



# Leeds Building Society

(incorporated in England under the Building Societies Act 1986 with Registered Number 320B)

**£2,000,000,000**

**(excluding Deposit Notes)**

## **Euro Medium Term Note Programme**

Under the Euro Medium Term Note Programme described in this Prospectus (the **“Programme”**), Leeds Building Society (the **“Issuer”** or the **“Society”**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the **“Notes”** which expression shall include Senior Notes, Deposit Notes and Subordinated Notes (each as defined herein)). The aggregate nominal amount of Notes outstanding (excluding Deposit Notes) will not at any time exceed £2,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Services Authority in its capacity as competent authority (the **“UK Listing Authority”**) under the Financial Services and Markets Act 2000 (the **“FSMA”**) for Notes (other than Deposit Notes) issued within 12 months of this Prospectus to be admitted to the official list of the UK Listing Authority (the **“Official List”**) and to London Stock Exchange plc (the **“London Stock Exchange”**) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the **“Market”**). References in this Prospectus to Notes being **“listed”** (and all related references) shall, other than as specified in **“United Kingdom Taxation”**, mean that such notes have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. Deposit Notes will not be listed. The relevant Final Terms (as defined in **“Overview of the Programme – Method of Issue”**) in respect of the issue of any Notes will specify whether or not such Notes will be admitted to the Official List and admitted to trading on the Market (or any other stock exchange) or be unlisted.

Each Series (as defined in **“Overview of the Programme – Method of Issue”**) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a **“temporary Global Note”**) or a permanent global note in bearer form (each a **“permanent Global Note”**). Notes in registered form will be represented by registered certificates (each a **“Certificate”**), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. If the Global Notes are stated in the applicable Final Terms to be issued in new global note (**“NGN”**) form, such Global Notes will be delivered on or prior to the issue date of the relevant Tranche (as defined in **“Overview of the Programme – Method of Issue”**) to a common safekeeper (the **“Common Safekeeper”**) for Euroclear Bank S.A./N.V. (**“Euroclear”**) and Clearstream Banking, société anonyme (**“Clearstream, Luxembourg”**). Global Notes which are not issued in NGN form (**“Classic Global Notes”** or **“CGNs”**) and Certificates will be deposited on or prior to the issue date of the Tranche (as defined in **“Overview of the Programme – Method of Issue”**) with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the **“Common Depository”**). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in **“Summary of Provisions Relating to the Notes while in Global Form”**.

The Programme has been rated by Moody’s Investors Services Inc. (**“Moody’s”**) and Fitch Ratings Ltd. (**“Fitch”**). Tranches of Notes (as defined in **“Overview of the Programme – Method of Issue”**) issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive (2003/71/EC) (the **“Prospectus Directive”**), the minimum denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus.**

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*Arranger for the Programme*

**The Royal Bank of Scotland**

*Dealers*

**Barclays Capital  
Danske Bank**

**BofA Merrill Lynch  
Deutsche Bank**

**Commerzbank  
HSBC**

**The Royal Bank of Scotland**

**This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer which, according to the particular nature of the Notes is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below).**

**The Issuer having made all reasonable enquiries confirms that this document contains all information with respect to the Issuer and its subsidiaries taken as a whole (the “Group”) and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Prospectus with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.**

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

**No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in “Overview of the Programme”). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.**

**The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and include Notes in bearer form that 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. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “Subscription and Sale”.**

**This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.**

**To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.**

**Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.**

In connection with any Tranche (as defined in “Overview of the Programme – Method of Issue”), one or more of the Dealers may act as a stabilising manager(s) (each a “Stabilising Manager”). The identity of the Stabilising Manager(s) will be disclosed in the relevant Final Terms. References in the next paragraph to “the issue of any Tranche” are to each Tranche in relation to which one or more Stabilisation Manager(s) is appointed.

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

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “pounds”, “penny”, “sterling” and “£” are to the currency of the United Kingdom, references to “euro” are to the single currency of those member states of the European Union participating in the Third Stage of European Economic and Monetary Union from time to time and references to the “Act” are to the Building Societies Act 1986, which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such statutory modification or re-enactment.

#### DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated financial statements of the Issuer for each of the financial years ended 31 December 2007 and 2008, respectively, (together in each case with the audit report thereon and the annual business statement and the directors’ report in respect of each such year) and (ii) the Terms and Conditions set out on pages 9 to 32 of the prospectus dated 1 April 2004 relating to the Programme, the Terms and Conditions set out on pages 14 to 36 of the prospectus dated 20 October 2005 relating to the Programme, the Terms and Conditions set out on pages 14 to 32 of the prospectus dated 8 August 2006 relating to the Programme, the Terms and Conditions set out on pages 14 to 33 of the prospectus dated 9 August 2007 relating to the Programme and the Terms and Conditions set out on pages 14 to 33 of the prospectus dated 15 August 2008 relating to the Programme, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Services Authority or filed with it. Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any document which is incorporated by reference into any of the documents deemed to be incorporated in, and form part of, this Prospectus shall not constitute a part of this Prospectus. Copies of documents deemed to be incorporated by reference in this Prospectus will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer.

#### SUPPLEMENTAL PROSPECTUSES

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87(G) of the FSMA, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Senior Notes or Subordinated Notes to be listed, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87 of the FSMA. The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes whose inclusion in this Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Senior Notes or Subordinated Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent offering of the Senior Notes or Subordinated Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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## OVERVIEW OF THE PROGRAMME

*The following overview is qualified in its entirety by the remainder of this Prospectus.*

<b>Issuer:</b>	Leeds Building Society
<b>Description:</b>	Euro Medium Term Note Programme
<b>Size:</b>	Other than in respect of Deposit Notes, up to £2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the size of the Programme in accordance with the terms of the Dealer Agreement.
<b>Arranger:</b>	The Royal Bank of Scotland plc
<b>Dealers:</b>	Barclays Bank PLC Commerzbank Aktiengesellschaft Danske Bank A/S Deutsche Bank AG, London Branch HSBC Bank plc Merrill Lynch International The Royal Bank of Scotland plc
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “ <b>Permanent Dealers</b> ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ <b>Dealers</b> ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent:</b>	HSBC Bank plc
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ <b>Tranche</b> ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in final terms (“ <b>Final Terms</b> ”).
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Form of Notes:</b>	The Notes may be issued (i) in bearer form and registered form (ii) in bearer form only (“ <b>Bearer Series</b> ”) or (iii) in registered form only (“ <b>Registered Series</b> ”). Notes in bearer form (“ <b>Bearer Notes</b> ”) comprised in an Exchangeable Series (“ <b>Exchangeable Bearer Notes</b> ”) are exchangeable for Notes in registered form (“ <b>Registered Notes</b> ”) and Registered Notes comprising an Exchangeable Series (“ <b>Exchangeable Registered Notes</b> ”) are exchangeable for Exchangeable Bearer Notes. Registered Notes comprised in a Registered Series may not be exchanged for Bearer Notes and Bearer Notes comprised in a Bearer Series may not be exchanged for Registered Notes. Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “ – Selling Restrictions” below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes and Exchangeable Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of

Registered Notes and Exchangeable Registered Notes of one Series. Certificates representing Registered Notes and Exchangeable Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “**Global Certificates**”.

**Clearing Systems:**

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Tranche, if the relevant Global Note is intended to be issued in NGN form, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is not intended to be issued in NGN form, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes or Exchangeable Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Classic Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s). Registered Notes and Exchangeable Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).

**Maturities:**

Subject to compliance with all relevant laws, regulations and directives (i) Senior Notes may have any maturity between one month and 30 years; (ii) Deposit Notes will have any maturity between one month and five years; and (iii) Subordinated Notes may have a maturity between five years and 30 years.

**Specified Denomination:**

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable laws and regulations save that the minimum specified denomination of each note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) in the case of Deposit Notes, the minimum specified denomination will be £50,000 (or, if not denominated in sterling, its equivalent in the currency in which the Deposit Note is denominated at the time when it is issued).

**Fixed Rate Notes:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

<b>Dual Currency Notes:</b>	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 may be specified in the relevant Final Terms.
<b>Index Linked Notes:</b>	<p>In the case of Senior Notes and Subordinated Notes, payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.</p> <p>In the case of Deposit Notes, payments of interest in respect of Index Linked Notes will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms). Payments in respect of principal may not be calculated by reference to any such index and/or formula.</p>
<b>Interest Periods and Interest Rates:</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
<b>Redemption:</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable.
<b>Redemption by Instalments:</b>	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
<b>Optional Redemption:</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
<b>Status of Notes:</b>	Senior Notes and Deposit Notes will constitute unsubordinated and unsecured obligations of the Issuer and Subordinated Notes will constitute subordinated obligations of the Issuer all as described in “Terms and Conditions of the Notes – Status”.
<b>Negative Pledge:</b>	See “Terms and Conditions of the Notes – Negative Pledge”. Applicable to Senior Notes and Deposit Notes only.
<b>Cross Default:</b>	See “Terms and Conditions of the Notes – Events of Default”. Applicable to Senior Notes and Deposit Notes only.
<b>Rating:</b>	Notes issued under the Programme may be rated or unrated (in each as specified in the relevant Final Terms). A rating is not a recommendation to buy, sell or to hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Early Redemption:</b>	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom unless required by law. In that event the Issuer will, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had so such withholding or deduction been required, all as described in “Terms and Conditions of the Notes – Taxation”.
<b>Governing Law:</b>	English.

**Listing:**

Application has been made to admit Notes issued under the Programme to the Official List and to admit them to trading on Market or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

**Selling Restrictions:**

United States, European Economic Area (in respect of Notes having a denomination of less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes)), United Kingdom and Japan. See “Subscription and Sale”.

Category 2 selling restrictions will apply for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## RISK FACTORS

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

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

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

#### ***Legal Ranking of Notes***

Senior Notes and Deposit Notes currently rank ahead of retail member deposits in the legal structure of a building society and retail member deposits rank ahead of subordinated liabilities. In the event of a demutualisation of the Issuer, obligations to current United Kingdom retail member depositors will rank *pari passu* with obligations to Senior and Deposit Noteholders.

#### ***United Kingdom Housing Market***

One of the Issuer's primary activities is mortgage lending in the United Kingdom with loans secured against residential property. A downturn in the United Kingdom economy could have a negative effect on the housing market particularly if this results in an increased level of unemployment or significantly higher interest rates. Property prices may fall and could result in losses being incurred by lenders on loans that have defaulted. This could have consequences for the Issuer's funding costs and credit ratings if there was deemed to be a material deterioration in the quality of the mortgage portfolio. In the Issuer's case, this risk is mitigated by the level of equity in the property and the existence of Excess of Loss (EOL) arrangements which cover 90 per cent. of mortgages.

#### ***Personal Financial Services Market***

The United Kingdom housing and savings markets are competitive. Developments in this market and increased competition could have an adverse effect on the Issuer's financial position.

#### ***Regulation***

The Issuer is regulated by the Financial Services Authority. The Financial Services Authority regulates the sale of residential mortgages and general insurance products. The regulatory regime requires the Issuer to be compliant across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with relevant regulations, there is a risk of an adverse impact on the business due to sanctions, fines or other action imposed by the regulatory authorities.

The Financial Services Authority, and other bodies such as the Financial Services Ombudsman Service, could impose further regulations or obligations in relation to current and past dealing with retail customers. As a result, the issuer may incur costs in complying with these regulations or obligations relating to its business, including potential compensation and costs relating to sales advice given to retail customers.

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

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the "**FSA**") and, together with HM Treasury and the Bank of England, the "**Authorities**") as part of the special resolution regime (the "**SRR**"). These powers may be used to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA and building societies (within the meaning of Section 119 of the Building Societies Act 1986) so authorised (each a "**relevant entity**") that are in financial difficulty. The SRR consists of three stabilisation options: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity. The Banking Act also provides for two new insolvency and administration procedures for relevant entities.

The Authorities have been granted wide powers under the Banking Act and the following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

*The SRR may be triggered prior to insolvency of the Issuer*

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties. Accordingly, the stabilisation options may only be exercised if the FSA is satisfied that a relevant entity (such as the Issuer) (a) is failing, or is likely to fail, to satisfy the threshold conditions set out in Schedule 6 to the FSMA which are required to retain its FSA authorisation to accept deposits; and (b) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions. It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

*Various actions may be taken in relation to any securities issued by the Issuer (including the Notes) without the consent of the holders thereof*

If the Issuer were made subject to the SRR, HM Treasury or the Bank of England may take various actions in relation to any securities issued by the Issuer (including the Notes) without the consent of the holders thereof, including (among other things):

- (i) transferring the Notes free from any restrictions on transfer and free from any trust, liability or encumbrance;
- (ii) delisting the Notes;
- (iii) converting the Notes into another form or class (for example, into equity securities);
- (iv) disapplying any termination or acceleration rights or events of default under the terms of the Notes which would be triggered by the transfer; or
- (v) where property is held on trust, removing or altering the terms of such trust.

Accordingly, there can be no assurance that the taking of any such actions would not adversely affect the rights of Noteholders and/or adversely affect the price or value of their investment or that the ability of the Issuer to satisfy its obligations under the Trust Deed and the Notes would be unaffected. In such circumstances, Noteholders may have a claim for compensation under one of the compensation schemes currently existing under, or contemplated by, the Banking Act if any action is taken in respect of the Notes. However, there can be no assurance that Noteholders would thereby recover compensation promptly and equal to any loss actually incurred.

*Contractual arrangements between the Issuer, its group companies and/or the bridge bank or private sector purchaser may be created, modified or cancelled*

If the Issuer were made subject to the SRR and a partial transfer of the Issuer's business to another entity were effected, the transfer may directly affect the Issuer and/or its group companies by creating, modifying or cancelling their contractual arrangements with a view to ensuring the provision of such services and facilities as are required to enable the bridge bank or private sector purchaser to operate the transferred business (or any part of it) effectively. For example, the transfer may (among other things) (i) require group companies to support and co-operate with the bridge bank or private sector purchaser; (ii) cancel or modify contracts or arrangements between the Issuer or the transferred business and a group company; or (iii) impose additional obligations on the Issuer under new or existing contracts. There can be no assurance that the taking of any such actions would not adversely affect the ability of the Issuer to satisfy its obligations under the Trust Deed and the Notes.

*A partial transfer of the Issuer's business may result in a concentration of risk*

If the Issuer were made subject to the SRR and a partial transfer of the Issuer's business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Issuer (which may include the Notes) may result in a deterioration in the creditworthiness of the Issuer and increase the risk that the Issuer may eventually become subject to administration or insolvency proceedings pursuant to the Banking Act.

If a partial transfer were effected, under the terms of which the liabilities under the Notes were not transferred, Noteholders may have a claim for compensation under one of the compensation schemes currently existing under, or contemplated by, the Banking Act (including pursuant to The Banking Act 2009 (Third Party Compensation Arrangements for Partial Property Transfers) Regulations 2009). However, there can be no assurance that Noteholders would thereby recover compensation promptly and equal to any loss actually incurred.

***Financial Services Compensation Scheme***

The FSMA established the Financial Services Compensation Scheme (the "FSCS"), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. An institution's FSCS levy is linked to its share of the UK deposit market. The FSCS levy may have a material impact on the corporate profits of the Issuer. As at the time of this Prospectus, a number of claims against the FSCS have been triggered. Claims on the FSCS are funded by loans from the Bank of England, and until such loans are repaid, increased levies on UK deposit-taking institutions fund interest payments on such loans. As a result

of the various claims under the FSCS, the Issuer, in common with all regulated UK deposit takers has recently been subject to significantly increased FSCS levies. As a result of notifications it has received from the FSA, the Issuer has recognised in the accounts for the year ended 31 December 2008 a provision for a levy of £9.7 million covering the full period of the levy from October 2008 to March 2011. The amount has been determined by reference to the path of future interest rates applicable at the balance sheet date. Changes in interest rates over the period of the levy will impact the final amount of the payment. The attention of prospective investors is drawn to note 26 of the audited consolidated annual accounts of the Issuer and its subsidiaries for the years ended 31 December 2008 in this regard. In certain circumstances, regulated UK deposit takers may further be required to fund, by way of a further increase in the FSCS levy, the capital repayment to the Bank of England of a loan. There can also be no assurance that there will be no actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by the Issuer (and other regulated UK deposit takers).

#### ***OFT enquiry into overdraft fees***

In July 2007, the Office of Fair Trading (the “OFT”) entered into an agreement with the United Kingdom’s largest current account providers in relation to bringing a test case in order to establish legal certainty on the lawfulness, and fairness under the 1999 Regulations, of unarranged overdraft fees. In April 2008, the High Court ruled on preliminary issues that, among other things, those providers’ terms on unarranged overdraft fees are assessable for fairness under the 1999 Regulations. The Court of Appeal confirmed that ruling in February 2009 and the current account providers concerned have appealed to the House of Lords. This appeal was heard in June 2009 and judgement is expected later in 2009. Other hearings may be required to determine the substantive issue of whether the fees are fair in any particular case. Cases before the Ombudsman and the county courts on this issue are, in general, stayed while the FSA waives its complaints handling rules in relation to unarranged overdraft fees, and this waiver has been extended until January 2010 (or resolution of the test case, if this is sooner). The OFT has indicated that it will continue its assessment of the fairness of unarranged overdraft fees and expects to reach a decision by the end of 2009.

In accordance with its obligations as an entity with securities admitted to the Official List, the Issuer will provide further information in relation to this litigation and its potential effect on the Group to the extent that such information is material to the Group, as and when this information becomes available.

#### ***The Building Societies (Financial Assistance) Order 2008***

On 5 June 2008 the Building Societies (Financial Assistance) Order 2008 (the “Financial Assistance Order”) came into force in exercise of certain powers under the Banking Act for the purpose of modifying the application of the Act in specified circumstances to facilitate the provision of relevant financial assistance by the Bank of England (i.e. assistance for the purpose of maintaining the stability of the financial system in the UK). Most significantly, the Financial Assistance Order would permit the Bank of England to provide such assistance without it counting for the purpose of the 50 per cent. limit on a building society’s non-member funding. It would also permit the Society to create a floating charge over its assets in favour of the bank of England in respect of that assistance.

#### ***Financial Risks***

Control of financial risk is one of the most important risk factors for financial institutions. Financial risk includes credit, liquidity, operational and market risk. Failure to control these risks can result in material adverse effects on the Issuer’s financial performance and reputation. The Issuer’s risk management structure is the overall responsibility of the Board of Directors. Assisting the Board, the Risk and Assets and Liabilities Committees consider all matters relating to regulatory and prudential risk that may affect the Issuer and its subsidiaries. The Issuer has a formal structure for managing financial risks, including established limits for credit risk, liquidity risk, operational risk and market risk, coupled with reporting lines, mandates and control procedures.

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

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

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

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

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

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

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

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

##### *Partly-paid Notes*

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

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

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

##### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of

the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

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

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

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

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

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to Senior Claims (as defined in "Terms and Conditions of the Notes" herein). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

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

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

#### *Modification, waivers and substitution*

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 12 of the Terms and Conditions of the Notes.

#### *The Issuer is subject to capital requirements that could limit its operations*

The Issuer is subject to capital adequacy guidelines adopted by the Financial Services Authority in the United Kingdom for a building society, which provide for a minimum ratio of total capital to risk-adjusted assets both on a consolidated basis and on a solo-consolidated basis expressed as a percentage. At least half of the total capital must be maintained in the form of Tier 1 Capital. The Issuer's failure to maintain its ratios may result in administrative actions or sanctions against it which may impact the Issuer's ability to fulfil its obligations under the Notes.

#### *European Monetary Union*

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

#### *EU Savings Directive*

Under EU Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or received for, an individual resident or to certain other persons

established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments, subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Pursuant to Condition 7(e) of the Notes the Issuer has agreed to maintain a Paying Agent with a specified office in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

#### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

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

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

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

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

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

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

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

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

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

#### *Interest rate risks*

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

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

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other

factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

***Legal investment considerations may restrict certain investments***

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

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, save for the text in italics, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by an amended and restated trust deed (as further amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated 2 October 2009 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An amended and restated agency agreement (as further amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 2 October 2009 has been entered into in relation to the Notes between the Issuer, the Trustee, HSBC Bank plc as initial issuing and paying agent and registrar and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (which, as at 2 October 2009 is at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

Each Series (as defined below) of Notes is issued (i) in bearer form and in registered form (“**Exchangeable Series**”), (ii) in bearer form (“**Bearer Series**”) or (iii) in registered form (“**Registered Series**”). Bearer Notes (as defined below) will be issued in the Specified Denomination(s) shown hereon. Registered Notes (as defined below) will be issued in multiples of the Specified Denomination shown hereon provided that in the case of any Notes admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/ EC), the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

Notes in bearer form (“**Bearer Notes**”) comprised in an Exchangeable Series (“**Exchangeable Bearer Notes**”) are exchangeable for Notes in registered form (“**Registered Notes**”) and Registered Notes comprised in an Exchangeable Series (“**Exchangeable Registered Notes**”) are exchangeable for Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon. This Note is a Senior Note, Deposit Note or a Subordinated Note, (all as defined in the Trust Deed) if so indicated in the applicable Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and

may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2. EXCHANGES OF EXCHANGEABLE BEARER NOTES, EXCHANGEABLE REGISTERED NOTES AND TRANSFERS OF REGISTERED NOTES**

### *(a) Exchange of Exchangeable Bearer Notes*

Subject as provided in Condition 2(g), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Exchangeable Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, that Exchangeable Bearer Notes surrendered in exchange for Exchangeable Registered Notes during the period from and including the Record Date (as defined in Condition 7(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date will not be required to be surrendered with the Coupon relating to the interest payable on such Interest Payment Date. Interest on an Exchangeable Registered Note issued in exchange for an Exchangeable Bearer Note will accrue as from the Interest Payment Date immediately preceding the date of surrender as aforesaid or, if none, the Interest Commencement Date, except where issued in respect of an Exchangeable Bearer Note surrendered during the period from and including the Record Date in respect of an Interest Payment Date up to and including such Interest Payment Date, in which event interest shall accrue as from such last mentioned Interest Payment Date. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

### *(b) Exchange of Exchangeable Registered Notes*

Subject as provided in Condition 2(g), Exchangeable Registered Notes may be exchanged for the same nominal amount of Exchangeable Bearer Notes at the request in writing of the relevant Noteholder and upon surrender of the Certificate representing such Exchangeable Registered Notes to be exchanged at the specified office of any Transfer Agent.

Interest on an Exchangeable Registered Note to be exchanged for Exchangeable Bearer Notes will cease to accrue as from the Interest Payment Date immediately preceding the date of surrender as aforesaid or, if none, the Interest Commencement Date, except where the date of such surrender falls in the period from and including the Record Date in respect of an Interest Payment Date up to and including such Interest Payment Date, in which event interest will cease to accrue as from such last-mentioned Interest Payment Date.

Where relevant, Exchangeable Bearer Notes issued in exchange for Exchangeable Registered Notes will be issued together with all Coupons in respect of all Interest Payment Dates falling after the date of such surrender as aforesaid or, if such surrender falls during the period from and including the Record Date in respect of an Interest Payment Date up to and including such Interest Payment Date, with Coupons in respect of all Interest Payment Dates falling after such Interest Payment Date, together with any Talons maturing after such date and any Receipts in respect of Instalment Amounts due after such date.

Registered Notes that are not Exchangeable Registered Notes may not be exchanged for Bearer Notes.

### *(c) Transfer of Registered Notes*

Subject as provided in Condition 2(g), Registered Notes may be transferred in whole or in part in a multiple of a Specified Denomination upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(d) *Exercise of Options or Partial Redemption in Respect of Registered Notes*

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(e) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Conditions 2(a), (b), (c) or (d) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for such exchange, transfer or exercise. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition (e), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(f) *Exchange Free of Charge*

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(g) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note or Exchangeable Registered Note to be exchanged (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

### 3. STATUS

(a) *Status of Senior Notes and Deposit Notes*

The Senior Notes and Deposit Notes (being those Notes that specify their status as Senior or Deposit respectively) and the Receipts and Coupons relating to them constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and, subject as provided below, shall at all times rank *pari passu* and without any preference among themselves, at least equally with all other outstanding unsecured and unsubordinated deposits with, and loans to, the Issuer, present and future, save for such deposits or loans which are given priority pursuant to applicable statutory provisions.

(b) *Status of Subordinated Notes*

The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Receipts and Coupons relating to them constitute direct and unsecured obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves, at least equally with all other subordinated obligations of the Issuer from time to time outstanding but will rank ahead of the holders of any subordinated obligations where claims are expressed to rank behind the Subordinated Notes, the Receipts or the Coupons, as the case may be, and for the avoidance of doubt, ahead of all claims in respect of any Deferred Shares (as defined below) in the Issuer.

In the event of the winding up of the Issuer, the claims of the Trustee, the Noteholders, the Receiptholders and Couponholders against the Issuer in respect of the Subordinated Notes, the Receipts or the Coupons, as the case may be, will be subordinated, as provided in the Trust Deed, to the Senior Claims. In such event, the claims of the Noteholders, the Receiptholders and the Couponholders against the Issuer will become due and payable and capable of proof in such winding up, but only to the extent that assets will remain available in such winding up after all Senior Claims on the Issuer have been satisfied in full or full provision therefor has been

made. Accordingly, no payments of amounts due in respect of the Subordinated Notes, Receipts and the Coupons will be made to the Noteholders, the Receiptholders and the Couponholders following the commencement of the winding up of the Issuer except where all sums due from the Issuer in respect of all Senior Claims are paid in full or full provision has been made therefor. Any amounts paid to the Trustee in the winding up of the Issuer will be held on trust for distribution in satisfaction of the Senior Claims to the extent (if any) not fully paid and thereafter in or towards payment of the amounts due under the Subordinated Notes, the Receipts and Coupons, as the case may be.

**“Deferred Shares”** means deferred shares within the meaning of the Act (as defined in Condition 10(a))

**“Senior Claims”** means the claims of all creditors of the Issuer (including, without limiting the generality of the foregoing, all contingent and prospective claims, all claims in respect of deposits with, or loans to, the Issuer and all claims to interest thereon which are admitted to proof in the winding up of the Issuer but excluding all claims in respect of Subordinated Indebtedness and, for the avoidance of doubt, all claims in respect of Deferred Shares) and

**“Subordinated Indebtedness”** means the aggregate of (a) the indebtedness of the Issuer under the Subordinated Notes and Coupons and (b) all other indebtedness of the Issuer which is subordinated in the event of the winding up of the Issuer to the Senior Claims.

(c) *No Set-off*

Subject to applicable law, no holder of Subordinated Notes may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes, the relative Receipts or Coupons and each Noteholder, Couponholder and Receiptholder of any Subordinated Note shall, by virtue of being the holder of any such Subordinated Note, Receipt or Coupon, be deemed to have waived all such rights of set-off, both before and during any winding-up, liquidation or administration of the Issuer. Notwithstanding the provision of the foregoing sentence, if any of the said rights and claims of any Noteholder, Receiptholder or Couponholder of Subordinated Notes against the Issuer is discharged by set-off, such Noteholder, Receiptholder or Couponholder of Subordinated Notes will immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of winding-up of the Issuer, the liquidator of the Issuer and accordingly such discharge will be deemed not to have taken place.

#### 4. **NEGATIVE PLEDGE (SENIOR NOTES AND DEPOSIT NOTES ONLY)**

(a) *Restriction*

So long as any of the Senior Notes, Deposit Notes, Receipts or related Coupons remain outstanding (as defined in the Trust Deed) the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes or Deposit Notes, as the case may be, Receipts, related Coupons and the Trust Deed (A) are secured equally and rateably therewith to the satisfaction of the Trustee or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Senior Noteholders or Deposit Noteholders, as the case may be.

(b) *Relevant Definitions*

For the purposes of this Condition:

(i) **“Government Entities”** means any body, agency, ministry, department, authority, statutory corporation or other entity of or pertaining to a member state of the European Economic Area or the government thereof or any political subdivision, municipality or local government thereof (whether autonomous or not).

(ii) **“Permitted Security Interest”** means any security interest:

(A) arising by operation of law or

(B) created by the Issuer over the whole or any part of its present or future assets or revenues where such assets or revenues are comprised of the following (or are otherwise qualifying collateral for issues of covered bonds pursuant to any relevant contractual arrangements and/or specific provisions of the laws of England and Wales relating to covered bonds): (I) mortgage receivables; or (II) receivables against Government Entities (as defined herein); or (III) asset-backed securities backed by any of the assets under paragraph (I) or (II); or (IV) any other assets permitted by the laws of England and Wales to collateralise the covered bonds, in each case provided that the creation of such security interest is pursuant to the relevant contractual arrangements or, as the

case may be, specific provisions of the laws of England and Wales relating to covered bonds applicable at the time of creation of such security interest.

- (iii) **“Relevant Debt”** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.

## 5. INTEREST AND OTHER CALCULATIONS

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

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

### (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 from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

#### (ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

#### (iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

##### (A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), **“ISDA Rate”** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean 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 either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iv) **Rate of Interest for Index Linked Interest Notes**  
The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) **Zero Coupon Notes**  
Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes**  
In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **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 hereon.
- (f) **Accrual of Interest**  
Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (h) **Calculations**  
The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**  
The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, Interest Period or Interest Payment Date, calculate the Final Redemption

Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period or Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange or other relevant authority and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Determination or Calculation by Trustee*

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**“Business Day”** means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**) and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if **“Actual/365 (Fixed)”** is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if **“Actual/365 (Sterling)”** is specified hereon, the actual number of days in the Calculation 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 hereon, the actual number of days in the Calculation Period divided by 360

- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

- (viii) if “**Actual/Actual-ICMA**” is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“**Determination Date**” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption column or other part of a particular information service as may be specified hereon.

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) *Calculation Agent*

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 6. REDEMPTION, PURCHASE AND OPTIONS

*In the case of redemption of Subordinated Notes (save for final redemption on the relevant Maturity Date in accordance with Condition 6(a)(ii)), the FSA requires to be notified by the Issuer one month (or such other period, longer or shorter, as the FSA may then require or accept) before the date of the proposed repayment providing details of how it will meet its Capital Resources Requirement after such repayment and the FSA must have raised no objection thereto (if required), where:*

**“Capital Regulations”** means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

**“Capital Resources Requirement”** has the meaning given to such term in the Capital Regulations and shall include any successor term from time to time equivalent thereto as agreed between the Issuer and the Trustee; and

**“FSA”** means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer.

(a) *Redemption by Instalments and Final Redemption*

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption*

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*

If the Issuer satisfies the Trustee immediately before the giving of such notice referred to below that (i) as a result of any change in or amendment to the laws or regulations of the United Kingdom or any political subdivision of, or any authority in, or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant series on the next Interest Payment Date the Issuer would be required (A) to pay additional amounts as described under Condition 8 or (B) to account to any taxing authority in the United Kingdom for any amount other than tax withheld or deducted from interest payable on the Notes calculated by reference to any other amount payable in respect of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may, at its option (but subject to obtaining the Requisite Consent in the case of Subordinated Notes) having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable) redeem all, but not some only, of the Notes on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note), at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption). Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Persons (as defined in the Trust Deed) of the Issuer stating that the relevant requirements referred to above will apply on the next Interest Payment Date and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

As used herein, the term "**Requisite Consent**" means, so long as the Issuer or any substituted principal debtor is a building society or is or has become an authorised person under the Financial Services and Markets Act 2000 (or any statutory modification or re-enactment thereof or any statutory instrument, order or regulations made thereunder) ("**FSMA**"), the prior written consent of the Supervisory Authority (as defined in Condition 10) (so long as the Issuer or any substituted principal debtor is required by the Supervisory Authority to obtain such consent).

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

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) (but subject to obtaining the Requisite Consent in the case of Subordinated Notes) redeem, all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. Where the Notes are listed on a stock exchange or other relevant authority and the rules of such stock exchange or other relevant authority, as the case may be, so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading

newspaper of general circulation as specified by such stock exchange or other relevant authority, a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) *Redemption at the Option of Noteholders*

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note (other than a Subordinated Note), upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) *Purchases*

The Issuer and any of its Subsidiaries (subject to obtaining the Requisite Consent in the case of Subordinated Notes) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) *Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7. PAYMENTS AND TALONS

(a) *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes*

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any

Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) *Payments in the United States*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments subject to Fiscal Laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vii) save to the extent satisfied by (v) or (vi) above, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Receipts and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes) such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9) or if later, within a period of five years next following the Interest Payment Date specified on the face of such Coupon.
- (ii) Upon the due date for redemption of any Bearer Note, comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and

where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days*

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 8. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) *Other connection*

to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges 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 the Note, Receipt or Coupon or

(b) *Lawful avoidance of withholding*

to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment or

(c) *Presentation more than 30 days after the Relevant Date*

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day or

(d) *Payment to individuals*

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or

(e) *Payment by another Paying Agent*

(except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10. EVENTS OF DEFAULT

### (a) *Senior Notes and Deposit Notes and Enforcement*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Senior Notes or Deposit Notes, as the case may be, then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Senior Notes or Deposit Notes, as the case may be, are, and they shall accordingly thereby forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each an “**Event of Default**”):

- (i) if default is made in the payment of any interest or principal due in respect of the Senior Notes or Deposit Notes, as the case may be, or any of them and the default continues for a period of 14 days or more (in the case of interest) or seven days or more (in the case of principal) or
- (ii) if the Issuer fails to perform or observe any of its other obligations under the Senior Notes or Deposit Notes, as the case may be, or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied or
- (iii) if any payment in respect of the principal of or any premium or interest on any indebtedness (as defined in the Trust Deed) for moneys borrowed having an outstanding aggregate principal amount of at least £10,000,000 (or its equivalent in any other currency or currencies) of the Issuer or any Subsidiary is not made on its due date (or by the expiry of any applicable grace period therefor) or any such indebtedness of the Issuer or any Subsidiary becomes due and payable prior to its stated maturity by reason of default or if any guarantee of or indemnity in respect of any such payment in respect of any such indebtedness of any third party by the Issuer or any Subsidiary is not honoured when due and called upon or
- (iv) if an administrative or other receiver or an administrator or other similar official is appointed in relation to the Issuer or any Material Subsidiary or in relation to the whole or a material part of the assets of any of them or if an encumbrancer takes possession of the whole or, in the opinion of the Trustee, any material part of the assets of the Issuer or any Material Subsidiary or a distress of execution is levied or enforced upon or sued out against the whole or, in the opinion of the Trustee, any material part of the assets of the Issuer or any Material Subsidiary and, in any such case, is not discharged within 60 days or
- (v) if, except for the purposes of or pursuant to a Permitted Transfer (as defined below):
  - (1) the Issuer stops payment to its creditors generally or ceases to carry on the whole or substantially the whole of its business or
  - (2) the Supervisory Authority presents a petition for the winding up of the Issuer or an effective resolution, instrument of dissolution or award for dissolution is passed, entered into or made or an order is made or an effective resolution is passed for the winding up or the dissolution of the Issuer or the Issuer is wound up or dissolved in any other manner or
  - (3) an order is made pursuant to the Act the effect of which is to prevent the Issuer from accepting the deposit of, or otherwise borrowing, any money or from accepting any payment representing the

whole or any part of the amount due by way of subscription for a share in the Issuer, other than a payment which fell due before the making of the said order or

- (4) the Issuer ceases to be an authorised person to carry on a deposit-taking business for the purposes of the FSMA or the Issuer's registration as a building society is cancelled or suspended or the Issuer is not or ceases to be a building society for the purposes of the Act or
- (5) the Issuer amalgamates with, or transfers the whole or a material part of its engagements or its business to, another person or
- (vi) if, except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or for the purposes of a solvent winding up where the assets of a Material Subsidiary attributable directly or indirectly to the Issuer are distributed to any one or more of the Issuer and the other Material Subsidiaries:
  - (1) a Material Subsidiary stops payment to its creditors generally or ceases to carry on the whole or substantially the whole of its business or
  - (2) an order is made by any competent court or resolution is passed for the winding up or dissolution of any Material Subsidiary,

provided, in the case of any Event of Default other than those described in sub-paragraphs (i) and (v)(2) above, the Trustee shall have certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purposes of these Conditions:

- (A) **“Act”** means the Building Societies Act 1986 (as amended) and includes, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulations made thereunder or under any such statutory modification or re-enactment
- (B) a **“Material Subsidiary”** shall mean any Subsidiary of the Issuer whose total assets (attributable to the Issuer) are equal to 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries, all as more particularly defined in the Trust Deed
- (C) a **“Permitted Transfer”** shall mean:
  - (i) an amalgamation of the Issuer and one or more other building societies under section 93 of the Act or
  - (ii) a transfer by the Issuer of all or substantially all (being 90 per cent. or more of the Issuer's engagements including its obligations under the Notes, the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders) any smaller part of its engagements under section 94 of the Act or
  - (iii) a transfer by the Issuer of its business to a company under sections 97 to 102D of the Act or
  - (iv) an alteration in the status of the Issuer by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA or
  - (v) any other reconstruction or amalgamation the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders and
- (D) **“Supervisory Authority”** shall mean the Financial Services Authority and any successor organisation responsible for supervision of building societies or authorised persons under the FSMA in the United Kingdom.

At any time after any Senior Notes or Deposit Notes, as the case may be, become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Senior Notes or Deposit Notes, as the case may be, the Receipts and Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Senior Notes or Deposit Notes, as the case may be, outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(b) *Subordinated Notes and Enforcement*

- (i) In the event of default being made for a period of seven days or more in the payment of any principal or interest in respect of the Subordinated Notes or any of them, in each case as and when the same ought to

be paid, the Trustee may, in order to enforce the obligations of the Issuer under the Trust Deed, the Subordinated Notes, Receipts and Coupons, at its discretion without further notice, institute proceedings for the recovery of the moneys then due provided that the Issuer shall not by virtue of the institution of any such proceedings (other than proceedings for the winding up of the Issuer) be obliged to pay any sum or sums representing principal or interest in respect of the Subordinated Notes, Receipts or Coupons sooner than the same would otherwise have been payable by it.

- (ii) The Trustee may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or the Subordinated Notes, Receipts or Coupons (other than any obligation for the payment of any principal or interest in respect of the Subordinated Notes, Receipts or Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings (other than proceedings for the winding up of the Issuer) be obliged to pay any sum or sums representing principal or interest in respect of the Subordinated Notes, Receipts or Coupons sooner than the same would otherwise have been payable by it.
- (iii) In the event of the cancellation of the Issuer's registration under the Act (except pursuant to Section 103(1)(a) of the Act), the commencement of the winding up of the Issuer or the commencement of the dissolution of the Issuer (except in any such case a winding up or dissolution for the purpose of reconstruction or amalgamation or the substitution in place of the Issuer of a Successor in Business (as defined in the Trust Deed) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution or as a result of an amalgamation pursuant to Section 93 of the Act or a transfer of engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act), the Trustee at its discretion may give notice to the Issuer that the Subordinated Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their nominal amount together with accrued interest (if any) as provided in the Trust Deed.
- (iv) The Trustee shall not be bound to take any of the actions referred to above to enforce the obligations of the Issuer under the Trust Deed and the Subordinated Notes, Receipts and Coupons, unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Subordinated Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## **11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

### **(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two 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 two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than two thirds, or at any adjourned meeting not less than one third, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

### **(b) Modification of the Trust Deed**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a

manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 12. SUBSTITUTION

- (a) If the Issuer shall amalgamate with one or more other building societies under Section 93 of the Act or transfer all or substantially all (being 90 per cent. or more of the Issuer's engagements including its obligations under the Notes, the Trust Deed and the Agency Agreement) of its engagements to another building society under Section 94 of the Act or transfer its business to a successor in accordance with Sections 97 to 102D of the Act, the successor will, pursuant to such provisions, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes, Receipts and Coupons without prior approval thereof being required from the Noteholders, the Couponholders, the Receiptholders or the Trustee, provided that in the case of Subordinated Notes:
- (i) in the case of a proposed transfer in accordance with Section 97 and other such applicable provisions, either (1) the Issuer satisfies the Trustee by a certificate signed by two Authorised Persons that the successor will be or (as the case may be) remain an authorised institution under the FSMA (or any statutory modification or re-enactment thereof) or (2) such transfer is approved by an Extraordinary Resolution of the Noteholders
  - (ii) in connection with such transfer, any variation or supplement to these Conditions must not be one which would or might cause any of the financial resources derived by the Issuer from the issue of the Notes to which the Trust Deed relates and which comprise lower tier two capital (within the meaning of the "General Prudential Sourcebook" produced by the Financial Services Authority (as amended, supplemented or updated from time to time) or any successor publication replacing it) to be excluded from the financial resources considered appropriate by the Supervisory Authority for the purposes of paragraph 4(1) of Schedule 6 of the FSMA and
  - (iii) the circumstances in which such variation or supplement may take place are limited to dealing with matters arising out of the procedure by which the transfer takes place and the constitution of the transferee, which variation or supplement shall be effected by the execution of a trust deed supplemental to the Trust Deed in form and substance acceptable to the Trustee and shall bind any successor as fully as if the successor had been named in the Trust Deed as principal debtor in place of the Issuer. A memorandum of any such supplemental trust deed shall be endorsed by the Trustee on the Trust Deed and by the Issuer on the duplicate of the Trust Deed.
- (b) Without prejudice to paragraph (a) above and subject as provided in the Trust Deed, the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, if it is satisfied that so to do would not be materially prejudicial to the interest of the Noteholders, to the substitution of either a Successor in Business to the Issuer or a Subsidiary of the Issuer or a subsidiary of a Successor in Business to the Issuer, not being in any such case a building society formed by the amalgamation of the Issuer and one or more other building societies pursuant to Section 93 of the Act or a building society to which the Issuer has transferred its engagements pursuant to Section 94 of the Act or the successor in accordance with Sections 97 to 102D or other applicable provisions of the Act, in place of the Issuer as principal debtor under the Trust Deed, the Notes, Receipts and Coupons, provided that in the case of a substitution of a company which is a Subsidiary of the Issuer or a subsidiary of a Successor in Business to the Issuer, the obligations of such substitute in respect of the Trust Deed, the Notes, Receipts and Coupons shall be guaranteed by the Issuer or the Successor in Business to the Issuer, as the case may be, in such form as the Trustee may require and provided further that in the case of Subordinated Notes the obligations of such Successor in Business to the Issuer or Subsidiary of the Issuer or subsidiary of a Successor in Business to the Issuer, as the case may be, and any such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's obligations in respect of the Notes, Receipts and Coupons.
- (c) Any substitution referred to in paragraphs (a) and (b) above shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders by the Issuer as soon as practicable thereafter in accordance with the Conditions.

### **13. INDEMNIFICATION OF THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Noteholders or Couponholders on any certificate or report prepared by the Auditors (as defined in the Trust Deed) pursuant to the Conditions and/or the Trust Deed whether or not the Auditor's liability in respect thereof is limited by a monetary cap or otherwise and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer to procure such delivery under these Conditions; any such certificate shall be conclusive and binding on the Issuer, the Trustee, the Noteholders and the Couponholders.

### **14. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### **15. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

### **16. NOTICES**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in the United Kingdom (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United Kingdom. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

### **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

### **18. GOVERNING LAW**

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

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1. Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form such Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of such Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### 3. Exchange

#### (a) *Temporary Global Notes*

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Overview of the Programme – Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

#### (b) *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of paragraph 3(b)(iii) below, Registered Notes, unless otherwise specified in the applicable Final Terms:

- (i) by the Issuer giving notice to the Noteholders, the Issuing and Paying Agent and the Trustee of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due<sup>1</sup>

<sup>1</sup> Not applicable to Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

- (ii) if the relevant Final Terms provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange<sup>1</sup>
- (iii) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes and
- (iv) otherwise, if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

(c) *Global Certificates*

If the Final Terms states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(c) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so
- (ii) if principal in respect of any Notes is not paid when due or
- (iii) with the consent of the Issuer

provided that, in the case of the first transfer of part of a holding pursuant to 3(c)(i) or 3(c)(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(d) *Partial Exchange of Permanent Global Notes*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

(e) *Delivery of Notes*

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

(f) *Exchange Date*

**“Exchange Date”** means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and (except in the case of exchange pursuant to paragraph 3(b)(iv) above) in the city in which the relevant clearing system is located.

**4. Amendment to Conditions**

The temporary Global Notes permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

(a) *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Classic Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to the Definitive Notes only. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

(b) *Prescription*

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

(c) *Meetings*

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the specified currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.)

(d) *Cancellation*

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

(e) *Purchase*

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

(f) *Issuer’s Option*

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to

be reflected in the records of such clearing system as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

(g) *Noteholders' Options*

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered pro rata in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

(h) *NGN nominal amount*

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

(i) *Trustee's Powers*

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

(j) *Notices*

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

## **5. Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer in its general business operations.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## LEEDS BUILDING SOCIETY

### Introduction

Leeds Building Society (the “**Issuer**” or the “**Society**”), formed in 1875, is one of the top ten largest building societies in the United Kingdom<sup>1</sup> with assets at 31 December 2008 of £10 billion.

The Society generates business from a number of sources including a network of 70 high street branch offices in the United Kingdom, Ireland and Gibraltar, a customer telephone service centre, the Leeds Building Society website, postal savings and financial intermediaries.

The Society’s network of branches stretches from Aberdeen in the North to Southampton in the South and Belfast in the West to Norwich in the East. There are 27 branches in the Society’s heartland of Leeds and the rest of Yorkshire. The Society also operates outside the United Kingdom in Gibraltar, Ireland and Spain.

The Society is committed to remaining an independent mutual building society. It strongly supports the concept of mutuality by seeking to give additional value to borrowers and investors and the communities it serves.

### Constitution

The Society was incorporated in England on 21 January 1875 for an indefinite duration with registered number 320B. It operates in accordance with the Building Societies Act 1986 (the “**Act**”), the Financial Services and Markets Act 2000 and the Society’s Memorandum and Rules. It is an authorised building society within the meaning of the Act and is registered with the Financial Services Authority, registered number 164992.

The affairs of the Society are conducted and managed by a Board of Directors who are appointed by the Society’s members and who serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises the senior executives of the Society who are responsible to the Board for the day-to-day management of the Society.

The Society is a mutual organisation with both qualifying retail investors and borrowers having membership rights. Eligibility to vote at General Meetings is governed by the Act and the Society’s Rules. No individual member is entitled to more than one vote on any resolution proposed at a General Meeting.

The Society’s registered and head office address is 105 Albion Street, Leeds LS1 5AS and the telephone number is 0113 225 7777.

### Subsidiaries

The Society operates the following principal wholly owned subsidiary companies:

- Leeds Financial Services Ltd – founded in 2000 for the provision and sales of financial services products in partnership with a number of organisations including Aviva and Credit Suisse.
- Mercantile Asset Management Ltd – for the purpose of purchasing mortgage assets.
- Leeds Building Society Covered Bonds LLP – a provider of mortgage assets and a guarantor of covered bonds (The Society’s interest in this entity is, in substance, such that it is equivalent to it being a 100 per cent. owned subsidiary).

### Board of Directors

The Directors of Leeds Building Society are listed below:

<i>Directors</i>	<i>Position</i>
Robin A. Smith	Chairman
S. Rodger G. Booth	Vice-Chairman
Ian W. Ward	Chief Executive
John N. Anderson	Non-Executive Director
Peter A. Hill	Operations Director
Carol M. Kavanagh	Non-Executive Director
Ian Marshall	Non-Executive Director
David Pickersgill	Deputy Chief Executive
Abhai Rajguru	Non-Executive Director
Robert W. Stott	Non-Executive Director
Ian Robertson	Non-Executive Director

A list of each Director’s principal outside directorships as at 31 December 2008 can be found in the Society’s 2008 annual business statement (a copy of which is incorporated by reference into this Prospectus).

1. Source: www.bsa.org.uk website.

Documents may be served on the above named directors at: c/o Deloitte & Touche LLP, 1 City Square, Leeds LS1 2AL, which is the business address of such directors.

No Director has any actual or potential conflict of interest between his or her duties to the Society and his or her private interests or other duties.

### **Executive Management**

Whilst the Society's Board of Directors is responsible for strategy and policy, implementation of policy and day-to-day management is delegated to the following senior executives:

<i>Directors and Executives</i>	<i>Position</i>
Ian W. Ward	Chief Executive
David Pickersgill	Deputy Chief Executive & Finance Director
Peter A. Hill	Operations Director
Kim L. Rebecchi	Director of Sales & Marketing
Andrew J. Greenwood	General Manager & Secretary
Gary M. Mitchell	General Manager Finance and Risk
Martin J. Richardson	General Manager Marketing and Business Development
Geoffrey Turnbull	General Manager Management Services
Karen R. Wint	General Manager Customer Services
Paul M. Kaye	General Manager Sales

A list of each Director and Executive's principal outside directorships as at 31 December 2008 can be found in the Society's 2008 annual business statement (a copy of which is incorporated by reference into this Prospectus).

Documents may be served on the above named executives at: c/o Deloitte LLP, 1 City Square, Leeds LS1 2AL, which is the business address of such executives.

No executive has any actual or potential conflict of interest between his or her duties to the Society and his or her private interests or other duties.

### **Business**

#### *General*

The principal business of the Society as stated in Clause 3 of its Memorandum is making loans which are secured on residential property and are funded substantially by its members.

The Society obtains funds from the retail market through a range of personal savings accounts and raises funds in the wholesale money markets. It makes loans to borrowers on the security of first mortgages on freehold and leasehold property.

#### *Mortgage Lending Activities*

The Society operates primarily in the UK mortgage market and also lends in Ireland, Gibraltar and Spain by providing a range of competitive fixed, capped, discounted and variable rate products, whilst maintaining an emphasis on high asset quality.

In 2008, the Society lent £1.28 billion comprising gross advances of £1.25 billion to customers (including £0.1 billion of further advances to existing borrowers), and £0.03 billion secured on commercial property.

#### *Arrears and Loan Loss Provision*

At 31st December 2008, only 115 mortgages held by the Society were over 12 months in arrears.

	<i>Group</i>	
	<i>2008</i>	<i>2007</i>
	<i>%</i>	<i>%</i>
Charge to loan loss provisions (LLP)/average loans .....	0.44	0.09
Loan loss reserves/average loans .....	0.60	0.26

#### *Retail Funding*

In 2008, the Society's savings balances increased by £0.6 billion to £6.6 billion. At 31 December 2008, total Group shares and borrowings were £9.2 billion.

#### *Wholesale Funding*

The Society's strategy is to access wholesale funding markets to supplement retail funding. The following table sets out the level of wholesale funding at 31 December 2008.

	<i>£m</i>	<i>%</i>
Amounts owed to credit institutions.....	688.8	26.4
Amounts owed to other customers.....	679.1	26.0
Certificates of deposit.....	345.9	13.2
Fixed and floating rate notes.....	897.3	34.4
Commercial Paper.....	0	0
<b>Total Wholesale Funding.....</b>	<b>2,611.1</b>	<b>100.0</b>

At 31 December 2008 the Society's wholesale deposit funding was 28.3 per cent. of shares and borrowings.

#### *Liquidity*

During 2008 the Society increased liquid assets by £0.4 billion to £2.3 billion, representing a ratio of 24.95 per cent. of Group shares and borrowings.

The Bank of England launched its Special Liquidity Scheme in 2008 which allows financial institutions to swap their high quality mortgage backed securities for UK treasury bills for a period of up to three years. As with other financial institutions, the Society has used this facility as a method to maintain a high level and quality of liquidity.

#### *Capital Resources*

Group pre-tax profits decreased by 68 per cent. to £20.3 million. At the end of 2008 and 2007 the consolidated gross and free capital ratios of the Society were as follows:

	<i>Group</i>	
	<i>2008</i>	<i>2007</i>
	<i>%</i>	<i>%</i>
Gross capital ratio as a percentage of shares and borrowings.....	5.74	6.05
Free capital ratio.....	5.58	5.83
Solvency ratio.....	13.4	11.8

#### *Operational Efficiency*

The management expenses/assets ratio is an appropriate measure of efficiency for a building society. The Group's management expenses/assets ratio has improved gradually over the last five years and was reduced to 0.48 per cent. in 2008. The Group's management expenses/income ratio remained constant at 40.0 per cent. in 2008.

#### *Non-Interest Income*

In 2008, the Group's revenues from non-interest sources amounted to £21.7 million. The non-interest income generated by Leeds Financial Services Limited represented 37.6 per cent. of the non-interest revenue earned in 2008.

#### *Credit Rating*

Moody's has assigned ratings to the Society of A2/P-1 for bank deposits; with bank financial strength rated at C+. The current ratings outlook is stable.

Fitch has assigned ratings to the Society of A/F1 for the Long Term/Short Term issuer default rating; with senior unsecured debt rated at A. The current ratings outlook is stable.

## UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs (“HMRC”) practice. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers or certain professional investors. Noteholders should be aware that the particular terms of issue of any Tranche of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other Tranches of a Series of Notes. The comments below deal primarily with certain United Kingdom withholding tax issues which arise on payments of interest in respect of the Notes. They are not exhaustive and they do not address in detail any other United Kingdom taxation implications of acquiring, holding or disposing of Notes and Coupons. Any Noteholders and Couponholders who are in doubt as to their personal tax position should consult their professional advisers. In particular, Noteholders and Couponholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or an account of taxation under the laws of the United Kingdom.

### Interest

While Senior Notes and Subordinated Notes are and continue to be listed on a recognised stock exchange (in the case of securities to be traded on the London Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the securities are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange) within the meaning of Section 1005 Income Tax Act 2007 (the “**Income Tax Act**”), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax.

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual or (ii) paying amounts due on redemption of any Notes that constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to, or receiving such amounts on behalf of, another person, who is an individual may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries. However, in relation to amounts payable on redemption of such Notes HMRC published practice indicates that HMRC will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2010.

Provided that the Deposit Notes are “qualifying certificates of deposit” within the meaning of Section 985(1) of the Income Tax Act, interest may be paid without withholding or deduction for or on account of United Kingdom income tax.

If the Senior Notes and the Subordinated Notes are not or cease to be listed on a recognised stock exchange as described above or Deposit Notes are not qualifying certificates of deposit as described above, interest (or dividends as envisaged in Section 889 of the Income Tax Act) will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty or subject to such relief as may be available in circumstances where the exemption under Section 930 of the Income Tax Act applies.

When Notes are issued with a redemption premium then any such elements of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined in this section.

Payments on a Note issued by the Issuer which represent income of the recipient have a United Kingdom source and accordingly may be chargeable to United Kingdom income tax by direct assessment. Where payments are made without withholding or deduction for or on account of United Kingdom income tax, neither the interest nor any discount is 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 branch or agency or, in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom in connection with which the interest or discount is received or to which those Notes are attributable in which case (subject to certain exemptions for interest and discount received by certain specified categories of agent, such as some brokers and investments managers) tax may be levied on the United Kingdom branch or agency, or permanent establishment.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom might be able to recover all or part of the tax deducted if there is an appropriate provision under an applicable double taxation treaty.

### Disposal (including Redemption)

Noteholders which are companies within the charge to United Kingdom corporation tax (including non-resident Noteholders whose Notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) may be subject to United Kingdom corporation tax on their holding, disposal or redemption of Notes. The nature of the tax charge will depend on the terms of the Note in question and the particular circumstances of the relevant Noteholder. In particular, Noteholders within the charge to United Kingdom

corporation tax should have regard, among other matters, to the provisions of the “loan relationship” legislation contained in the Corporation Tax Act 2009.

Noteholders who are individuals or trustees and who are resident or ordinarily resident in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable may be subject to United Kingdom income or capital gains tax on their holding, disposal or redemption of Notes. The nature of the tax charge will depend on the terms of the Note in question and the particular circumstances of the relevant Noteholder. In particular such Noteholders should have regard to, among other matters, the chargeable gains legislation, the “accrued income scheme” and the “deeply discounted securities” legislation.

#### **EU Directive on the Taxation of Savings Income**

The EU has adopted the Savings Directive regarding the taxation of savings income. The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories have accepted similar measures.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 2 October 2009 (as further amended and/or supplemented from time to time, the “**Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### *United States*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### *Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***United Kingdom***

Each Dealer has represented and agreed that:

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

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, “**resident of Japan**” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### ***General***

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

Neither the Issuer nor any Dealer has made any representation that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

## FORM OF FINAL TERMS

Final Terms dated ●

### LEEDS BUILDING SOCIETY

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the £2,000,000,000 (excluding Deposit Notes) Euro Medium Term Note Programme

#### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 2 October 2009 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated [current date] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The Prospectuses [and the supplemental Prospectus] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

*[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. Italics denote guidance for completing the Final Terms.]*

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

1	Issuer	Leeds Building Society
2	[(i)] Series Number	[ ]
	[(ii)] Tranche Number:	[ ]
	<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)</i>	[ ]
3	Specified Currency or Currencies:	[ ]
4	Aggregate Nominal Amount of Notes:	
	[(i)] Series:	[ ]
	[(ii)] Tranche:	[ ]
5	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6	(i) Specified Denominations:	[ ] <i>(If the Specified Denominations are expressed to be €50,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the following sample wording:</i>

“€50,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000”)

- (ii) Calculation Amount: [ ]  
*(If there is only one Specified Denomination, insert the Specified Denomination.*  
*If there is more than one Specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.)*
- 7 (i) Issue Date: [ ]  
(ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
- 8 Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
- 9 Interest Basis: [[ ] per cent. Fixed Rate]  
[[specify reference rate] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Other (specify)]  
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (specify)]  
*(N.B. If the Final Redemption Amount is linked to an underlying reference or security and therefore could be an amount which is other than 100 per cent. of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.)*
- 11 Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
- 12 Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
- 13 (i) Status of the Notes: [Senior/[Dated/Perpetual]/Subordinated/Deposit]  
(ii) Date approval by committee of the Board of Directors for issuance of Notes obtained: [ ]
- 14 Method of distribution: [Syndicated/Non-syndicated]

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

- 15 Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[s] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [Specify Business Day Convention and any applicable

		<i>Business Centre(s) for the definition of "Business Day"[/Not Adjusted]</i>
(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
(iv)	Broken Amount(s):	[ ] per Calculation Amount payable on the Interest Payment Date falling in/on [ ]
(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
(vi)	[Determination Dates:	[ ] in each year ( <i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))</i> ]
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
16	Floating Rate Note Provisions	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i> )
(i)	Interest Period(s):	[ ]
(ii)	Specified Interest Payment Dates:	[ ]
(iii)	First Interest Payment Date:	[ ]
(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )]
(v)	Business Centre(s):	[ ]
(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other ( <i>give details</i> )]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[ ]
(ix)	Screen Rate Determination:	
	– Reference Rate:	[ ]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
(x)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(xi)	Margin(s):	[+/-][ ] per cent. per annum
(xii)	Minimum Rate of Interest:	[ ] per cent. per annum
(xiii)	Maximum Rate of Interest:	[ ] per cent. per annum
(xiv)	Day Count Fraction:	[ ]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

- 17 Zero Coupon Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [ ] per cent. per annum
- (ii) Any other formula/basis of determining amount payable: [ ]
- 18 Index-Linked Interest Note/other variable-linked interest Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [ ]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Interest Determination Date(s): [ ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (vi) Interest Period(s): [ ]
- (vii) Specified Interest Payment Dates: [ ]
- (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (ix) Business Centre(s): [ ]
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]
- 19 Dual Currency Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the [Agent]): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

- 20 Call Option [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount

- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ] per Calculation Amount
- (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice Period: [ ]
- 21 Put Option [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period [ ]
- 22 Final Redemption Amount of each Note: [ ] per Calculation Amount  
(N.B. If the Final Redemption Amount is linked to an underlying reference or security and therefore could be an amount which is other than 100 per cent. of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.)

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the [Agent]): [ ]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption Amount: [ ] per Calculation Amount
- (viii) Maximum Final Redemption: [ ] per Calculation Amount
- 23 Early Redemption Amount  
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 Form of Notes: Bearer Notes:  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days notice/at any time/in the limited circumstances specified in the Permanent Global Note]

- [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice]  
 [Permanent Global Note exchangeable for Definitive Notes on [ ] days notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- (N.B. The exchange upon notice/at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]".)*
- 25 New Global Note: [Yes] [No]  
 [Registered Notes]
- 26 Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub- paragraph 15(ii), 16(iv) and 18(ix) relates]
- 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 (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
- 29 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
- 30 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/[The provisions annexed to these Final Terms apply]
- 31 Consolidation provisions: [Not Applicable/[The provisions annexed to these Final Terms apply]
- 32 Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

## **DISTRIBUTION**

- 33 (i) If syndicated, names of Managers: [Not Applicable/give names]  
 (ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 34 If non-syndicated, name of Dealer: [Not Applicable/give name]
- 35 US Selling Restrictions: [Reg. S Compliance Category: TEFRA C/TEFRA D/TEFRA Not Applicable]
- 36 Additional selling restrictions: [Not Applicable/give details]

## **[PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the [London Stock Exchange plc's Regulated Market] of Notes described herein pursuant to the £2,000,000,000 (excluding Deposit Notes) Euro Medium Term Note Programme of Leeds Building Society.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[ ● ] has been extracted from [ ● ].] [The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ● ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London Stock Exchange plc's Regulated Market] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London Stock Exchange plc's Regulated Market] with effect from [ ].] [Not Applicable.]

*(Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading)*

- (ii) Estimate of total expenses related to admission to trading:

[ ]

### 2 RATINGS

Ratings:

The Notes to be issued have been rated:

[Name of rating agency(ies) [ ]]

*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

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

### 4 [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer

[ ]

*(See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risk will need to include those reasons here.)]*

- (ii) Estimated net proceeds:

[ ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*

- (iii) Estimated total expenses:

[ ]

[Include breakdown of expenses]

*[(If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is] only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*

### 5 [Fixed Rate Notes only – YIELD

Indication of yield:

[ ]

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

### 6 [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the*

information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

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

7 **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

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

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

8 **OPERATIONAL INFORMATION**

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No].

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected in which case the Notes must be issued in NGN form]

ISIN Code:

[ ]

Common Code:

[ ]

Any clearing system(s) other than Euroclear Bank S.A./ N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s), address(es) and number(s)]

Delivery:

Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s):

[ ]

Names and addresses of additional Paying Agent(s) (if any):

[ ]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][Include this text if “yes” selected in which case the Notes must be issued in NGN form]

## GENERAL INFORMATION

- (1) The admission of the Notes (other than Deposit Notes) to the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that admission of the Notes to the Official List and admission of the Notes to trading on the Market will be granted on or before 7 October 2009, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 5 August 2002 and a resolution of a duly constituted committee of such Board passed on 19 August 2002. The update of the Programme was authorised by resolutions of the Board passed on 28 September 2009. By further resolution also passed on 28 September 2009, the Board of Directors of the Issuer renewed its authority to the committee of the Board established in August 2006 to authorise each issue of Notes under the Programme.
- (3) There has been no significant change in the financial or trading position of the Group since 31 December 2008 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2008.
- (4) Neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus, which may have or has had in the recent past a significant effect on the financial position or profitability of the Issuer and/or the Group.
- (5) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "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".
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
- (7) The issue price and the amount of the relevant Notes will be determined at the time of the offering of each Tranche based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issue of Notes.
- (8) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:
  - (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
  - (ii) the Dealer Agreement;
  - (iii) the Agency Agreement;
  - (iv) the Rules and Memorandum of the Issuer;
  - (v) the published annual report and audited consolidated financial statements of the Issuer for the financial years ended 31 December 2007 and 31 December 2008, respectively;
  - (vi) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);
  - (vii) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and
  - (viii) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Official List and admitted to trading on the Market.

This Prospectus and any Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/en-gb/pricesnews/marketnews/](http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/).

- (9) Copies of the latest annual report and audited consolidated financial statements of the Issuer may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- (10) Deloitte LLP (Chartered Accountants and authorised and regulated by the Financial Services Authority for designated investment business and whose address is 1 City Square, Leeds LS1 2AL) have audited, and rendered unqualified audit reports on, the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2007 and 31 December 2008, respectively.

**ISSUER**

**Leeds Building Society**  
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Leeds LS1 5AS

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
Fifth Floor  
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London EC2V 7EX

**ISSUING AND PAYING AGENT, REGISTRAR, TRANSFER AGENT AND CALCULATION AGENT**

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8 Canada Square  
London E14 5HQ

**PAYING AGENT AND TRANSFER AGENT**

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L-2953 Luxembourg

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**HSBC Bank plc**  
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