

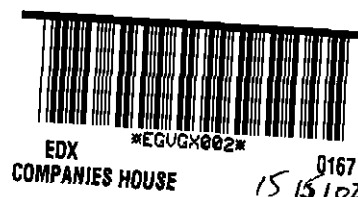
The COOPERATIVE BANK

The Co-operative Bank p.l.c.

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

£400,000,000

Euro Note Programme



Arranger

UBS Warburg

Programme Dealers

Barclays Capital

The Royal Bank of Scotland

Merrill Lynch International

UBS Warburg

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

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 agreed between the Bank and the relevant Dealer (as defined herein).

Application has been made to the Financial Services Authority in its capacity as UK Listing Authority (the "UK Listing Authority") for Notes issued under the Programme for a period of 12 months from the date of this Offering Circular to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities, which together, under the Listing Rules of the UK Listing Authority, will constitute official listing on the London Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, the issue date and maturity date of Notes, and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 20) of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Official List and admitted to trading by the UK Listing Authority and the London Stock Exchange respectively, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

A copy of this Offering Circular, which comprises the listing particulars approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000, as amended (the "Listing Particulars") in relation to Notes admitted to the Official List and admitted to trading on the London Stock Exchange and issued under the Programme during the period of 12 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 83 of that Act. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and from the registered office set out below of the Trustee (as defined herein) and from the specified office set out below of 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 depositary on behalf of Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and/or any other agreed clearing 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.

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.

Any reference in this Offering Circular to the Listing Particulars means this Offering Circular excluding all information incorporated by reference. The Bank has confirmed that any information incorporated by reference including any such information to which readers of this Offering Circular are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the

Financial Services and Markets Act 2000 or the Listing Rules of the UK Listing Authority. The Bank believes that none of the information incorporated therein by reference conflicts in any material respect with the information included in the Listing Particulars.

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

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

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

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Programme Dealers (as defined herein) and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this 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 Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Dealers or the Trustee (save for the approval of this Offering Circular as listing particulars by the UK Listing Authority 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 any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this 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 may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States and the United Kingdom (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 and (iii) "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam.

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 or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, must be brought to an end after a limited period and shall be in compliance with all relevant laws and regulations.

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Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof 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;
- (b) all supplements or amendments to this Offering Circular circulated by the Bank from time to time in accordance with the provisions of the Dealer Agreement described below; and
- (c) in relation to each Tranche of Notes, the Pricing Supplement relating to such Tranche,

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). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

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 AG, acting through its business group UBS Warburg 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 81 and 83 of the Financial Services and Markets Act 2000, as amended 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 8.

The Notes will be issued on a continuing basis to one or more of the Programme Dealers 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 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 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 Official List during the period of 12 months from the date of this Offering Circular 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 specified in the applicable Pricing Supplement in relation to the relevant Notes, set out under "Form of the Notes" on page 12) 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 the relevant day of calculation;
- (b) the Sterling equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, set out under "Form of the Notes" on page 12) 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 specified in the applicable Pricing Supplement in relation to the relevant Notes, set out under "Form of the Notes" on page 12) 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 specified as capitalised terms in "Form of the Notes" and defined in "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer:	The Co-operative Bank p.l.c.
Description:	Euro Note Programme
Arranger:	UBS AG, acting through its business group UBS Warburg
Programme Dealers:	Barclays Bank PLC Merrill Lynch International The Royal Bank of Scotland plc UBS AG, acting through its business group UBS Warburg ("UBS Warburg")
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	JPMorgan Chase Bank, London Branch
Programme Size:	Up to £400,000,000 (or its equivalent in other currencies calculated as described herein on page 6) 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) including the following restriction applicable at the date of this Offering Circular. Each issue of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on Article 7 of the Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and Article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995 in connection with Article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2 December 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the "Swiss Dealer"), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant Issue Date for such transaction.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Euro, Sterling and U.S. dollars and subject to any applicable legal or regulatory restrictions, any other currency as may be agreed between the Bank and the relevant Dealer.

Summary of the Programme and Terms and Conditions of the Notes

Redenomination:	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the applicable Pricing Supplement.
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.
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:	The Notes will be issued in bearer form as described in "Form of the Notes" below.
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 such Day Count Fraction as may be agreed between the Bank and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under an interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 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 (ii) on the basis of a reference rate appearing on the agreed screen page of a <i>commercial quotation service</i>; or (iii) 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.
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).
Index Linked Notes:	Payments in respect of interest on Index Linked Interest Notes or in respect of principal on Index Linked Redemption Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Bank and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Bank and the relevant Dealer, will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction as may be agreed between the Bank and the relevant Dealer.

Summary of the Programme and Terms and Conditions of the Notes

Change of Interest Basis or Redemption/Payment Basis:	Notes may be converted from one Interest Basis or Redemption/Payment Basis to another if so provided in the applicable 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).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Bank and/or the Noteholders upon giving not less than 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. 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. No redemption of Subordinated Notes for taxation reasons or otherwise at the option of the Bank, or purchase of Subordinated Notes by the Bank, may be made without the prior consent of the Financial Services Authority.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Bank and the relevant Dealer and as indicated in the applicable 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 any withholding taxes imposed by the Tax Jurisdiction (as defined in Condition 8), subject as provided in Condition 8. In the event that any such deduction is made, the Bank will, save in the circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The Ordinary Notes will contain a negative pledge provision as described in Condition 4.
Cross Default:	The Ordinary Notes will contain a cross-default provision relating to Indebtedness as defined and further described in Condition 10.
Status of the Ordinary Notes:	The Ordinary Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 and to applicable statutory provisions, unsecured obligations of the Bank and will rank <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

Summary of the Programme and Terms and Conditions of the Notes

event of the winding up of the Bank, the claims of the holders of Subordinated Notes pursuant thereto will be subordinated to the claims of Senior Creditors (as defined in Condition 3) in the manner and to the extent provided in the Trust Deed.

Listing:

Application has been made to admit the Notes issued under the Programme to the Official List and to admit them to trading 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 restrictions on the offer, sale and transfer of the Notes in the United States and the United Kingdom. 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 be in bearer form and will either be initially represented by a temporary global Note (without receipts, interest coupons or talons) or, if agreed between the Bank and the relevant Dealer, be represented by a permanent global Note (without receipts, interest coupons or talons) which, in either case, unless otherwise agreed between the Bank and the relevant Dealer, will be delivered to a common depository for Clearstream, Luxembourg and Euroclear. Any reference in this section "Form of the Notes" to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Bank, the relevant Dealer, the Agent and the Trustee. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owner of such Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Clearstream, Luxembourg and/or Euroclear and Clearstream, Luxembourg and/or Euroclear, as applicable, has given a like certification (based on the certifications it/they has/have received) to the Agent.

On and after the date (the "Exchange Date") which is the later of (i) 40 days after the date on which a temporary global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue) (the "Distribution Compliance Period"), but, if such temporary global Note is issued in respect of a Tranche of Notes described as Partly Paid Notes in the applicable Pricing Supplement, only if the final instalment on all outstanding such Notes has been paid, interests in the temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note (without receipts, interest coupons or talons) of the same Series or for security printed definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable 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, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of an interest in the temporary global Note for an interest in a permanent global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a permanent global Note will be made through Clearstream, Luxembourg and/or Euroclear against presentation or (as the case may be) surrender of the permanent global Note without any requirement for certification. The applicable Pricing Supplement will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes in bearer form with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Bank has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Bank has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the permanent global Note in definitive form. The Bank will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Bank may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

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

Form of the Notes

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

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

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

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

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

Form of Pricing Supplement

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

[Date]

The Co-operative Bank p.l.c.
[Title of relevant Series of Notes (specifying type of Notes)]
issued pursuant to the £400,000,000 Euro Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15 May 2002. This Pricing Supplement must be read in conjunction with such Offering Circular.

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

1. Issuer: []
2. [(i)] Series Number: []
[(ii)] Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - Series: []
 - Tranche: []
5. (i) Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
(ii) Net proceeds: [] (Required only for listed issues)
6. Specified Denominations: []
[]
7. (i) Issue Date [and Interest Commencement Date]: []
(ii) Interest Commencement Date (if different from the Issue Date): []
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9. Interest Basis:
 - [[] per cent. Fixed Rate]
 - [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
 - [Zero Coupon]
 - [Index Linked Interest]
 - [Dual Currency Interest]
 - [specify other]
 - (further particulars specified below)
10. Redemption/Payment Basis:
 - [Redemption at par]
 - [Index Linked Redemption]
 - [Dual Currency Redemption]
 - [Partly Paid]

- | | |
|---|--|
| | {Instalment} |
| | [specify other] |
| 11. Change of Interest Basis or Redemption/Payment Basis: | [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis] |
| 12. Put/Call Options: | [Investor Put]
[Issuer Call]
[(further particulars specified below)] |
| 13. Status of the Notes: | [Ordinary/Subordinated] |
| 14. Listing: | [London/Luxembourg/specify other/None] |
| 15. Method of distribution: | [Syndicated/Non-syndicated] |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | |
|--|---|
| 16. Fixed Rate Note Provisions | [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph) |
| (i) Rate[(s)] of Interest: | [] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
(If payable other than annually, consider amending Condition 5) |
| (ii) Interest Payment Date(s): | [] in each year up to and including the Maturity Date [specify other]
(NB: This will need to be amended in the case of long or short coupons) |
| (iii) Fixed Coupon Amount(s): | [] per [] in nominal amount |
| (iv) Broken Amount(s): | [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount] |
| (v) Day Count Fraction: | [Actual/Actual (ISMA) or 30/360 or specify other] |
| (vi) Determination Date(s): | [] in each year
[Insert interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration)
(NB: only relevant where the Day Count Fraction is Actual/Actual (ISMA)) |
| (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | [None/Give details] |
| 17. Floating Rate Note Provisions | [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph) |
| (i) Specified Period(s)/Specified Interest Payment Dates: | [] |
| (ii) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/
[specify other]] |
| (iii) Additional Business Centre(s): | [] |
| (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: | [Screen Rate Determination/ISDA Determination/specify other] |

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- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): ☐
- (vi) Screen Rate Determination:
- Reference Rate: ☐
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s): ☐
(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling LIBOR or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: ☐
(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: ☐
 - Designated Maturity: ☐
 - Reset Date: ☐
- (viii) Margin(s): ☐ +/- ☐ per cent. per annum
- (ix) Minimum Rate of Interest: ☐ per cent. per annum
- (x) Maximum Rate of Interest: ☐ per cent. per annum
- (xi) Day Count Fraction: ☐ [Actual/365
Actual/Actual
Actual/365 (Fixed)
Actual/365 (sterling)
Actual/360
30/360
360/360
Bond Basis
30E/360
Eurobond Basis
Other]
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: ☐
18. Zero Coupon Note Provisions ☐ [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: ☐ per cent. per annum
 - (ii) Reference Price: ☐
 - (iii) Any other formula/basis of determining amount payable: ☐
 - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payments: ☐ [Conditions 7(e)(iii) and 7(j) apply/specify other]

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19. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
 - (ii) Calculation Agent responsible for calculating the principal and/or interest due: []
 - (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
 - (iv) Specified Period(s)/Specified Interest Payment Dates: []
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
 - (vi) Additional Business Centre(s): []
 - (vii) Minimum Rate of Interest: [] per cent. per annum
 - (viii) Maximum Rate of Interest: [] per cent. per annum
 - (ix) Day Count Fraction: []
20. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
 - (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
 - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Higher Redemption Amount: []
 - (iv) Notice period (if other than as set out in the Conditions): []
22. Investor Put [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []

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- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) Notice period (if other than as set out in the Conditions): []
23. Final Redemption Amount: [Par/specify other/see Appendix]
24. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
{Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate}
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
(NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)
29. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
30. Redenomination applicable: Redenomination [not] applicable
(if Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
31. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer: []
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
37. Delivery: Delivery [against/free of] payment
38. Additional Paying Agent(s) (if any): []
39. (i) ISIN: { }
- (ii) Common Code []

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the £400,000,000 Euro Note Programme of The Co-operative Bank p.l.c.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:
Duly authorised

If the applicable Pricing Supplement 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 (except Condition 7(b)), 12, 13, 14, 15 (insofar as Notes are not listed or admitted to trade on any stock exchange) and 17, 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

This Note is one of a series of Notes issued by The Co-operative Bank p.l.c. (the "Bank") constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the "Trust Deed"), dated 31 May 1994 made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee). References herein to the "Notes" shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note. The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Amended and Restated Agency Agreement (as further modified and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 15 May 2002 and made between the Bank, JPMorgan Chase Bank, London Branch, 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. Global Notes do not have Receipts, Coupons or Talons attached on issue.

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

References herein to the "applicable Pricing Supplement" are to the Pricing Supplement (or the relevant provisions thereof) attached hereto or incorporated herein.

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

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing) and "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 15 May 2002 at Fifth Floor, 100 Wood Street, London EC2V 7EX 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 Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement. This Note is an Ordinary Note or a Subordinated Note, as indicated in the applicable Pricing Supplement.

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

This Note may also be an Ordinary Note or a Subordinated Note, as indicated in the applicable Pricing Supplement.

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

For so long as any of the Notes is represented by a global Note held on behalf of Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") each person who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Bank, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Bank, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the Trust Deed (and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be.

References to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, 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 Bank and "Liabilities" means the total amount of the non-consolidated gross liabilities of the Bank, in each case as shown by the latest published audited balance sheet of the Bank, but adjusted for contingencies and subsequent events in such manner as the above-mentioned liquidator may determine.

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

(iii) Set-Off

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

4. Negative Pledge

So long as any of the Ordinary Notes remains outstanding (as defined in the Trust Deed), the Bank will not, and will procure that none of its Subsidiaries (as defined in the Trust Deed) shall, create or permit to be outstanding, any Encumbrance 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);

Terms and Conditions of the Notes

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

“Relevant Indebtedness” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures or other similar securities which (i) have an initial stated maturity of not less than one year, (ii) are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange or other securities market and (iii) are either in bearer form or, if not in bearer form, more than 50 per cent. of the principal amount of which is initially offered (with the consent of the Bank) outside the United Kingdom.

5. Interest

(a) Interest on Fixed Rate Notes

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

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

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

If interest is required to be calculated for a period ending other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

(i) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement:

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

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

Terms and Conditions of the Notes

In these Terms and Conditions:

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

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

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

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding 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 either:

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (A) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign

exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and

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

(ii) **Rate of Interest**

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

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

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 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of Notes (the "ISDA Definitions")) and under which:

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

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

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

Where Screen Rate Determination is specified in the applicable 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 the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable 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 LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(v) Minimum Rate of Interest 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 provisions of paragraphs (ii), (iii) and (iv) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable 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 provisions of paragraphs (ii), (iii) and (iv) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

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

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes 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 applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (i) if "Actual/365" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31 day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be

considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).

(vii) Notification of Rate of Interest and Interest Amount

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

(viii) Determination or Calculation by Trustee

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

(ix) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Bank, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Interest on Dual Currency Interest Notes

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

(d) Interest on Partly Paid Notes

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

6. Payments

(a) Method of Payment

Subject as provided below:

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

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

(b) Presentation of Notes, Receipts and Coupons

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

Payments of instalments of principal (if any) in respect of definitive Notes (if issued), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant definitive Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Unmatured Receipts and Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Bank. Upon the date on which any definitive Note becomes due and repayable, 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 Index Linked Notes or Long Maturity Notes (as defined below)) 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 unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of

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principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all 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 Index Linked Note or Long Maturity 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. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes 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 Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each payment so made by the Bank to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). No person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the Bank in respect of any payments due on that global Note.

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

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

- (i) the Bank has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

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- (iii) such payment is then permitted under United States law without involving, in the opinion of the Bank, adverse tax consequences to the Bank.

(c) Payment Day

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

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

(d) Interpretation of Principal and Interest

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

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

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

7. Redemption and Purchase

(a) At Maturity

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

(b) Redemption for Tax Reasons

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

- (i) on the occasion of the next payment due under the Notes, the Bank has or will become obliged either to pay additional amounts as provided or referred to in Condition 8 or to account to any taxing authority in the country in which the Bank is incorporated for any amount (other than tax withheld or deducted from interest payable on such Notes) in respect of such payment in each case as a result of any change in, or amendment to, the laws or regulations of the Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts or make a payment in respect of which it would be obliged to account to any taxing authority as aforesaid were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Bank shall deliver to the Trustee a certificate signed by two Directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such additional amounts or make a payment in respect of which it would be obliged to account to any taxing authority as aforesaid as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

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

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

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

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any redemption in part must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable 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 Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the certificate numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. 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 15 at least five days prior to the Selection Date.

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

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

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Bank in accordance with Condition 15 not less than 15 nor more than 30 days' notice or such 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.

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

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

(e) Early Redemption Amounts

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

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable 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") calculated in accordance with the following formula:

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

Where:

"RP" means the Reference Price; and

"AY" means the Accrual Yield; and

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

or on such other calculation basis as may be specified in the applicable Pricing Supplement; or

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

(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 Financial Services Authority) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Bank, surrendered to any Paying Agent for cancellation.

(i) Cancellation

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

(j) Late Payment on Zero Coupon Notes

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

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

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Bank will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Tax Jurisdiction (as defined below), unless such withholding or deduction is required by law. In such event, the Bank will (save as may be provided in the applicable 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

Terms and Conditions of the Notes

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; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

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

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 15.

9. 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 8) therefor.

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

10. Events of Default and Enforcement relating to Ordinary Notes

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

- (i) default is made in the payment of any principal or interest due on the Ordinary Notes or any of them on the due date and such default continues in the case of principal for a period of 7 days and in the case of interest for a period of 15 days; or
- (ii) default is made by the Bank in the performance or observance of any obligation, condition or provision under the Ordinary Notes (other than any obligation for the payment of any amount due in respect of any of the Ordinary Notes) or the Trust Deed and (but only in a case where the Trustee considers such default to be capable of being remedied) such default shall not be remedied to

the Trustee's satisfaction within 30 days (or such longer period as the Trustee may permit) of first written notification from the Trustee to the Bank requiring such default to be remedied; or

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

then the Trustee at its discretion may, and if so requested in writing by holders of Ordinary Notes holding at least one-fifth in nominal amount of the Ordinary Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Ordinary Notes shall (subject in each case to being indemnified to its satisfaction), (provided that, except in the case of the happening of the event mentioned in paragraph (i) above, the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the holders of the Ordinary Notes) give notice to the Bank that the Ordinary Notes are, and they shall thereby become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(e)) together with accrued interest as provided in the Trust Deed.

At any time after the Ordinary Notes become due and repayable and have not been repaid, the Trustee may at its discretion and without further notice take such proceedings against the Bank as it may think fit to enforce the obligations of the Bank under the Trust Deed and the Ordinary Notes and the relative Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Ordinary Notes or so requested in writing by holders of at least one-fifth in nominal amount of the Ordinary Notes outstanding and (ii) it shall

have been indemnified to its satisfaction. No holder of an Ordinary Note, or of a Receipt or Coupon appertaining thereto, shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

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

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

11. Events of Default and Enforcement relating to Subordinated Notes

- (a) If default is made in the payment of any principal or interest due on the Subordinated Notes or any of them on the due date and such default continues in the case of principal for a period of 7 days and in the case of interest for a period of 15 days the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Bank, but may take no other action in respect of such default.
- (b) If, otherwise than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee, an order is made or an effective resolution is passed for winding-up the Bank, the Trustee may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Subordinated Notes shall (subject in each case to being indemnified to its satisfaction), give notice to the Bank that the Subordinated Notes are, and they shall thereby become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(e), together with accrued interest as provided in the Trust Deed.
- (c) The Trustee shall not be bound to take the action referred to in paragraph (a) above unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Subordinated Notes or so requested in writing by the holders of at least one-fifth in nominal amount of the Subordinated Notes outstanding and (b) it shall have been indemnified to its satisfaction.
- (d) No remedy against the Bank, other than the institution of proceedings by the Trustee for the winding-up of the Bank, shall be available to the Trustee or the holders of the Subordinated Notes or the relative Receiptholder or Couponholders for the recovery of amounts owing in respect of the Subordinated Notes or the relative Receipts or Coupons as aforesaid and no holder of a Subordinated Note, or of a Receipt or Coupon appertaining thereto shall be entitled to institute proceedings for the winding-up of the Bank or to prove in such winding-up, except that if the Trustee, having become bound so to proceed, fails to do so or fails to prove in such winding-up, in each case within a reasonable time and such failure shall be continuing, any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself either institute proceedings for the winding-up of the Bank or prove in such winding-up.

12. Replacement of Notes, Receipts, Coupons and Talons

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

13. Agent and Paying Agents

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

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

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent; and
- (iv) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 comes into force or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, the Issuer will ensure that it maintains a Paying Agent in a European Union Member State (if any) that will not be obliged to withhold or deduct tax pursuant to any such Directive or any such law.

In addition, the Bank shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

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

14. Exchange of Talons

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

15. Notices

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

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

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Clearstream, Luxembourg and/or Euroclear, as the case may be, in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear, as the case may be, may approve for this purpose.

16. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or certain provisions of the Trust Deed. Such a meeting may be convened by the Bank or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes of any Series for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a 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 15. No modification to the provisions of Condition 3(ii) shall be effected without the prior consent of the Financial Services Authority.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Bank or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

17. Further Issues

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

18. Substitution

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

19. Indemnification of the Trustee

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

20. Contracts (Rights of Third Parties) Act 1999

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

21. Governing Law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons 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 UK settlement bank, whose origins date back to 1872, originally being formed as the Banking Department of the Co-operative Wholesale Society Limited ("CWS"), which changed its name on 14 January 2001 to Co-operative Group (CWS) Limited ("the Co-operative Group").

In October 1970, the Co-operative Bank Limited was incorporated and, following the passing of the Co-operative Bank Act 1971, the business formerly carried on by the Banking Department of the Co-operative Group was transferred to and vested in the Bank in July 1971. This was followed, in June 1973, by the transfer of the business of the banking department of the former Scottish Co-operative Wholesale Society to the Bank. The Bank obtained clearing bank status in 1975 and was granted recognised status by the Bank of England under the terms of the Banking Act 1979. In 1981, the Bank re-registered under the Companies Act 1980 as a public company and was re-registered on 10 January 1993 with its present name. The Bank is currently a wholly owned subsidiary of the Co-operative Group. On 18 April 2002, the Co-operative Group announced that it intends to transfer its ownership of the Bank to a newly established Industrial and Provident Society, Co-operative Financial Services.

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

The Co-operative Group is registered under the Industrial and Provident Societies Act 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 and Asset Based Finance 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 Partnership report – Seven Partners; a balanced view" which is produced annually), 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, which was enhanced by the opening of a second call centre based in Stockport's Pyramid building in 1996. During 2001 more than 14 million calls were received from both personal and corporate customers. In October 1999, the Bank launched *smile*, the UK's first full internet bank. Since its launch, *smile* has attracted significant positive media coverage and in April 2002, it was announced that *smile* had attracted 500,000 account holders, of which a high proportion are relationship customers. In September 2000, the Bank re-entered the mortgage market and it has recently extended its portfolio to include fixed rate, discount, capped and tracker mortgages.

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 136 outlets, 125 Handybanks and some 33,000 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

Description of the Bank

payment and credit cards. In addition the Bank now offers its personal customers cash and deposit facilities at 18,000 Post Offices throughout the UK.

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. Independent financial advice is offered by Co-operative Bank Financial Advisers Ltd which is a wholly owned subsidiary of the Bank.

The Bank owns 27 per cent. of the equity of Unity TrustBank 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. The Bank is the sole manager of the U.K. network of Tipa-Net, an advanced cross-border payment system.

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:

Name	Function within the Bank	Principal outside activity (if any) of significance to the Bank
Chairman		
G. R. Bennett, FIMgt	Chairman	Chief Executive, Southern Co-operatives Limited Director CIS Limited
Deputy Chairman		
M. D. Beaumont, MA, FCA	Deputy Chairman	Chief Executive, United Norwest Co-operatives Limited
Chief Executive		
M. K. Pedelty, FCA, FCIB	Chief Executive	Member of the Executive of the Co-operative Group Deputy Chairman, UTB Director CIS Limited
Executive Directors		
M. A. Firth, BA (Hons), FCIB	Executive Director, Personal Banking	None
K. J. Lewis, BSc Econ (Hons), FCIB, FIPD	Deputy Chief Executive Executive Director, Resources	None
S. P. B. Macdonald	Executive Director, Customer Services	None
W. J. Marper, FCA	Executive Director, Finance	Director UTB
Non-Executive Directors		
C. B. Blanchett	—	Chief Executive, Colchester and East Essex Co-operative Society Limited
K. W. Darwin, OBE, BA (Hons)	—	Chairman, Co-operative Group (CWS) Ltd, Chief Executive, Lincoln Co-operative Society Limited Director CIS Limited
D. S. Hollas, MSc, FIA	—	Chief General Manager, CIS Limited
D. J. Jackson FCA	—	Financial Controller, Co-operative Group (CWS) Ltd

Description of the Bank

Name	Function within the Bank	Principal outside activity (if any) of significance to the Bank
Sir Graham Melmoth, FCIS, FIGD, CIMgt	-	Chief Executive, Co-operative Group (CWS) Ltd Director CIS Limited
K.A. Smith	-	Director, Co-operative Group (CWS) Limited
W. Tucker, DL	-	Chief General Manager, Midlands Co-operative Society Ltd Chairman, CIS Limited
Company Secretary M. A. Lees, FCIS	Company Secretary	Deputy Secretary, Co-operative Group (CWS) Ltd

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 Chief Executive and Executive Directors. The Bank and its subsidiaries employ approximately 4,067 people.

Capitalisation of the Bank

The authorised share capital of the Bank is 1,100,000,000 ordinary shares of 5p each of which 700,000,000 are 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"), the audited consolidated reserves of the Group and the audited consolidated indebtedness of the Group at 12 January 2002:

Shareholders' Funds

	£m
Issued and fully paid share capital	95.0
Reserves:	
Profit and loss account	349.0
Share premium account	8.8
	<u>357.8</u>
Total shareholders' funds	<u>452.8</u>

Indebtedness

Dated loan capital:	
Subordinated Floating Rate Loan Stock 2003	0.7
Step-up Callable Subordinated Notes 2011	100.0
Perpetual Loan Capital:	
Fixed Rate Perpetual Subordinated Notes	50.0
Subordinated Perpetual Floating Rate Notes	30.0
Total indebtedness	<u>180.7</u>

Notes:

- (1) At 12 January 2002, the Group had contingent liabilities, including guarantees, of £109.7 million. Note 28 of the financial statements of the Group for the year ended 12 January 2002 provides details of the contingent liabilities, including guarantees, of the Group as at that date.
- (2) Indebtedness of the Group is all unsecured and unguaranteed.
- (3) There has been no change at the date of this document in the authorised, issued and fully paid share capital of the Group since 12 January 2002, no material change to the contingent liabilities, including guarantees, of the Group since 12 January 2002 and no material change in the consolidated indebtedness of the Group since 12 January 2002.

Financial Statements of the Bank

The Financial Statements set out on pages 45 to 49 have been extracted without material adjustment from the audited accounts of the Bank and its subsidiaries for the year ended 12 January 2002. The 2001 heading used in this extract refers to the year ended 12 January 2002, whilst that for 2000 refers to the year ended 13 January 2001.

Consolidated Profit and Loss Account

for the year ended 12 January 2002

	2001 (52 weeks) £m	2000 (53 weeks) £m
Interest receivable		
Interest receivable and other income arising from debt securities	166.8	174.0
Other interest receivable and similar income	396.4	386.8
	563.2	560.8
Interest payable	(249.7)	(266.7)
Net Interest Income	313.5	294.1
Fees and commissions receivable	163.7	153.6
Fees and commissions payable	(20.1)	(18.6)
Dealing losses	(1.5)	(0.3)
Other operating income	—	0.2
Operating Income	455.6	429.0
Administrative expenses		
Staff costs	(116.3)	(112.4)
Other	(143.5)	(140.9)
Depreciation and amortisation	(22.1)	(19.6)
	(281.9)	(272.9)
	173.7	156.1
Provisions for bad and doubtful debts	(66.2)	(59.9)
Group Operating Profit	107.5	96.2
Income from interests in associated undertakings	—	0.1
Profit on Ordinary Activities before Taxation	107.5	96.3
Taxation on profit on ordinary activities	(31.7)	(29.8)
Profit on Ordinary Activities after Taxation	75.8	66.5
Minority interests	(1.8)	(1.7)
Profit for the Financial Year	74.0	64.8
Preference dividend to non-equity shareholders	(5.5)	(5.6)
Retained Profit for the Year	68.5	59.2
Earnings per share (basic and diluted)	9.79p	8.46p

There are no recognised gains or losses other than the profit for the year and the previous year.

All profits have been derived from continuing operations.

Financial Statements of the Bank

Consolidated Balance Sheet

at 12 January 2002

	2001 £m	2000 £m
Assets		
Cash and balances at central banks	113.7	61.7
Items in the course of collection from other banks	145.6	116.9
Treasury bills and other eligible bills	1.6	55.6
Loans and advances to banks	733.2	580.6
Loans and advances to customers	3,869.2	3,363.7
Debt securities	2,749.4	2,361.6
Equity shares	1.3	1.3
Interests in associated undertakings	0.6	0.6
Tangible fixed assets	67.3	69.2
Other assets	36.4	32.7
Prepayments and accrued income	107.9	144.4
Total assets	7,826.2	6,788.3
Liabilities		
Items in the course of transmission to other banks	10.2	11.1
Deposits by banks	727.3	750.4
Customer accounts	6,115.8	5,186.3
Debt securities in issue	87.5	54.1
Other liabilities	90.8	75.0
Accruals and deferred income	128.5	114.8
Provisions for liabilities and charges		
Deferred taxation	10.5	11.6
Other provisions	6.0	5.3
Subordinated liabilities (including convertible debt)	179.4	179.1
Minority interests (equity)	17.4	16.3
Called up share capital		
Ordinary shares	35.0	35.0
Preference shares (non-equity)	60.0	60.0
Share premium account	95.0	95.0
Profit and loss account	8.8	8.8
	349.0	280.5
Shareholders' funds (£60 million of which relates to non-equity)	452.8	384.3
Total liabilities	7,826.2	6,788.3
Memorandum items		
Contingent liabilities		
Acceptances and endorsements	37.9	56.5
Guarantees and assets pledged as collateral security	71.8	60.7
	109.7	117.2
Commitments		
Other commitments	4,991.1	4,939.7
	4,991.1	4,939.7

Approved by the Board on 23 April 2002 and signed on its behalf by

G. R. Bennett, *Chairman*

M. K. Pedelty, *Chief Executive*

Financial Statements of the Bank

Balance Sheet

at 12 January 2002

	2001 £m	2000 £m
Assets		
Cash and balances at central banks	113.7	61.7
Items in the course of collection from other banks	145.3	116.7
Treasury bills and other eligible bills	1.6	55.6
Loans and advances to banks	733.2	580.6
Loans and advances to customers	3,817.4	3,305.0
Debt securities	2,560.6	2,187.6
Equity shares	1.3	1.3
Shares in Group undertakings	1.2	1.2
Tangible fixed assets	59.1	60.6
Other assets	37.2	33.7
Prepayments and accrued income	100.3	137.6
Total assets	7,570.9	6,541.6
Liabilities		
Items in the course of transmission to other banks	9.9	11.1
Deposits by banks	733.6	750.5
Customer accounts	5,906.8	4,992.0
Debt securities in issue	87.5	54.1
Other liabilities	86.3	70.3
Accruals and deferred income	126.1	111.4
Provisions for liabilities and charges	3.6	2.6
Subordinated liabilities	178.7	178.4
Called up share capital		
Ordinary shares	35.0	35.0
Preference shares (non-equity)	60.0	60.0
	95.0	95.0
Share premium account	8.8	8.8
Profit and loss account	334.6	267.4
Shareholders' funds (£60 million of which relates to non-equity)	438.4	371.2
Total liabilities	7,570.9	6,541.6
Memorandum items		
Contingent liabilities		
Acceptances and endorsements	37.9	56.5
Guarantees and assets pledged as collateral security	71.6	60.2
	109.5	116.7
Commitments		
Other commitments	4,978.0	4,934.0
	4,978.0	4,934.0

Approved by the Board on 23 April 2002 and signed on its behalf by

G. R. Bennett, Chairman

M. K. Pedelty, Chief Executive

Financial Statements of the Bank

Group Reconciliation of Movements in Shareholders' Funds

	2001 £m	2000 £m
Profit for the financial year	74.0	64.8
Dividends	(5.5)	(5.6)
Net increase in shareholders' funds	68.5	59.2
Shareholders' funds at beginning of year	384.3	325.1
Shareholders' funds at end of year	<u>452.8</u>	<u>384.3</u>

Consolidated Cash Flow Statement
for the year ended 12 January 2002

	2001 (52 weeks) £m	2000 (53 weeks) £m
Net cash inflow/(outflow) from operating activities.	144.6	(345.8)
Returns on investments and servicing of finance		
Preference dividends paid.	(5.6)	(5.6)
Interest paid on subordinated liabilities	(14.2)	(13.7)
Dividend paid to minority shareholders in subsidiary undertaking.	(0.5)	(0.5)
Net cash outflow from returns on investments and servicing of finance	(20.3)	(19.8)
Taxation		
United Kingdom corporation tax paid.	(32.0)	(30.1)
Capital expenditure and financial investment		
Purchase of investments.	(701.6)	(504.7)
Sale of investments	681.2	925.2
Purchase of tangible fixed assets	(21.2)	(24.8)
Sale of tangible fixed assets	0.4	1.0
Net cash (outflow)/inflow from capital expenditure and financial investment	(41.2)	396.7
Financing*		
Repayment of subordinated loan stock	—	(113.0)
Issue of subordinated loan stock.	—	99.0
Net cash outflow from financing.	—	(14.0)
Increase/(decrease) in cash	51.1	(13.0)

*During 2000 investments were sold generating a net cash inflow. Swap contracts were acquired to generate additional fixed rate, medium-term income. Additional liquid short term securities were acquired contributing to the net cash outflow from operating activities.

Taxation

The following, which applies only to persons who are beneficial owners of the Notes, is a summary of the Bank's understanding of current law and Inland Revenue practice in the United Kingdom as at the date of this Offering Circular relating to the withholding tax treatment of interest paid on the Notes and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

1. The Bank will be entitled to make payments of interest without withholding on Notes which have a maturity of less than a year.
2. The Bank, provided that it continues to be a bank for the purposes of section 349 of the Income and Corporation Taxes Act 1988 (the "Taxes Act"), and provided that the interest on the Notes is paid in the ordinary course of its business for the purposes of the same section, is entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax.
3. United Kingdom withholding tax (including such withholding or deduction for or on account of tax by issuers, paying agents and collecting agents) was abolished in relation to interest payments made (or, in the case of collecting agents, received) on or after 1 April 2001 in respect of securities listed on a "recognised stock exchange", as defined in section 841 of the Income and Corporation Taxes Act 1988 (the "Act"). The London Stock Exchange is a recognised stock exchange. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. *Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.*

In all other cases an amount must be withheld on account of income tax at the lower rate, currently 20 per cent., subject to any direction to the contrary by the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to any entitlement to pay gross to Noteholders within the charge to corporation tax or who satisfy, on or after 1 October 2002, certain conditions in respect of their status.

4. Noteholders who are individuals may wish to note that any paying agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to the UK Inland Revenue. The Inland Revenue may communicate this information to the tax authorities of other jurisdictions.
5. Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to United Kingdom income tax by direct assessment even where paid without withholding.

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

Holders of the Notes should be aware that the provisions relating to additional amounts set out in Condition 8 above would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on that interest. However, exemption from or reduction of such United Kingdom tax liability might be available for a Noteholder who is not resident for tax purposes in the United Kingdom under an applicable double taxation treaty except where the relevant interest is attributable to a permanent establishment in the United Kingdom.

6. Notes may be issued at a discount or be redeemable at a premium whether or not periodic interest payments are due on the Notes. No United Kingdom withholding tax will apply to the payment of such discount or premium so long as it does not constitute yearly interest for tax purposes.

7. On 31 December 2001, the Council of the European Union published a revised draft directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final and may be subject to further amendment.

* *In the case of Notes to be traded on the London Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the Notes are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange.*

Subscription and Sale

The Programme Dealers have, in an amended and restated dealer agreement dated 15 May 2002 as supplemented and/or further amended and restated from time to time (the "Dealer Agreement"), agreed with the Bank a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Dealer Agreement, the Bank has agreed to reimburse the Programme Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme. The Bank may also agree to issue Notes to persons other than the Programme Dealers ("Issue Dealers") on, and subject to, the terms of the Dealer Agreement.

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.

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

Each Programme Dealer has represented and agreed and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time 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 distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Bank and the relevant Dealer shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable 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:

- (a) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSMA") 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 have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
- (b) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to

Subscription and Sale

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 have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

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

The Netherlands

Each Programme Dealer has represented and agreed and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 ("*Wet toezicht effectenverkeer 1995*") is applicable and the conditions attached to such exemption or exception are complied with.

General

Each Programme Dealer has agreed and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this 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

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

The admission of Notes to the Official List 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 for listing to the Official List and to trading on 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 or about 17 May 2002.

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 29 March 1994, a resolution of a Committee of the Board of Directors dated 18 May 1994 and a resolution of the Board of Directors of the Bank dated 20 June 1995.

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 13 January 2001 and 12 January 2002 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 TrustDeed 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, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and that such holder must produce evidence satisfactory to the Agent as to its holding of Notes and identity) to this 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 Clearstream, Luxembourg and Euroclear. The appropriate common code and ISIN for each Tranche of Notes allocated by Clearstream, Luxembourg and Euroclear 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 12 January 2002 and there has been no material adverse change in the financial position or prospects of the Bank and its subsidiaries since 12 January 2002.

Litigation

Neither the Bank nor any of its Subsidiaries is or has been engaged in any legal or arbitration proceedings, which may have or have had during the twelve months preceding the date of this Offering Circular 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 Audit Plc, Chartered Accountants and Registered Auditors, who have audited the Bank's accounts, without qualification, for the financial periods ending 9 January 1999, 8 January 2000, 13 January 2001 and 12 January 2002.

Statutory Accounts

The Financial Statements of the Bank set out on pages 45 to 49 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.

Any certificate or report of the auditors of the Bank or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein whether or not such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains any limitation or other limit on the liability of such auditors or such other person in respect thereof.

THE BANK

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AGENT

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To the Programme Dealers and the Trustee:

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