person) is not resident in the United Kingdom; or
 - (bb) the Notes are held in Euroclear or Cedel or any other recognised clearing system designated as such for the purposes of section 124 of the Taxes Act.

In all other cases, subject to relief under an applicable double taxation treaty, interest will be paid under deduction of basic rate United Kingdom tax unless the interest is paid in the circumstances outlined in 1(a) above.

2. So long as Notes are quoted on a recognised stock exchange and remain in bearer form, a United Kingdom collecting agent receiving or obtaining payment of interest on behalf of a Noteholder will, if payment of that interest was not made by or entrusted to any person in the United Kingdom or if the relevant Note is held in a recognised clearing system, be required to withhold United Kingdom income tax at the basic rate unless it has been shown, in a prior claim in that behalf made to the Inland Revenue, that the beneficial owner of the Note and relative Coupons is not resident in the United Kingdom and the interest is not deemed to be the income of any other person for United Kingdom tax purposes.
3. Payments of interest in respect of Notes will have a United Kingdom source and accordingly will be chargeable to United Kingdom income tax by direct assessment even if paid without withholding or deduction. However, under long-standing Inland Revenue practice (Extra-Statutory Concession B13) such payments will not be assessed to United Kingdom tax in the hands of persons who are not residents of the United Kingdom, except where such persons:
 - (a) are chargeable in the name of a person (including a trustee) mentioned in section 72 of the Taxes Management Act 1970 or in the name of an agent or a branch in the United Kingdom which has the management or control of the interest; or

- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from United Kingdom sources; or
- (c) are chargeable to United Kingdom corporation tax on the income of a United Kingdom branch or agency or to United Kingdom income tax on the profits of a trade carried on in the United Kingdom to which the interest is attributable.

Like all Extra-Statutory Concessions, Extra-Statutory Concession B13 is of general application, subject to the existence of special circumstances in any particular case, but will not be applied in any case where an attempt is made to use it for tax avoidance.

The Finance Act 1995 contains provisions which will supersede Extra-Statutory Concession ESC B13. These provisions, which will apply in full from April 1996, provide that interest received without deduction or withholding will not be chargeable to United Kingdom tax in the hands of Noteholders who are not resident for tax purposes in the United Kingdom unless any such holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest is received or to which the Notes are attributable. The provisions contain certain exemptions for interest received by certain specified categories of agent (such as some brokers and investment managers).

Noteholders should note that the provisions relating to additional amounts referred to in Condition 9 of the Terms and Conditions would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax. Exemption from or reduction of such United Kingdom tax liability may be available under an applicable double taxation treaty.

Prospective Noteholders who are in any doubt as to their tax position or may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.

SUBSCRIPTION AND SALE

The Programme Dealers have, in a dealer agreement dated 31st May, 1994 as supplemented and amended by a supplemental dealer agreement dated 30th May, 1995 (together, 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.

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.

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 of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution 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 restricted 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 the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of 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 and regulations thereunder.

Each issue of Indexed Notes and 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 Pricing Supplement. 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.

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:

- (i) in relation to Notes the Issue Date for which falls before 19th June, 1995 it has not offered or sold and will not offer or sell in the United Kingdom or elsewhere, by means of any document, any Notes:
 - (a) (in the case of Notes which are to be listed on the London Stock Exchange) prior to application for listing of such Notes being made in accordance with Part IV of the Financial Services Act 1986 (the "FSA"), other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985;
 - (b) (in the case of Notes for which the due date for redemption is within five years of the Issue Date and which are not to be listed on the London Stock Exchange) other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or otherwise in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985; and

- (c) (in any other case) otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985;
- (ii) in relation to Notes the Issue Date for which falls on or after 19th June, 1995 it has not offered or sold and will not offer or sell to persons in the United Kingdom any Notes:
 - (a) (in the case of Notes which are to be listed on the London Stock Exchange) prior to admission of such Notes to listing in accordance with Part IV of the FSA, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; and
 - (b) (in any other case) except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (iii) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (iv) it has only issued or passed on and it will only issue or pass on in the United Kingdom any document received by it in connection with the issue of any Notes other than any document which, in relation to those Notes, consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by the listing rules under Part IV of the FSA, to a person who is of a kind described (i) in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 (in the case of Notes the Issue Date for which falls before 19th June, 1995) or (ii) in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 (in relation to Notes the Issue Date for which falls on or after 19th June, 1995) or, in any such case, is a person to whom the document may otherwise lawfully be issued or passed on.

Germany

In connection with the initial placement of any Notes in Germany, 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 offer and sell Notes (i) unless otherwise provided in the relevant syndication agreement or Pricing Supplement in the case of an issue made on a syndicated basis, only for an aggregate purchase price per purchaser of at least DM 80,000 (or the foreign currency equivalent) or such other amount as may be stipulated from time to time by applicable German law or (ii) as may otherwise be permitted in accordance with applicable German law.

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 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 Offering Circular and will obtain any consent, approval or permission 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 Pricing Supplement.

GENERAL INFORMATION

Listing of Notes on the London Stock Exchange

The listing of Notes on the London Stock Exchange will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List of the London Stock Exchange 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. The listing of the Programme in respect of Notes is expected to be granted on 31st May, 1995.

Authorisation

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Directors of the Bank dated 29th March, 1994 and a resolution of a Committee of the Board of Directors dated 18th May, 1994.

Documents Available

From the date hereof 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 in London:

- (i) the Memorandum and Articles of Association of the Bank;
- (ii) the audited consolidated annual financial statements of the Group for the years ended 8th January, 1994 and 14th January, 1995 together with the reports of the Auditors' thereon and the most recently available published interim financial statements (if any) of the Group;
- (iii) the Dealer Agreement, 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 Offering Circular;
- (v) any future offering circulars, information memoranda and supplements (excluding the Pricing Supplements in connection with Notes not listed on any stock exchange) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (vi) in the case of a syndicated issue of listed Notes, the syndication agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Cedel. The appropriate common code and ISIN for each Tranche allocated by Euroclear and Cedel will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

There has been no significant change in the financial or trading position of the Bank and its subsidiaries since the date of the last financial year end of the Bank and there has been no material adverse change in the financial position or prospects of the Bank and its subsidiaries since the date of the last financial year end of the Bank.

Litigation

Neither the Bank nor any of its Subsidiaries is engaged in any litigation or arbitration proceedings, the results of which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position 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.

Auditors

The auditors of the Bank are KPMG, Chartered Accountants and Registered Auditors, who have audited the Bank's accounts, without qualification, for each of the financial periods ending 9th January, 1993, 8th January, 1994 and 14th January, 1995. On 6th February, 1995, the auditors changed the name under which they practise to KPMG from KPMG Peat Marwick.

KPMG has given and has not withdrawn its written consent to the issue of this document with the inclusion herein to its report and references to it in the form and context in which it is included, and have authorised the inclusion of such report for the purposes of Section 152(1)(e) of the Financial Services Act of 1986.

Statutory Accounts

The Financial Statements of the Bank set out on pages 37 to 62 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the "Act"). Statutory accounts for each financial year to which such financial information relates have been delivered to the Registrar of Companies in England and Wales. The Bank's auditors have made a report under Section 235 of the Act on the statutory accounts for each such financial year which was not qualified within the meaning of Section 262 of the Act and did not contain a statement made under Section 237(2) or Section 237(3) of the Act.

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PAYING AGENT

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