



West Bromwich Building Society

(incorporated in England under the Building Societies Act 1986 with Registered Number 651B)

£3,000,000,000

(excluding Deposit Notes)

Euro Medium Term Note Programme

Under the Programme described in this Prospectus, West Bromwich Building Society (the “**Issuer**” or the “**Society**” which expressions shall include any successor or substitute (see Condition 12)), 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, Guaranteed Notes and Subordinated Notes (each as defined herein)). The aggregate nominal amount of Notes (other than Deposit Notes) outstanding will not at any time exceed £3,000,000,000 (or the equivalent in other currencies and subject to increase as provided herein).

Where the applicable Final Terms of an issue of Notes indicates that an Eligibility Certificate (as defined in the Guarantee (as defined below)) in respect of such Notes has been issued then, in respect of such Notes, The Commissioners of Her Majesty’s Treasury (“**H.M. Treasury**” or the “**Guarantor**”) will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under such Notes (the “**Guaranteed Notes**”), save that the due payment of fees and expenses payable by the Issuer to the Trustee and the Issuing and Paying Agent, the Registrar, the Paying Agents, the Transfer Agents and the Calculation Agents will not be guaranteed by the Guarantor.

All such Guaranteed Notes will be exempt from the Prospectus Directive in accordance with Article 1.2(d) thereof and no prospectus approved by the Financial Services Authority (the “**FSA**”) will be prepared in connection therewith. H.M. Treasury’s obligations in that respect are contained in a deed of guarantee dated 13 October 2008 (the “**Guarantee**”) (as amended by a supplemental deed dated 20 October 2008 and a second supplemental deed dated 6 February 2009 and as may be further amended and/or supplemented from time to time) (together, the “**Deed of Guarantee**”), a form of which is available at www.dmo.gov.uk. Any demand under the Guarantee must be made in writing and in the form attached to the rules of the 2008 Credit Guarantee Scheme entitled “The UK Commissioners of Her Majesty’s Treasury Rules of the 2008 Credit Guarantee Scheme” (the “**Rules**”) which are available at www.dmo.gov.uk. The purpose of this document in relation to Guaranteed Notes is to give information with respect to the issue of Guaranteed Notes.

H.M. Treasury has neither reviewed this Prospectus nor verified the information contained herein, and H.M. Treasury makes no representation with respect to, and does not accept any responsibility for, the contents of this Prospectus or any other statement made or purported to be made on its behalf in connection with the Issuer or the issue and offering of the Notes. H.M. Treasury accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Prospectus or any such statement.

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 (“**FSMA**”) for Senior Notes and Subordinated 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 the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). Application may be made to the UK Listing Authority for any Series of Guaranteed Notes issued within 12 months from the date of this Prospectus to be admitted to the Official List and to be admitted to trading on the Market. References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Market and 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. The relevant Final Terms (as defined in “Overview of the Programme”) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the London Stock Exchange’s market for listed securities (or any other stock exchange) or be unlisted.

Each Series (as defined in “Overview of the Programme”) 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 the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined in “Overview of the Programme”) 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 (“**CGNs**”) and Certificates may be deposited on or prior to the original issue date of the relevant Tranche 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”.

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

The Programme will be rated by Moody’s Investors Service Ltd. and Fitch Ratings Ltd. An application to rate Deposit Notes may be made upon their issue. Tranches of Notes issued under the Programme may be rated or unrated (in each case as specified in the applicable Final Terms). Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating 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.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus. This Prospectus does not describe all of the risks associated with an investment in the Notes.

Arranger

The Royal Bank of Scotland

Dealers

Barclays Capital

DZ BANK AG

The Royal Bank of Scotland

Danske Bank

HSBC

This Prospectus, other than in the case of Guaranteed Notes, comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Issuer and its subsidiaries (each a “Subsidiary” and together with the Issuer, the “Group”), 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 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 has 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.

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).

No person has been authorised to give any information or to make any representation other than as 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 (each 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 or the Group 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”). Notes in bearer form and Notes in registered form which are exchangeable for Notes in bearer form 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.

Neither the Arranger nor the Dealers have separately verified the information contained in this Prospectus. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. 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 of Notes (as defined in “Overview of the Programme”), one or more of the Dealers may act as stabilising manager (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 of Notes, 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 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 any person 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, to “euro” or “€” 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, to “U.S. dollars” are to the currency of the United States of America, to “yen” are to the currency of Japan, to “Australian dollars” are to the currency of Australia, to “Canadian dollars” are to the currency of Canada, to “Swiss francs” are to the currency of Switzerland, to “New Zealand dollars” are to the currency of New Zealand and 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 the audited consolidated financial statements of the Issuer for each of the financial years ended 31 March 2008 and 31 March 2009, 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); with the directors' remuneration report set out on pages 26 to 29 (inclusive) of the Issuer's annual report and accounts for the year ended 31 March 2009; and with the consolidated financial statements for the six months ended 30 September 2009, 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 documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained from the (i) registered office of the Issuer and (ii) website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.

SUPPLEMENTAL PROSPECTUS

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87G 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 Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87G of the FSMA. The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there arises or is noted a significant new factor, material mistake or 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 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 Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

TABLE OF CONTENTS

	Page
Documents Incorporated by Reference.....	4
Supplemental Prospectus	5
Overview of the Programme	7
Risk Factors	12
Terms and Conditions of the Notes	22
Summary of Provisions relating to the Notes while in Global Form	47
Use of Proceeds.....	52
Certain Provisions of the Building Societies Act 1986 and the Supervisory Authority	53
West Bromwich Building Society	55
Statement of Directors' Responsibilities	59
Annual Business Statement for the Year ended 31 March 2009	60
United Kingdom Taxation.....	63
Subscription and Sale	65
Form of Final Terms for Notes other than Guaranteed Notes	67
Form of Final Terms for Guaranteed Notes	76
General Information.....	82

OVERVIEW OF THE PROGRAMME

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

Issuer	West Bromwich Building Society
Guarantor	In the case of Guaranteed Notes, the Guarantor shall be H.M. Treasury.
Description	Euro Medium Term Note Programme
Size	Other than in respect of Deposit Notes, up to £3,000,000,000 (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 Amended and Restated Dealer Agreement.
Arranger	The Royal Bank of Scotland plc
Dealers	Barclays Bank PLC Danske Bank A/S DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main HSBC Bank plc 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 Programme. References in this Prospectus to “ Permanent Dealers ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the Programme (and whose appointment has not been terminated) and references to “ Dealers ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent	HSBC Bank plc
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ Series ”) 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 one or more tranches (each a “ Tranche ”) 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 (“ Final Terms ”).
Issue Price	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.
Form of Notes	Each Series of Notes may be issued: (i) in bearer form and in registered form (“ Exchangeable Series ”); (ii) in bearer form (“ Bearer Series ”); or (iii) in registered form (“ Registered Series ”).

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.

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 a Bearer Series and Bearer Notes comprised in a Tranche of an Exchangeable Series 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 each Tranche of a Bearer Series and Bearer Notes comprised in a Tranche of an Exchangeable Series will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing 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 a NGN the Global Note representing Bearer Notes or Exchangeable Bearer Notes 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 a CGN the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. 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 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) except for Guaranteed Notes which may only be denominated in euro, U.S. dollars, sterling, yen, Australian dollars, Canadian dollars or Swiss francs or such other currency or currencies (if any) as may be allowed under the Scheme (as defined below).

Maturities

Subject to compliance with all relevant laws, regulations and directives, (i) the Senior Notes may have any maturity between one month and 30 years, (ii) the Deposit Notes may have any maturity between one month and five years, (iii) the Guaranteed Notes must have a scheduled maturity of no more than three years falling, in any case, before 13 April 2012 (or such later date as H.M. Treasury may determine in its discretion) and (iv) the

Subordinated Notes may have any maturity between five years and one day 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 (i) 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 it is denominated at the time when the Deposit Note 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 published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of a Series; 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.

Zero Coupon Notes

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

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms. Payments of principal in the case of Deposit Notes must be expressed as a fixed sum.

Index Linked Notes

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.

In the case of Deposit Notes, payments of interest in respect of Index Linked Interest 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.

Interest Periods and Interest Rates

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.

Redemption

The relevant Final Terms will specify the basis for calculating the redemption amounts payable.

Redemption by Instalments	The Final Terms issued in respect of each issue of Notes that are by redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	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.
Optional Redemption	The Final Terms issued in respect of each issue of Notes (other than Guaranteed 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.
Status of Notes	The Guaranteed Notes, the Senior Notes and the Deposit Notes will constitute unsubordinated and unsecured obligations of the Issuer and Subordinated Notes will constitute subordinated, unsecured obligations of the Issuer, all as described in “Terms and Conditions of the Notes — Status”.
Guaranteed Notes	Where the applicable Final Terms of an issue of Notes indicates that an Eligibility Certificate (as defined in the Deed of Guarantee) in respect of such Notes has been issued then, in respect of such Notes, H.M. Treasury will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under such Notes, save that the due payment of fees and expenses payable by the Issuer to the Trustee and the Issuing and Paying Agent, the Registrar, the Paying Agents, the Transfer Agents and the Calculation Agents will not be guaranteed by the Guarantor.
Negative Pledge	Applicable to Senior Notes, Deposit Notes and Guaranteed Notes only. See “Terms and Conditions of the Notes — Negative Pledge”.
Cross Default	Applicable to Senior Notes and Deposit Notes only. See “Terms and Conditions of the Notes — Events of Default – Senior Notes, Deposit Notes and Guaranteed Notes and Enforcement”.
Rating	Senior Notes and Subordinated Notes to be issued under the Programme will be rated by Moody’s Investors Service Ltd. and Fitch Ratings Ltd. Application to rate Deposit Notes and Guaranteed Notes may be made upon their issue. Tranches of Notes issued under the Programme may be rated or unrated (in each case as specified in the applicable Final Terms). Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating 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.
Early Redemption	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”.
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for taxes imposed by the United Kingdom, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, the Issuer will, subject to customary exceptions (including the ICMA Standard EU Exceptions), be required to pay additional amounts to cover the amounts so withheld or deducted, all as described in “Terms and Conditions of the Notes — Taxation”. In respect of payments made by H.M. Treasury under the Deed of Guarantee, see “United Kingdom Taxation”.

Governing Law

English.

Listing

Application has been made to admit Notes (other than Deposit Notes and Guaranteed Notes) issued under the Programme to the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted. Application may be made for Guaranteed Notes to be listed on the Official List and admitted to trading on the Market.

Selling Restrictions

United States, Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified 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 Securities Act.

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, or in connection with, Notes issued under the Programme

United Kingdom Property Market

One of the Issuer's primary activities is mortgage lending in the United Kingdom with loans secured against residential and commercial property. A downturn in the United Kingdom economy has had a negative effect on the housing market which combined with an increased level of unemployment and arrears rates has given rise to higher provisions for credit losses which may be incurred by the Issuer. Property prices may continue to fall and could result in losses being incurred by lenders on loans that have defaulted. Any further significant fall in the UK residential property prices could have consequences for the Issuer's funding costs and credit ratings if there were deemed to be a material deterioration in the quality of the mortgage portfolio.

The Issuer, via a subsidiary business, invests in residential property creating a further exposure to the United Kingdom housing market.

The residential mortgage lending market in the UK is competitive, and developments in this market, and increased competition, could have an adverse effect on the Issuer's position in the market, and therefore on the Issuer's financial position.

UK Personal Financial Services Market

The United Kingdom financial services market for products such as savings and regulated investments are competitive. Further increased demand for funding from financial institutions and increased competition could have an adverse effect on the Issuer's financial position.

Regulation

The Issuer is regulated by the FSA. The FSA 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 and controls, 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 FSA, and other bodies such as the Financial 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 our 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 H.M. Treasury, the Bank of England and the UK Financial Services Authority (the "**FSA**") and, together with H.M. 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 Financial Services and Markets Act 2000 ("**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 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, H.M. 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.

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 (Special Provisions) Act 2008 for the purpose of modifying the application of the Banking 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. Because of the new power for a building society to create a floating charge over its assets, the Financial Assistance Order also allows for an administrative receiver to be appointed over the assets of the Society.

Although the general prohibition on appointing an administrative receiver in section 72A of the Insolvency Act 1986 has not been amended by the Financial Assistance Order to enable the Bank of England to appoint such an administrative receiver, the Secretary of State has the power, under section 72H(2) of the Insolvency Act 1986, to add a new exception to the general prohibition by way of a statutory instrument and so it seems likely that, if a building society were to create a floating charge over its assets in favour of the Bank of England, the Bank of England would be given the power to appoint an administrative receiver in respect of that floating charge.

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.

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 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. The Issuer has recognised, in this year’s results, a provision for FSCS management expenses and levies of £12.2 million, covering the scheme year 2008/09 and next three years. This amount has been calculated on the basis of the Issuer’s current share of protected deposits taking into account the FSA’s estimate of total management expense levies for the scheme years 2008/09 and 2009/10 and assuming that levies for subsequent years are at similar levels. 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 for the year ended 31 March 2009 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 April 2007, the Office of Fair Trading (the “OFT”) commenced an investigation into the fairness or otherwise of unarranged overdraft charges on personal current accounts. The outcome of the OFT’s investigation and the Court’s final assessment remain pending. As the Issuer does not offer personal current accounts, it is not currently subject to the investigation or litigation in relation to overdraft charges. However, while the Issuer is unaware of any such proposed investigation, there can be no assurance that the current OFT investigation will not be expanded in scope to include other forms of deposit-taking such as those offered by the Issuer and a number of other UK deposit takers. The likelihood, potential scope and the materiality of such an investigation and any subsequent litigation for the Issuer and the banking industry as a whole are not known to the Issuer at this time. 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, and when such information becomes available.

Credit Risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty including derivatives’ counterparties to settle their financial and contractual obligations as they fall due. The Issuer’s retail credit exposures are managed in accordance with the Board approved lending policy and through credit scoring systems. Wholesale counterparty exposures are managed through the setting of limits to individual counterparties, countries, terms of exposure and type of financial instrument.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Concerns about, or a default by, one institution could lead to liquidity problems and losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. The risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

Liquidity Risk

The Issuer’s liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Issuer and to be in a position to meet its financial obligations as they fall due. This is achieved through maintaining a prudent mix and maturity profile of liquid assets, and through management of the growth of the business.

Any decline in the Issuer’s credit rating may affect the accessibility of wholesale funding

If the Issuer’s credit ratings were to decline then this would potentially result in wholesale funding being more difficult to obtain and/or at a higher cost. As a result of this, in the short term the Issuer would have to increase its level of retail funding. Whilst the Issuer’s retail franchise would enable this, such funding would be expected to come at a higher cost to the Issuer.

Operational Risk

Operational risk is the potential risk of financial loss or impairment to reputation arising from failures in operational processes or the systems that support them. To minimise operational risk, the Issuer maintains a system of control based on best practice principles and regulatory considerations which are commensurate with the characteristics of the business and the markets in which it operates.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a building society with securities admitted to the Official List or as a supervised firm regulated by the Financial Services Authority.

Market Risk

Market risk is the risk to earnings from changes in interest rates, foreign exchange rates, equity indices and the prices of financial securities. The Issuer offers numerous mortgage and savings products with

varying interest rate features and maturities that create potential interest rate exposures. The Issuer manages this exposure on a continuous basis, within limits set by the Board of Directors, using a combination of on and off balance sheet instruments. In addition to raising funds through the sterling money markets, capital markets and retail savings market, the Issuer raises wholesale funds denominated in foreign currency. The Issuer's policy is to hedge exchange rate exposure to ensure there is no significant exposure to foreign exchange fluctuations or changes in foreign currency interest rates.

The Issuer's risk management structure is the overall responsibility of the Board of Directors. Assisting the Board, the audit and risk committee of non-executive directors considers all matters relating to regulatory, prudential and accounting requirements that may affect the Issuer and its subsidiaries.

The Issuer has a formal structure for managing financial risks, including established risk limits, reporting lines, governance committees, mandates and other control procedures.

Any decline in the Issuer's credit rating may affect the market value of the Issuer's securities

The Issuer's credit ratings are an assessment of its profitability, financial strength and its ability to pay obligations, including those on any securities issued. Consequently, actual or anticipated declines in the Issuer's credit ratings may affect the market value of the Issuer's securities.

The Issuer's hedging strategies may not prevent losses

The Issuer is continually managing its interest rate, currency and refinancing risks. If any of the variety of instruments and strategies used by the Issuer to hedge its exposure to these various types of risk is not effective, the Issuer may not be able to obtain economically efficient hedging opportunities that will enable it to carry on its present policies with respect to new assets and liabilities.

Basel Capital Requirements Directive

The proposals of the 1988 Basel Accord have now been implemented in Europe by Directives 2006/48/EC and 2006/49/EC (the Capital Requirements Directive, the "**new Directive**"), since January 2007. The Capital Requirements Directive as implemented in the UK by the FSA handbook aims to establish a framework for financial institutions that is more sensitive to their risk management practices. The Issuer cannot yet predict the precise effects of these changes either on its own financial performance or the impact on the pricing of its Notes issued under this Programme. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the application of the Capital Requirements Directive as implemented in the UK.

In line with other financial institutions, the new Directive requires that the Issuer holds a minimum amount of capital based upon its risk profile. The key impacts of the Directive on the Issuer are summarised below:

- (i) Under the previous Directive (Basel I) a 50% risk weighting was applied to all residential mortgage lending. Since the introduction of the new Directive in January 2008, the Issuer now calculates its retail lending risk weighting percentages under the standardised approach which defines the risk weightings by reference to the loan-to-value and arrears profile of the outstanding retail loans;
- (ii) the new Directive now requires the Issuer to specifically hold capital for operational risks; and
- (iii) the new Directive requires the Issuer to assess the level of capital required to cover all the risks faced by the Group through its Individual Capital Adequacy Assessment Process (ICAAP). The level of capital held by the Issuer is independently assessed by the FSA during its Supervisory Review and Evaluation Process (SREP).

Prospective investors in the Notes should consult their own advisers as to the on-going consequences for them of the application of the Capital Requirements Directive as implemented in the UK.

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;
- (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; and
- (vi) consider whether holding Notes which are guaranteed by the Guarantor is appropriate for its overall investment portfolio.

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:

Guaranteed Notes

Noteholders should note that the provisions relating to additional amounts referred to in "Terms and Conditions of the Notes — United Kingdom Taxation" apply only to payments of principal and interest by or on behalf of the Issuer. In the event that any payment by H.M. Treasury in respect of the Deed of Guarantee is made subject to deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by the Issuer, H.M. Treasury, any Paying Agent or any other person in respect of such deduction or withholding.

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.

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

Partly paid Notes

The 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.

Legal ranking of Notes

Senior 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 UK retail member depositors will rank *pari passu* with obligations to Senior and Deposit Noteholders.

In the event of insolvency or winding up, the Issuer will be required to pay the holders of Senior and Deposit Notes, meet the obligations of all other creditors (including unsecured creditors but excluding any obligations in respect of any subordinated debt and permanent interest bearing shares) and UK retail member depositors in full before making any payment in respect of Subordinated Notes.

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 the claims of Senior Creditors (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 its 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, waiver 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, but subject, in the case of Guaranteed Notes, to the written consent of H.M. Treasury having been obtained, agree 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.

European Monetary Union

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

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**Savings Directive**") on the taxation of savings income, each Member State, including Belgium from 1 January 2010, is required to provide to the tax authorities of another Member State details of payments of interest (and/or other similar income) made in its jurisdiction to an individual or to certain other persons resident 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 (and/or other similar income) may request that no tax be withheld. The ending of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. Belgium will change to the provision of information system (rather than a withholding system) from 1 January 2010). A number of non-EU countries (including Switzerland) and dependent or associated territories of EU countries, have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system under the Savings Directive 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. If a

withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent 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.

Integral multiples of less than €50,000

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €50,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). 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.

Risks related to the market generally

Set out below is a brief description of certain 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 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, subject to completion and amendment, save for the paragraph in italics 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 a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated 27 November 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 agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 27 November 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 agent 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 registered office of the Trustee (presently 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 in respect 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 and the relevant Final Terms.

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 will be issued in the Specified Denomination(s) shown hereon. Registered Notes 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 Deposit Note or a Guaranteed Note or a Senior Note or a Subordinated Note, in each case 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 AND 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 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 Conditions 2(g) and (h), 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.

(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)) or surrender of the Certificate for exchange.

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 2(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.

(h) Regulations

All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3 STATUS

(a) Status of the Guaranteed Notes

The Guaranteed Notes (being those Notes that specify their status as Guaranteed) and the Coupons relating to them are direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, equally with all other outstanding unsecured and unsubordinated deposits with and loans to the Issuer, present and future, other than such deposits or loans which are given priority pursuant to applicable statutory provisions.

Subject to the issuance of an Eligibility Certificate, as defined in a deed of guarantee dated 13 October 2008 (as amended by a supplemental deed dated 20 October 2008 and a second supplemental deed dated 6 February 2009, and as may be further amended and/or supplemented from time to time) executed by The Commissioners of Her Majesty's Treasury (the "Deed of Guarantee") in respect of the Guaranteed Notes, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under the Guaranteed Notes and the Coupons relating to them, save that the due payment of fees and expenses payable by the Issuer to the Trustee and the Issuing and Paying Agent, the Registrar, the Paying Agents, the Transfer Agents and the Calculation Agents will not be guaranteed by the Guarantor. Its obligations in respect of the Guarantee are contained in the Deed of Guarantee.

(b) Status of Senior Notes and Deposit Notes

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

(c) Status of Subordinated Notes

The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Receipts and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank and will rank 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 whose 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 on behalf of the Noteholders, 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 or the Coupons, as the case may be.

For the purpose of these Conditions:

“**Act**” means the Building Societies Act 1986 (as amended) (including, where applicable, any statutory modification thereof or re-enactment thereof or any statutory instrument, order or regulations made thereunder or under any such statutory modification or re-enactment);

“**Deferred Shares**” means deferred shares within the meaning of the Act;

“**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.

(d) 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.

N.B. Attention is drawn to “Certain Provisions of the Building Societies Act 1986 and the Supervisory Authority” elsewhere in this Prospectus.

4 NEGATIVE PLEDGE

(a) Restriction

So long as any of the Senior Notes or, as the case may be, Guaranteed Notes or, as the case may be, Deposit Notes, Receipts or Coupons remains outstanding (as defined in the Trust Deed) the Issuer shall not, and shall ensure that none of its Subsidiaries shall create, or have outstanding any mortgage, charge, pledge, lien (not being a lien arising by operation of law) or other form of security interest (other than any Permitted Security Interest) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt without at the same time or prior thereto securing the Senior Notes or, as the case may be, Guaranteed Notes or, as the case may be, Deposit Notes, Receipts and Coupons equally and rateably therewith to the satisfaction of the Trustee or providing such other security or other arrangements for the Senior Notes or, as the case may be, Guaranteed Notes or, as the case may be, Deposit Notes, Receipts and Coupons as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the holders of the Senior Notes or, as the case may be, the Guaranteed Notes or, as the case may be, the Deposit Notes or which shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Senior Notes, or, as the case may be, the Guaranteed Notes or, as the case may be, the Deposit Notes.

(b) Definitions

For the purposes of this Condition:

“**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);

“**Permitted Security Interest**” means any security interest 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 only of the following (or are otherwise qualifying collateral for issues of covered bonds (howsoever described) pursuant to any relevant contractual arrangements); (i) mortgage receivables; or (ii) receivables against Government Entities; or (iii) asset-backed securities backed by any of the assets under (i) or (ii); or (iv) any other assets permitted by English law (in force as at the date on which agreement is reached to issue the first Tranche of the relevant Series) 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 relating to covered bonds (howsoever described) applicable at the time of creation of such security interest; and

“**Relevant Debt**” means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other established securities market (whether or not initially distributed by way of private placement), but excluding any such indebtedness which has a stated maturity not exceeding one year.

For the purpose of these Conditions, “**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and “**Subsidiaries**” shall be construed accordingly.

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 plus or minus (as indicated hereon) the Margin (if any). 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 11.00a.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.

- (z) If paragraph (y) 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 the 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 defined 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 the 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 (if a negative number) the absolute value 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 country 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 for 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 after the relevant time 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, 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 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 and the rules of such exchange (or other relevant authority) so require, such exchange 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 prior written 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), in each case without liability to any person, 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, which in the case of Australian dollars will be Sydney, or, in the case of New Zealand dollars will be Auckland, 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 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” 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 **D₁** is greater than 29, in which case **D₂** 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” 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 **D₂** 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:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” 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 D₁ will be 30; and

“D₂” 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 D₂ will be 30; and

(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.

“**Effective Date**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

“**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 published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche (as defined in the Trust Deed) of the Series of those Notes, unless otherwise specified hereon.

“**Issue Date**” means the date of issue of the first Tranche of the Notes.

“**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 Financial Centre**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of euro shall be a financial centre in the Euro-zone) or, if none is so connected, London.

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

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**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. 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 written approval of the Trustee) appoint a leading bank or financial institution 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.

(m) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders, the Couponholders or any other person shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

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 (both before and after 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

All Notes (other than Notes in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 6(d) or in respect of which a Noteholder shall have exercised its option under Condition 6(e), in each case prior to any notice being given under this Condition 6(c)) may be redeemed at the option of the Issuer in whole, but not in part, (but subject to obtaining the Requisite Consent in the case of Subordinated Notes) on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, it has or will become obliged (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 any 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, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) 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 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 (other than in respect of Guaranteed Notes)

If Call Option is specified hereon, the Issuer may (unless the Note is a Guaranteed Note), 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 Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of the Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner in its sole

discretion as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements. Where the Notes are listed on a stock exchange and the rules of the relevant stock exchange (or other relevant authority) 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 (other than holders of Guaranteed Notes)

If Put Option is specified hereon, the Issuer shall (unless the Note is a Guaranteed Note or a Subordinated Note), at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' irrevocable 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.

All Guaranteed Notes so purchased by the Issuer or any of its Subsidiaries shall not be cancelled and shall be held until redemption.

(h) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries (except in the case of a purchase made in the ordinary course of business of a dealer in securities or in the case of a purchase of a Guaranteed Note) shall forthwith 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 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 drawn on a bank in the principal financial centre of the country of such currency, subject as provided in paragraph (a) above, 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 and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of such currency.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes or Exchangeable Registered 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 Conditions 8 and 10. 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 prior written 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) save to the extent satisfied by (v) 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 European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive and (vii) 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.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes or Exchangeable Registered 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 unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing 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).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note, unmaturing 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 unexchanged 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 unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing 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 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 (“**Taxes**”) imposed, levied, collected, withheld or assessed by or within the United Kingdom or any political sub-division thereof 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) to, or to a third party on behalf of, a holder who is liable to such Taxes 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) 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) 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 last day of such period of 30 days (assuming that day to have been a business day for the purpose of Condition 7(h)); or
- (d) 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 on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; or
- (e) presented (or in respect of which the Certificate representing it is presented) for payment by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used 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, if applicable, the relevant 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.

In the event that any payment made by H.M. Treasury in respect of the Deed of Guarantee is made subject to withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, no additional amounts shall be payable by H.M. Treasury, the Issuer, any Paying Agent, the Trustee or any other person in respect of such withholding or deduction.

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

Senior Notes, Deposit Notes and Guaranteed Notes and Enforcement

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their nominal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each an “**Event of Default**”) (save that Condition 10(c) shall not apply to Guaranteed Notes):

- (a) if default is made in the payment of any interest or principal due in respect of the Notes 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
- (b) if the Issuer fails to perform or observe any of its other obligations under the Notes 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
- (c) if any payment in respect of the principal of or any premium or interest on any indebtedness for moneys borrowed having an outstanding aggregate nominal 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 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
- (d) 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, in the opinion of the Trustee, of the assets of any of them or if an encumbrancer takes possession of the whole or a material part, in the opinion of the Trustee, 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 a material part, in the opinion of the Trustee, of the assets of the Issuer or any Material Subsidiary and, in any such case, is not discharged within 60 days; or
- (e) 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, in the opinion of the Trustee, of its engagements or its business to, another person; or
- (f) 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 (a) and (e)(2) above, the Trustee shall have certified that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

In the absence of manifest error, the Trustee shall be entitled to rely upon a report or certificate of two directors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary.

For the purposes of this Condition 10:

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 (attributable to the Issuer) of the Issuer and its Subsidiaries, all as more particularly defined in the Trust Deed;

a “**Permitted Transfer**” shall mean:

- (1) an amalgamation of the Issuer and one or more other building societies under Section 93 of the Act; or
- (2) 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
- (3) a transfer by the Issuer of its business to a company under Sections 97 to 102D of the Act; or
- (4) 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
- (5) any other reconstruction or amalgamation or transfer to a subsidiary of another mutual society pursuant to the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the “**2007 Act**”), in each case the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders and

“**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, Deposit Notes or Guaranteed 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, Deposit Notes or Guaranteed 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, Deposit Notes or Guaranteed Notes, as the case may be, outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded 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.

Subordinated Notes and Enforcement

- (a) In the event of default being made for a period of seven days or more in the payment of any principal in respect of the Subordinated Notes or any of them or for 14 days or more in payment of any 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, the relevant Receipts and the

relevant Coupons, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no further action in respect of such default.

- (b) 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 Notes (other than any obligation for the payment of any principal or interest in respect of the Subordinated Notes, relevant Receipts or relevant Coupons) provided that the Issuer shall not by virtue 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, relevant Receipts or relevant Coupons sooner than the same would otherwise have been payable by it.
- (c) In the event of 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 a reconstruction or amalgamation or the substitution in place of the Issuer of a Successor in Business (as defined in the Trust Deed) or the transfer of the Issuer's business to a subsidiary of another mutual society pursuant to the 2007 Act, in each case the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders 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, and if so requested in writing by the holders of a least 25 per cent. in nominal amount of the Subordinated Notes then outstanding or so directed by an Extraordinary Resolution of the relevant Noteholders shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Subordinated Notes are due and repayable immediately (and the Notes shall immediately thereby become so due and repayable) at their Early Redemption Amount (as described in Condition 6(b)) together with accrued interest (if any) as provided in the Trust Deed.
- (d) 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 25 per cent. 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 (as defined in the Trust Deed) 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 all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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, but, in relation to Guaranteed Notes, subject to the prior written consent of The Commissioners of Her Majesty's Treasury ("H.M. Treasury") having been obtained by the Issuer, to (i) any modification of any of the provisions of the Trust Deed that in the Trustee's opinion 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 except to the extent already provided for in Condition 8 or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

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 Guaranteed Notes) H.M. Treasury unconditionally and irrevocably guarantees all amounts payable by such successor under the Notes, the Receipts and the Coupons to the satisfaction of the Trustee and (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 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 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 interests of the Noteholders, to the transfer of the Issuer's business to a subsidiary of another mutual society pursuant to the 2007 Act or the substitution of either a Successor in Business or a Subsidiary of the Issuer or a subsidiary of a Successor in Business, 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 Section 97 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
 - (i) in the case of a substitution of a company which is a Subsidiary of the Issuer or a subsidiary of Successor in Business, 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, as the case may be, in such form as the Trustee may require, (ii) in the case of Guaranteed Notes, H.M. Treasury unconditionally and irrevocably guarantees all amounts payable by such Successor in Business or Subsidiary of the Issuer or the subsidiary of a Successor in Business, as the case may be, under the Notes, the Receipts and the Coupons to the satisfaction of the Trustee and (iii) (in the case of Subordinated Notes) the obligations of such Successor in Business or Subsidiary of the Issuer or subsidiary of a Successor in Business, 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 these Conditions.

13 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 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 expenses incurred in connection therewith and on such terms as to evidence 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 reasonably require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14 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 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.

15 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 London (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 Europe. 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.

16 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking actions, steps or proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee may rely without liability to the Noteholders or the Couponholders on any certificate or report prepared by the Auditors (as defined in the Trust Deed) whether or not addressed to the Trustee pursuant to these Conditions and/or the Trust Deed whether or not the Auditors' 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.

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 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

Initial Issue of Notes

If the Global Note is stated in the applicable Final Terms to be issued in NGN form, it will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Note 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 Depositary.

If the Global Note is a CGN, upon the initial deposit of such Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) 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 Depositary, 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 Depositary may also (if indicated in the relevant Final Terms) be credited to the accounts of subscribers with 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.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted 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.

1 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 below under “— Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of paragraph 1(b)(i) below, Registered Notes if:

- (i) 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
- (ii) otherwise the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other permitted clearing system (an “**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.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. 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) Permanent Global Certificates

If the relevant Final Terms states that the Notes are to be represented by a permanent Global Certificate on issue, 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 Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an 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 does in fact do so; or
- (ii) with the consent of the Issuer;

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 1(c)(i) 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 in the city in which the relevant clearing system is located.

2 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 Global Note in CGN form 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)(vi) and Condition 8(e) will apply to 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. Payments under the NGN will be made to its holder. 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

For the purposes of any meeting of Noteholders, 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 and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

(g) Noteholders' Option

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 Global Certificate 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.

3 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 (other than Guaranteed Notes) will be used by the Society for the general purposes of its business. The net proceeds of the issue of Guaranteed Notes will be used by the Society solely to refinance liabilities of the Society (or of a directly or indirectly wholly owned subsidiary of the Society incorporated in the United Kingdom). If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

CERTAIN PROVISIONS OF THE BUILDING SOCIETIES ACT 1986 AND THE SUPERVISORY AUTHORITY

In this section, “**Supervisory Authority**” means the Financial Services Authority and any successor organisation responsible for the supervision of building societies or authorised persons under the FSMA thereunder shall in the United Kingdom.

Amalgamation

Section 93 of the Act permits a building society to amalgamate with one or more building societies by establishing a building society as their successor. Amalgamation requires a shareholding resolution passed by the shareholding members of each amalgamating society and by borrowing members’ resolutions (as defined in Schedule 2 of the Act) of the borrowing members of each amalgamating society and confirmation by the Supervisory Authority. The Act provides that on the date specified by the Supervisory Authority all of the property, rights and liabilities (which would include the Notes) of each of the societies shall by virtue of the Act be transferred to and vested in the successor, whether or not otherwise capable of being transferred or assigned.

Transfer of Engagements

Section 94 of the Act permits a building society to “transfer its engagements to any extent” another building society which undertakes to fulfil such engagements. A transfer requires approval by a shareholding resolution passed by the shareholding members of the transferor society and the transferee society, and by borrowing members’ resolutions of the borrowing members of the transferor society and the transferee society. However, the resolutions of the transferee society are not required if the Supervisory Authority consents to the transfer proceedings by a resolution of its board of directors only. The transfer must be confirmed by the Supervisory Authority. The Act provides that on the date specified by the Supervisory Authority and to the extent provided in the instrument of transfer, the property, rights and liabilities of the transferor society shall by virtue of the Act be transferred to and vested in the transferee society, whether or not otherwise capable of being transferred or assigned.

Conversion

Sections 97 to 102D of the Act permit a building society to transfer the whole of its business to a company which has been specially formed by the society wholly or partly for the purpose of assuming and conducting the society’s business in its place or is an existing company which is to assume and conduct the society’s business in its place. The transfer must be approved by a requisite shareholding members’ resolution, in accordance with Schedule 2, paragraph 30(2)-(5) of the Act, passed by shareholding members and by a borrowing members’ resolution and the society must obtain the confirmation of the Supervisory Authority to the transfer and its terms. If the Supervisory Authority confirms the transfer then the Act provides that on the vesting date (as defined in the Act) all of the property, rights and liabilities (which would include the Notes) of the society making the transfer, whether or not capable of being transferred or assigned, shall by virtue of the Act and in accordance with transfer regulations (then in force) be transferred to and vested in the successor.

Where, in connection with any transfer, rights are to be conferred on members of the society to acquire shares in priority to other subscribers, the right is restricted to investing members of the society who have held their shares throughout the period of two years expiring on a qualifying day specified by the society in the transfer agreement. Also, all investing members’ shares are converted into deposits with the successor. If the transfer is to a company specially formed by the society, shareholders of the society who were eligible to vote on the transfer, are members on the qualifying day specified in the transfer agreement and who retain a deposit with the successor, must be given rights to a priority liquidation distribution (as defined by the Act) should the successor be wound up. These rights are protected by the successor granting a charge over its property or undertaking. On any such transfer, investing members of the society who were members on the qualifying date but not entitled to vote on the transfer resolution will receive a cash bonus equal to their notional share of the reserves of the society. If the transfer is to an existing company, any distribution of funds (apart from the statutory cash bonus referred to above) may only be made to certain investing members of the society who have held their shares for at least two years expiring on a qualifying day specified by the society in the transfer agreement.

The society may, as a result of an amalgamation, transfer of engagements or transfer of business as described above, be replaced, as the principal debtor under all or some of the Notes, by an entity substantially different in nature from the society at present or with a substantially different capital position. In all cases the confirmation of the Supervisory Authority is required before any such change can take place.

The Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the “2007 Act”)

The 2007 Act received Royal Assent on 23 October 2007 and amongst other things, contains enabling provisions which give wide powers to the Treasury to make secondary legislation in relation to the transfer of the whole of the business of a building society, friendly society, industrial and provident society, mutual insurance company or an equivalent European mutual to a subsidiary of another such society (whether or not the same type).

WEST BROMWICH BUILDING SOCIETY

Form, Status and Ownership

West Bromwich Building Society (the “**Society**”) was formed on 23 April 1849. The Society (with registered number 651B) is incorporated in England under the Act for an unlimited duration and is treated as having permission under Part IV of the FSMA to carry on all of the regulated activities which it was authorised to carry on under the Act prior to 1 December 2001.

The principal office of the Society is 374 High Street, West Bromwich, West Midlands B70 8LR. Its telephone number is 0121 525 7070.

As at 30 September 2009, based on its asset value the Society was the eighth largest building society in the United Kingdom with assets of £8.5 billion. The Society currently operates 46 branches. The Society is committed to being run for the benefit of the members, both present and future. It strongly supports the concept of mutuality by seeking to give additional value to borrowers and investors and the communities it serves.

The Society has approximately 600,000 members. So far as is known to the Society, no persons, directly or indirectly, jointly or severally, exercise control over the Society.

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Act 2006, does not have equity shareholders in the usual sense. A share in the Society is not the same as a share in a company and voting power is not weighted according to the number or value of shares held. No individual member is entitled to more than one vote on any resolution proposed at a general meeting. A shareholding member may withdraw funds from their share accounts subject to the Rules of the Society and the terms upon which their shares are issued.

Business

The figures stated in this section relating to the business of the Society relate to the Group except where otherwise stated.

General

The Society operates in accordance with the Act, regulations made thereunder and the Rules and the Memorandum. The principal purpose of the Society as set out in clause 3 of its Memorandum is to make loans that are secured on residential property and are funded substantially by its members. The Group’s principal operating objective is to be a high-quality provider of building society services of retail savings and mortgages.

The Group obtains funds from the retail market through a range of variable rate and fixed rate/fixed term accounts. The Group also raises funds in the wholesale money markets and has previously arranged both medium-term funding and bilateral and syndicated bank facilities.

Funds are advanced primarily to borrowers on the security of first mortgages on freehold and leasehold residential property. The Society also lends to borrowers on the security of commercial property and typically holds around 20 per cent. of its assets in money market instruments to provide operating liquidity.

The Society interacts with its customers through a range of sales channels including branch, telephone, post, internet and broker introductions.

Subsidiaries

The Society has three main subsidiaries: West Bromwich Mortgage Company Limited, West Bromwich Homes Limited and West Bromwich Commercial Limited.

West Bromwich Mortgage Company Limited provides a vehicle for non-member residential lending. The assets within the Mortgage Company were obtained through a variety of mortgage book acquisitions and intermediary lending.

West Bromwich Homes Limited owns residential properties that are made available for rent to provide income for the Group.

West Bromwich Commercial Limited provides mortgages to fund the purchase of commercial investment properties.

In material terms, the Group has ceased lending through West Bromwich Mortgage Company Limited and West Bromwich Commercial Limited.

Mortgage Lending Activities

The Society competes in the mortgage market by providing a range of innovative and competitive fixed and variable rate products. The Society has both very strong underwriting skills and good monitoring systems in place in accordance with the Society's prudential obligations to ensure underwriting is carried out in accordance with the Society's policy.

Arrears and Loan Loss Provision

At 30 September 2009, there were 42 residential and commercial accounts that were 10 per cent. or more in arrears. The total amount outstanding on these accounts was £2.7 million which represented 0.04 per cent. of the total book.

Retail Funding

During the six months to 30 September 2009, the Society had a net increase in retail investor balances of £459.1 million.

Wholesale Funding

At 30 September 2009, the following was the analysis of wholesale funds:

	<i>£m</i>
Amounts owed to credit institutions.....	81.8
Amounts owed to other wholesale customers.....	172.8
Debt securities.....	614.1
Total Wholesale Funding.....	868.7

At 30 September 2009, the Group's wholesale deposit funding was approximately 6.5 per cent. of shares, deposits and loans.

Liquidity

From 1 April 2009 to 30 September 2009, the Group decreased total liquid funds by £438.5 million to £1.584 billion, representing 21.2 per cent. of total 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

The Society has a capital base comprising general reserves, subscribed capital, subordinated debt and revaluation reserve.

Operational Efficiency

The more cost-efficient the Society is, the more benefits it can give to its members. Increasing efficiency is therefore the Society's aim and this is at the heart of its plans going forward. The Society, as at 30 September 2009, had an annualised administrative expense ratio of 0.49 per cent.

Non-Interest Income

The Society has access to non-interest income through a diverse range of Group businesses. Non-interest income is predominantly earned from rental income, via West Bromwich Homes Limited and fees and commissions received, via sales of third party retail products. Net total income for the six months to 30 September 2009 was £24.3 million. Of this, £7.5 million was net non-interest income.

Current Prospects

A new management team is in place and we have taken clear and focused actions to strengthen and reinvigorate the Society going forward. We have refocused our strategy, cut costs, withdrawn from higher risk segments of the market and strengthened our capital position.

We are confident that our core principle of putting the safety of members first is right, and will see a stronger society emerge from these difficult times. We have the right strategy and strength of capital position to enable us to look to the future, as an independent mutual society.

Further Developments

In consultation with the FSA, the Society has reached agreement with holders of its subordinated debt to exchange all the £182.5 million of the Society's tier 2 subordinated debt for an equal amount of Profit Participating Deferred Shares ("PPDS"), a new form of capital for building societies, which will count as core tier 1 capital (the "Capital Exchange").

Board of Directors

As at the date of this Prospectus, the Society has 10 directors, comprising eight non-executive (part-time) directors and two executive (full-time) directors who are the Society's most senior executives. As recommended by the Financial Services Authority, the Society's directors are fit and proper persons and bring a wide range of experience, business skills, professional expertise and community involvement to the policy making of the Society.

A brief profile of the executive directors:

Name	Responsibilities within the Society	Business Occupation
Robert Sharpe	Robert joined the Society in October 2008. Robert, aged 60, has more than 23 years' senior executive and board experience in the financial services arena. He was Operations Director of the Portman Building Society from 1994 to 1999 and Chief Executive from 1999 until 2007, when it merged with the Nationwide. During that time, he oversaw the successful growth of Portman from the UK's 13th largest society in 1994 to become the 3rd largest. Since leaving the Portman he has held a variety of non-executive directorships.	
Jonathan Westhoff	Jonathan joined the Society in May 2009, having been Finance Director of Newcastle Building Society since 2007, where his knowledge and expertise confirmed his reputation as a highly-respected figure within the sector.	

Details of non-executive directors:

Name

Brian Woods-Scawen BA (Econ), MA, LLD, FCA, FRSA, DL
Chairman

Appointed: 2004

Bharat Shah FCCA

Appointed: 2004

Lesley James CBE, BA (Hons), MA, CCIPD, FRSA

Appointed: 2001

Edwin Hucks, BSc, MSc

Senior Independent Director

Appointed: 2000

John Bywater FRICS

Appointed: 2006

Huw Davies BA MBA FCA

Appointed: 2006

Martin Ritchley, FCA, FCIB Hon. DBA (Coventry)
Appointed: 2009

Richard Sommers, BA Mathematics First Class, ACIB
Appointed: 2009

Officers

Details of Divisional Directors

Paul D Field, CMS
Divisional Director, Operations

Stuart J Hislop
Treasurer

David T Johnston, MCIM
Divisional Director, Retail

Andrew R Jones, BSc (Hons), FCIB, FCIS
Group Secretary and Divisional Director, Risk

Thomas M Lynch, MA, ACA
Divisional Director, Finance

Peter Southcott, TD, BSc, MRICS
Divisional Director, Credit Management

Details of Other Executives

David Barton, BSc (Hons), ACIB
Head of Structured Finance

Peter Collingridge, BSc (Hons), MEng
Head of IT

Kevin Duffy
Mortgage Force

Manjit Hayre, Grad. Dip.
Head of Credit Risk

John McErLean, MIIA, FIIA
Head of Internal Audit

Christopher J Miller, AIS & MM
Head of Commercial Lending

Jacqui Randle, BSc, FCIPD
Head of Human Resources

There are no potential conflicts of interest between any duties to the Society of the persons named above and the other duties or private interest of such persons.

The business address of each of the directors and officers is c/o West Bromwich Building Society, 374 High Street, West Bromwich, West Midlands B70 8LR.

The United Kingdom Government's 2008 Credit Guarantee Scheme

On 13 October 2008 The Commissioners of Her Majesty's Treasury announced the details of the United Kingdom Government's 2008 Credit Guarantee Scheme for UK incorporated banks' and building societies' debt issuance (the "**Scheme**") which forms part of the United Kingdom Government's measures to ensure the stability of the financial system and to protect ordinary savers, depositors, businesses and borrowers, announced on 8 October 2008. Eligible institutions seeking to utilise the Scheme must submit applications to H.M. Treasury and a fee will be payable by the relevant issuer for each guarantee granted. The Society is an eligible institution. It may or may not seek to utilise the Scheme.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' Responsibilities for Preparing the Annual Accounts

The following statement, which should be read in conjunction with the Independent Auditors' Report to the audited consolidated financial statements of the Society for the financial year ended 31 March 2009, is made by the directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report.

The directors are required by the Act to prepare, for each financial year, Annual Accounts which give a true and fair view:

- of the state of the affairs of the Society and the Group as at the end of the financial year; and
- of the income and expenditure of the Society and the Group for the financial year.

The Act states that 'references to IAS accounts giving a true and fair view are references to their achieving a fair presentation'.

In preparing those accounts, the directors are required to:

- select the most appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the accounts have been prepared in accordance with International Accounting Standards; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

In addition to the Accounts, the Act requires the directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society and the Group.

Directors' Responsibilities for Accounting Records and Internal Control

The directors are responsible for ensuring that the Group:

- keeps accounting records in accordance with the Act; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Services Authority under the Financial Services and Markets Act 2000.

The directors also have general responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

On behalf of the Board

Dr. Brian Woods-Scawen

Chairman

12 June 2009

ANNUAL BUSINESS STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

1 Statutory Percentages

	2009	<i>Statutory Limit</i>
	%	
Lending limit.....	18.7	25.0
Funding limit.....	19.3	50.0

The above percentages have been calculated in accordance with the provisions of the Act.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property. Business assets are the total assets of the Group plus provisions for bad and doubtful debts less liquid assets, non-recourse finance, investment properties, intangible assets and property, plant and equipment as shown in the Group accounts.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals excluding non-recourse finance.

The statutory limits are as laid down under the Act as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

2 Other Percentages

	2009	2008
	<i>As a percentage of shares and borrowings:</i>	
Gross Capital	6.54	7.32
Free Capital.....	5.05	5.41
Liquid Assets	24.95	26.17
(Loss)/Profit for the financial year as a percentage of mean total assets	0.42	0.37
Management Expenses as a percentage of mean total assets.....	0.59	0.64

The above percentages have been prepared from the Group's accounts and in particular:

- “**Shares and borrowings**” represent the total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue excluding non-recourse finance, in each case including accrued interest.
- “**Gross Capital**” represents the aggregate of general reserves, available for sale reserve, revaluation reserve, cashflow reserve, subscribed capital and subordinated liabilities.
- “**Free Capital**” represents the aggregate of gross capital and collective impairment provisions for bad and doubtful debts less intangible assets, investment properties and property, plant and equipment.
- “**Mean total assets**” represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- “**Liquid Assets**” represent the total of cash and balances with the Bank of England, loans and advances to credit institutions and investment securities.
- “**Management Expenses**” represent the aggregate of administrative expenses, depreciation and amortisation.

3 Directors' details as at 31 March 2009

Non-executive Directors

<i>Name</i>	<i>Date of birth</i>	<i>Appointed</i>	<i>Position</i>	<i>Directorships</i>
Brian Woods-Scawen, BA (Econ), MA, D. Univ, LL.D, FCA, FRSA, DL	2.11.46	28.1.04	Chairman	Coventry Solihull and Warwickshire Partnership. Culture of West Midlands. Committee on Standards in Public Life. Department of Trade and Industry. Government Office of West Midlands. Martineau Johnson. Warwick University (Treasurer).
Edwin Hucks, BSc, MSc	7.6.44	26.9.00	Senior independent director	
Lesley James CBE, BA (Hons), MA, CCIPD, FRSA	7.4.49	1.1.01	Non-executive director	WBBS (SRS) Limited.
Bharat C Shah, FCCA	8.12.53	22.7.04	Non-executive director	BCS Business Consultants Limited. Mileorder Limited. Fusiontint Limited. Stockloom Limited. Questoak Limited. Glenloom Limited. WBBS (SRS) Limited. Audit Commission (Commissioner) Firstglaze Limited 21st Century Legacy (Treasurer)
Gary T Cowdrill, FCA	6.12.55	10.9.02	Group Finance Director	WBBS Computer Finance Limited. WBBS Computer Services Limited. West Bromwich Estate Agency Services Limited. West Bromwich Homes Limited. West Bromwich Commercial Limited.
Roger D Smith, BSc, MBA	28.2.60	5.3.01	Group Commercial Director	West Bromwich Mortgage Company Limited. CL Mortgages Limited. West Bromwich Homes Limited. West Bromwich Commercial Limited. Mortgage Force Limited. Autumn Mortgages Limited (Dormant). Central Processing Limited (Dormant). WOW! Mortgages & Loans Limited. West Bromwich Financial Services Ltd.
John Bywater, FRICS	18.4.47	27.9.06	Non-executive director	British Waterways Board Caddick Developments Limited Workspace Group plc
David Huw Davies, BA, MBA & FCA	27.2.56	27.9.06	Non-executive director	10 St Bride Street Limited Brooks and Rivers Limited Liberty Park Management Limited Needspace? Limited Ormonde Place Management Company Limited QED Education Environments Limited QED (Slough) Holdings Limited QED (Slough) Limited Relocation and Inventory Services Limited Sandwhite Limited Stageselect Limited Steadfast Management Limited Third Wates Investment Limited UPlug Limited Wates Lancewood Estates Limited Wates Limited Annington Wates (Cove) Limited Barratt Wates (Horley) Limited

Non-executive Directors

<i>Name</i>	<i>Date of birth</i>	<i>Appointed</i>	<i>Position</i>	<i>Directorships</i>
David Huw Davies, BA, MBA & FCA	27.2.56	27.9.06	Non-executive director	The Burgess Hill Land Company Limited Linden Wates (Ridgewood) Limited QED (KMC) Limited QED (KMC) Holdings Limited Wates Linden (Cuckfield) Limited Wates Linden BR1 Limited Wates Developments Limited Wates Amenity Lands Limited Wates Second Land Limited Wates Financial Services Limited Wates Interiors Limited Wates Letting and Management Services Limited Wates Maintenance Services Limited Wates PFI Investments Limited Wates Staff Trustees Limited Wates Group Limited Wates Group Properties Limited Wates Group Services Limited Wates Built Homes Limited Wates Built Homes (Blakes) Limited WBH (Financial Services) Limited Wates Built Homes (London) Limited Wates Built Homes (Retirement) Limited Wates Built Homes (Southern) Limited Wates Construction Limited Wates Estate Agency Services Limited Wates Homes (Bracknell) Limited Wates Homes (Cambridge) Limited Wates Homes (Chichester) Limited Wates Homes (Oakley) Limited Wates Homes (Odiham) Limited Wates Homes (Wallingford) Limited Wates Homes (Warsash) Limited WBBS (SRS) Limited Woodside Lands Limited Woodside Lands Management Limited Woodside Lands Estates Limited Wates PFI Investments (QED) Limited Wates PFI Investments (Projects) Limited Wates Regeneration (South Acton) Limited Wates Regeneration (Coventry) Limited Wates Regeneration (Tavy Bridge) Limited Westcity (QEC) Limited Westcity Wates Property Development Limited Westend Quay Limited WW (Kensington) Limited WW (Paddington) Limited West Bromwich Building Society
Robert Sharpe	14.2.49	14.10.08	Chief Executive	Barclays Pension Fund Trustees Limited Marketing Matters Limited Marketing Matters Holdings Limited Robert Sharpe Consultancy Limited Vaultex (UK) Limited West Bromwich Building Society
Mark Stansfeld	23.3.60	25.04.07	Non-executive director	O ₂ (UK) Limited Mark Stansfeld Consultancy West Bromwich Building Society

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 Series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other 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 who are in doubt as to their own tax position or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest

Notes that are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007 (the “**ITA**”) and which carry a right to interest will constitute “quoted Eurobonds”. Accordingly, payments of interest (or, if relevant, dividends) by the Issuer on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. In the case of securities to be traded on the London Stock Exchange, which is a recognised stock exchange for these purposes, this condition will be satisfied if the securities are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. It is currently expected that Senior Notes and Subordinated Notes will be listed. Deposit Notes will not be listed. Guaranteed Notes may be listed or unlisted.

In the case of Notes (including, for the avoidance of doubt, Deposit Notes) that are “qualifying certificates of deposit” within the meaning of Section 985 of the ITA or “qualifying uncertificated eligible debt security units” within the meaning of Section 986 of the ITA, interest (or, if relevant, dividends) will be paid without withholding or deduction on account of United Kingdom income tax.

In all other cases, interest (or, if relevant, dividends) will generally be paid under deduction of income tax at the basic rate (currently at the rate of 20 per cent.) subject to the availability of other reliefs or 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.

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Based on current HMRC practice, any discount element on any such Notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined below.

When Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such elements of premium, when redeemed, may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

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 which 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 the redemption of deeply discounted securities as described above, 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.

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 tax by direct assessment. Where payments are made by the Issuer in respect of the Notes without withholding or deduction for or on account of United Kingdom income tax, income derived from the Notes is not 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, a permanent establishment in the United Kingdom, in connection with which the income derived from the Notes is received or to which those Notes are attributable, in which case (subject to certain exemptions for income received by certain specified categories of agent, such as some brokers and investment 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 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.

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

Noteholders should note that the provisions relating to additional amounts referred to in “Terms and Conditions of the Notes – Taxation”, above, would not apply if HMRC sought to assess directly the person entitled to the relevant interest or (where applicable) profit on any discounted Note or Note redeemed at a premium, to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

Noteholders should be aware that the withholding tax treatment of payments by H.M. Treasury under the Deed of Guarantee is not free from uncertainty and any Noteholder who is in any doubt as to the tax treatment of payments under the Deed of Guarantee is advised to obtain professional advice.

Subject to the availability of any relief, payments under the Deed of Guarantee may be subject to United Kingdom withholding tax, currently at a maximum rate of 20 per cent. Noteholders should note that in the event that any payment made by H.M. Treasury in respect of the Deed of Guarantee is made subject to deduction or withholding for, or on account of, any taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by the Issuer, H.M. Treasury, any Paying Agent, the Trustee or any other person in respect of such deduction or withholding.

EU Directive on the Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income. The 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 Belgium, Luxembourg and Austria 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 similar income may request that no tax be withheld) unless during such period they elect otherwise. Belgium will change to the provision of information system (rather than a withholding system) from 1 January 2010. A number of third countries and associated or dependent territories of EU countries, including Switzerland, have adopted similar measures to the EU Directive.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated Dealer Agreement dated 27 November 2009 (as amended 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 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 and Notes in registered form which are exchangeable for 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 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 and each relevant Dealer, 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of an identifiable Tranche, 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 Restrictions Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each 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; or
- (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:

- (a) it has complied with 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; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of such Notes in circumstances in which Section 21(1) of the FSMA would not apply, if it was not an authorised person, to the Issuer.

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.

No 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, 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 or any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have any responsibility therefor.

FORM OF FINAL TERMS FOR NOTES OTHER THAN GUARANTEED NOTES

Final Terms dated ●

WEST BROMWICH BUILDING SOCIETY

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £3,000,000,000 (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 27 November 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 [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing, during normal business hours, at [address] [and] www.londonstockexchange.com/en-gb/pricesnews/marketnews/ [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. 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 dated [original date] and [●] [and the supplemental Prospectuses dated [●] and [●]]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address], during normal business hours, [and] www.londonstockexchange.com/en-gb/pricenews/marketnews/ 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: West Bromwich Building Society
2. [(i)] Series Number: [●]
[(ii)] Tranche Number: [●]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
3. Specified Currency or Currencies: [●]

4. Aggregate Nominal Amount 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: *[Note – where multiple denominations above €50,000 (or equivalent) are being used the following sample wording should be followed:*

€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 only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor] [Note: There must be a common factor in the case of two or more Specified Denominations]*
7. (i) Issue Date: [●]
 (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 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 which shall constitute a supplementary prospectus pursuant to Prospectus Rule 3.4 and Section 87G of the FSMA.)
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 for issuance of Notes obtained from either of the Assets and Liabilities Committees of the Issuer or Board of Directors:¹] *(NB: Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
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/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (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 (*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)*)]
- (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]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s) [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Interest Period Date [●]
(Not applicable unless different from Interest Payment Date)
- (v) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (vi) Business Centre(s): [●]

¹ Any issue of Notes where the aggregate nominal amount is equal to or in excess of £100,000,000 requires approval by either of the Assets and Liabilities Committees of the Issuer or the Board of Directors. Any issue of Notes where the aggregate nominal amount is greater than £20,000,000 but less than £100,000,000 requires approval by either the Finance Director or the Chief Executive. Any issue of Notes where the aggregate nominal amount is less than or equal to £20,000,000 requires approval by one of the Treasurer, Finance Director or Chief Executive.

- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
- (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 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 which shall constitute a supplementary prospectus pursuant to Prospectus Rule 3.4 and Section 87G of the FSMA.)

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): [●] per Calculation Amount

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 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 in the limited circumstances specified in the Permanent Global Note]
[Registered Notes]
[Yes] [No]
25. New Global Note:
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 16(vi) 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]

** If this option is chosen, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

28. Details relating to Partly Paid Notes: amount [Not Applicable/give details] 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:
29. Details relating to Instalment Notes: amount [Not Applicable/give details] of each instalment, date on which each payment is to be made:
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable]
31. Consolidation provisions: [Not Applicable]
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(s)]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]
35. US Selling Restrictions: [Reg. S Compliance Category 2; 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 the Notes described herein pursuant to the £3,000,000,000 (excluding Deposit Notes) Euro Medium Term Note Programme of West Bromwich 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 [specify source], 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 [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:
Moody's Investors Service Ltd.: [●]
Fitch Ratings Ltd.: [●]
[Other: [●]]
- (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.]*
*(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]**

*Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

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

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

8. **OPERATIONAL INFORMATION**

ISIN Code:

Common Code:

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant address(es) and 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 Eurostem 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]

*Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

FORM OF FINAL TERMS FOR GUARANTEED NOTES

Final Terms dated [●]

WEST BROMWICH BUILDING SOCIETY

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by The Commissioners of Her Majesty's Treasury
under the £3,000,000,000 (excluding Deposit Notes)
Euro Medium Term Note Programme**

Provided an Eligibility Certificate (as defined in the Guarantee (as defined below)) has been issued in respect of the Notes, The Commissioners of Her Majesty's Treasury ("**H.M. Treasury**") has unconditionally and irrevocably guaranteed the due payment of all sums due and payable by the Issuer under the Notes, save that the due payment of fees and expenses payable by the Issuer to the Trustee and the Issuing and Paying Agent, the Registrar, the Paying Agents, the Transfer Agents and the Calculation Agents will not be guaranteed by the Guarantor.

H.M. Treasury's obligations in that respect are contained in a deed of guarantee dated 13 October 2008 (the "**Guarantee**") (as amended by a supplemental deed dated 20 October 2008 and a second supplemental deed dated 6 February 2009 and as may be further amended and/or supplemented from time to time) (together, the "**Deed of Guarantee**"), a form of which is available at www.dmo.gov.uk.

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 27 November 2009 (the "**Exempt Prospectus**") [and the supplemental Exempt Prospectus dated [●]] which, for the purposes of this issue of Notes [together] [does] [do] not constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Exempt 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 Exempt Prospectus [as so supplemented]. The Exempt Prospectus [and the supplemental Exempt Prospectus] [is] [are] available for viewing at [address], during normal business hours, [and] www.londonstockexchange.com/en-gb/pricesnews/marketnews/ [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 subparagraphs. Italics denote directions for completing the Final Terms.]

1. (i) Issuer: West Bromwich Building Society
(ii) Guarantor: This Issuer has received an Eligibility Certificate (as defined in the Guarantee) in relation to the Notes. Accordingly, The Commissioners of Her Majesty's Treasury have unconditionally and irrevocably guaranteed the due payment of all sums, save as provided above, due and payable under the Notes. Its obligations in that respect are contained in the Deed of Guarantee
2. (i) Series Number: [●]
(ii) Tranche Number: [●]
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount 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: [●]
(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed: “[€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 only one Specified Denomination, insert the Specified Denomination.*
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (i) Issue Date: [●]
(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]
[Other (specify)]
(further particulars specified below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis]
12. Status of the Notes: Guaranteed
(i) [Date [Board] approval for issuance of [●] [and [●], respectively]]
Notes obtained*:
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or Guarantee)]
13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/ semi-annually/quarterly/other specify] in arrear]

* Any issue of Notes where the aggregate nominal amount is equal to or in excess of €100,000,000 requires approval by either of the Assets and Liabilities Committees of the Issuer or the Board of Directors. Any issue of Notes where the aggregate nominal amount is greater than €20,000,000 but less than €100,000,000 requires approval by either the Finance Director or the Chief Executive. Any issue of Notes where the aggregate nominal amount is less than or equal to €20,000,000 requires approval by one of the Treasurer, Finance Director or Chief Executive.

- (ii) Interest Payment Date(s): in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (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 or Actual/Actual (ICMA) or [other specify]]
- (vi) [Determination Date(s): in each year (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))]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s):
- (ii) Specified Interest Payment Dates:
- (iii) First Interest Payment Date:
- (iv) Interest Period Date:
(Not applicable unless different from Interest Payment Date)
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (vi) Business Centre(s):
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (viii) Party responsible for calculating the Rate of Interest and Interest Amount (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) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
16. 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:

PROVISIONS RELATING TO REDEMPTION

17. Final Redemption Amount of each Note: per Calculation Amount
18. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. Form of Notes: Bearer Notes:
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes 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 in the limited circumstances specified in the Permanent Global Note]
 [Registered Notes]
20. New Global Note: [Yes][No]
21. 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(vi) relates)
22. 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]
23. Redenomination, renominatisation and reconventioning provisions: [Not Applicable]
24. Other final terms: [Not Applicable/give details]

DISTRIBUTION

25. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give name(s)]

† If this option is chosen, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

26. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
27. U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable]
28. 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 the Notes described herein pursuant to the £3,000,000,000 (excluding Deposit Notes) Euro Medium Term Note Programme of West Bromwich 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 [*specify source*], 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.]
- (ii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings: The Notes to be issued have been rated:
Moody’s Investors Service Ltd.: [●]
Fitch Ratings Ltd.: [●]
[Other: [●]]
- (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. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant address(es) and identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): [●]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [●]
- (vii) 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 the 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 Senior Notes and Subordinated 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 Senior Notes and Subordinated Notes to the Official List and admission of the Senior Notes and Subordinated Notes to trading on the Market will be granted on or about 2 December 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 will normally be effected for delivery on the third working day after the day of the transaction. Application may be made to the UK Listing Authority for any Series of Guaranteed Notes issued within 12 months from the date of this Prospectus to be admitted to the Official List and to be admitted to trading on the Market. 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 update of the Programme. The establishment of the Programme was authorised by resolutions of the Board of Directors passed on 1 September 2004. The update of the Programme was authorised by resolutions of the Board of Directors passed on 18 November 2009. The Issuer has authority to issue Notes under the Programme without the approval of the Board of Directors provided such issue of Notes is in accordance with the internal authorisation limits approved by the Board of Directors, at the relevant time.
- (3) There has been no significant change in the financial or trading position of the Group since 30 September 2009 and no material adverse change in the prospects of the Issuer or of the Group since 31 March 2009.
- (4) Neither the Issuer nor any of its Subsidiaries is or has, during the 12 months preceding the date of this Prospectus, been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the recent past, significant effects 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, each Receipt, Coupon and Talon and each Exchangeable Registered Note having a maturity of more than one year 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) There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.
- (8) 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.
- (9) 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 and from the specified office in London of the Paying Agent:
 - (a) the Rules and Memorandum of the Issuer;

- (b) the published annual report and the audited accounts of the Issuer for the two years ended 31 March 2009 and the audited consolidated annual accounts of the Group for the two years ended 31 March 2009;
 - (c) 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);
 - (d) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and
 - (e) the Directors' Report for the year ended 31 March 2009, the Directors' Remuneration Report, the Statement of Directors' Responsibilities, the Annual Business Statement for the year ended 31 March 2009 and the Independent Auditors' Report to the Members of West Bromwich Building Society by KPMG Audit Plc (Chartered Accountants) on the accounts of the Issuer for the two years ended 31 March 2009.
- (10) Copies of the latest annual report, consolidated and non-consolidated year-end accounts and consolidated interim accounts of the Issuer may be obtained, and copies of the Trust Deed 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.
- (11) KPMG Audit Plc (Chartered Accountants) (authorised and regulated by the Financial Services Authority for designated investment business) have audited, and rendered unqualified audit reports on, the accounts of the Issuer for the two years ended 31 March 2009.

REGISTERED AND HEAD OFFICE OF THE ISSUER

374 High Street
West Bromwich
West Midlands B70 8LR
United Kingdom

THE ARRANGER

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

DEALERS

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

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark

**DZ BANK AG Deutsche Zentral-
Genossenschaftsbank, Frankfurt am Main**
Platz der Republik
60265 Frankfurt am Main
Federal Republic of Germany

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

TRUSTEE

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

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

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

PAYING AND TRANSFER AGENT

HSBC Institutional Trust Services (Ireland) Limited
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