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PROSPECTUS

Dated 25th May, 2005**Yorkshire Building Society***(Incorporated in England under the Building Societies Act 1986)***£5,000,000,000****Note Programme****for the issue of Ordinary Notes, Deposit Notes and
Subordinated Notes
with a minimum maturity of one month**

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On 28th July, 1993 Yorkshire Building Society (the "Issuer" or the "Society") entered into a £500,000,000 Note Programme (the "Programme") and issued a prospectus on that date describing the Programme. The Programme was subsequently amended in the first instance, on 3rd October, 1994 and each year thereafter, the last such amendment being made on 29th April, 2004. On 20th March, 2001, the aggregate nominal amount of Euro Medium Term Notes which may be issued under the Programme was increased from £1,500,000,000 to £3,000,000,000 and on 25th May, 2005 was increased from £3,000,000,000 to £5,000,000,000. This Prospectus supersedes all previous prospectuses. Any Notes (as defined below) to be issued under the Programme, on or after the date of this Prospectus, are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

Pursuant to the Programme the Issuer (which expression and the expression "Society" shall include any successor or substitute (see "Substitution" on page 44)) may from time to time issue in one or more Tranches (as defined herein) Notes (the "Notes", which expression shall include Ordinary Notes, Deposit Notes and Subordinated Notes (each as defined herein)). The maximum aggregate nominal amount of all Notes (other than Deposit Notes) from time to time outstanding under the Programme will not exceed £5,000,000,000 (or its equivalent in other currencies calculated as described herein).

Save as further described herein, Notes issued under the Programme may (i) be denominated in Sterling, U.S. Dollars, euro, Yen or such other currency or currencies as may be agreed, (ii) be issued at par or at a premium or discount to par, (iii) be issued on a fully-paid or partly-paid basis, (iv) bear interest at a fixed or floating rate or on an index-or formula-linked basis or be issued on a non-interest bearing fully-discounted basis, (v) provide that the amount payable upon redemption is fixed or index- or formula-linked, (vi) provide that they will be redeemed in one amount or instalments and/or (vii) provide that payments of principal and/or interest should be made in a currency or currencies other than the original currency of issue.

The Notes may be issued from time to time to one or more of the Dealers specified on page 6 (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealer appointed under the Programme from time to time).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for Ordinary Notes and Subordinated Notes issued under the Programme prior to the date on which Directive 2003/71/EC (the "Prospectus Directive") is implemented in the United Kingdom (the "Implementation Date") 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 market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities will, prior to the Implementation Date, constitute official listing on the London Stock Exchange.

Application will also be made to the UK Listing Authority for Notes issued under the Programme on or after the Implementation Date and up to the expiry of 12 months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market.

References in this Prospectus to Notes being "listed" (and all related references) shall, prior to the Implementation Date, mean that such Notes have been admitted to the Official List and to trading on the London Stock Exchange's market for listed securities and, on or after the Implementation Date, mean that such Notes have been admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market and have been admitted to the Official List. The London Stock Exchange's Gilt Edged and Fixed Income Market is a regulated market for the purposes of Directive 93/22/EEC (the

Investment Services Directive).

Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which, are applicable to each Tranche of Notes will be set forth in a final terms supplement (the "Final Terms") which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. Copies of this Prospectus, which, prior to the Implementation Date, comprises the listing particulars with regard to the Issuer, its subsidiaries and each issue by the Issuer of Ordinary Notes and Subordinated Notes approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000 (the "Listing Particulars"), have been delivered for registration to the Registrar of Companies in England and Wales as required by section 83 of that Act. Copies of each Final Terms will be available from the registered office of the Issuer and from the specified office set out below of the Trustee (as defined herein) and each of the Paying Agents.

The Programme provides that Ordinary Notes and Subordinated Notes may be listed on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer or Lead Manager in relation to each issue. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the "Terms and Conditions of the Notes" herein, in which event (in the case of Notes admitted to the Official List prior to the Implementation Date) supplementary listing particulars or further listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes and (in the case of Notes admitted to the Official List on or after the Implementation Date) a supplementary Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes..

The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), and/or any other agreed clearing system which will be exchangeable, upon request, for a permanent global Note or Notes in definitive form upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. As further described in "Form of the Notes" below, the applicable Final Terms will specify that a permanent global Note is exchangeable (in whole but not in part) for definitive Notes either (i) upon not less than 45 days' notice or (ii) only upon the occurrence of an Exchange Event (as defined on page 17).

Tranches of Notes issued pursuant to the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings 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.

Arranger

Merrill Lynch International

Dealers

Barclays Capital

HSBC

The Royal Bank of Scotland

BNP PARIBAS

Merrill Lynch International

UBS Investment Bank

From the Implementation Date, this Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive")

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

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated By Reference" on page 10). Prior to the Implementation Date, this Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus but not part of the Listing Particulars. Any reference in this Prospectus to Listing Particulars means this Prospectus, prior to the Implementation Date, excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the Financial Services and Markets Act 2000 or the listing rules of the UK Listing Authority. The Issuer believes that none of the information incorporated in this Prospectus by reference conflicts in any material respect with the information included in the Listing Particulars.

Neither the Dealers nor the Trustee have separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Prospectus, or any other financial statements or any further information supplied in connection with the Programme or the Notes or their distribution.

No person is or has been authorised to give any information or to make any representation in connection with the offering, distribution or sale of the Notes other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

None of this Prospectus or any other financial statements or any further information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation or constituting an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any other financial statements or any further information supplied in connection with the Notes should subscribe for or purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer and its subsidiaries during the life of the Programme.

Investors should review, *inter alia*, the most recent Annual Report and Accounts of the Issuer when deciding whether or not to purchase any of the Notes.

The distribution of this Prospectus and the offer, distribution or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee (save for the approval of this document as listing particulars by the UK Listing Authority and delivery of copies of this document to the Registrar of Companies in England and Wales) which would permit a public offering of the Notes outside the European Economic Area or distribution of this document, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all

offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan (see “Subscription and Sale” on page 57).

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

In this Prospectus, all references to “£”, “pounds” and “Sterling” are to pounds sterling, references to “U.S.\$” and “U.S. Dollars” are to United States dollars, references to “cents” are to United States cents, references to “Yen” are to Japanese Yen, and references to “euro” are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended (the “Treaty”).

In connection with the issue and distribution of any Tranche of Ordinary Notes or Subordinated Notes, the Dealer (if any) disclosed as stabilising manager in the applicable Final Terms or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

TABLE OF CONTENTS

	<i>Page</i>
Risk Factors	5
Documents Incorporated by Reference	10
Supplementary Listing Particulars	10
Description of the Programme	11
Summary of the Programme and Terms and Conditions of the Notes	12
Form of the Notes	17
Applicable Final Terms	19
Terms and Conditions of the Notes	28
Use of Proceeds	45
Yorkshire Building Society	46
United Kingdom Taxation	55
Subscription and Sale	57
General Information	60

RISK FACTORS

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

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur 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 and reach their own views prior to making any investment decision.

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

Legal Ranking of Notes

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

In the event of insolvency or winding up, the Issuer will be required to pay the holders of Ordinary 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 United Kingdom retail member depositors in full before making any payments in respect of Subordinated Notes.

United Kingdom Housing Market

One of the Issuer's primary activities is mortgage lending in the United Kingdom with loans secured against residential property. A downturn in the United Kingdom economy could have a negative effect on the housing market particularly if this results in an increased level of unemployment or significantly higher interest rates. Property prices may fall and could result in losses being incurred by lenders on loans that have defaulted. This could have consequences for the Issuer's funding costs and credit ratings if there was deemed to be a material deterioration in the quality of the mortgage portfolio.

Personal Financial Services Market

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

Regulation

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

The Financial Services Authority and other bodies 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.

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.

International Financial Reporting Standards

The Issuer is planning to adopt International Financial Reporting Standards for reporting periods beginning after 1st January 2005. These standards are, in a number of ways, different from existing

generally accepted accounting principles in the United Kingdom and their implementation may have a significant effect on the presentation of the Society's financial statements.

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

The Notes may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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 his investment.

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that 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 the 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 from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The 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 his investment should the Issuer become insolvent.

Risks related to Notes generally

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

Modification, waivers and substitution

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

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the terms and conditions of Notes or any provision of the Trust Deed (as defined herein) or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15 of the conditions of the Notes.

Basel Capital Requirements Directive

The Basel Committee has issued proposals for reform of the 1988 Capital Accord and has proposed a framework, which places enhanced emphasis on market discipline and sensitivity to risk. The Issuer cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of its Notes issued under this programme. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the potential application of the New Basel Capital Accord proposals.

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 the Notes to be re-denominated 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

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, 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 Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Although Notes which are admitted to trading on a regulated market in 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 are required to have a minimum denomination of €50,000 (or, where the specified currency is not euro, its equivalent in the specified currency), it is possible that the Notes may be traded in the clearing systems 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, should definitive Notes be required to be issued, a holder who does not have an integral multiple of €50,000 (or its equivalent) in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of €50,000 (or its equivalent). Furthermore, at any meeting of Noteholders while the Notes are represented by a Global Note, any vote cast shall only be valid if it is

in respect of €50,000 (or its equivalent) in nominal amount.

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

The 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 the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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 advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Prospectus and have been approved by the Financial Services Authority or filed with it shall be deemed to be incorporated in and to form part of, this Prospectus (provided however that such incorporated documents do not, prior to the Implementation Date, form a part of the Listing Particulars):

- (1) the audited consolidated annual accounts of the Issuer and its subsidiaries for the years ended 31st December, 2003 and 31st December, 2004; and
- (2) the Memorandum and the Rules of the Issuer.

provided also that any statement contained herein or in a document all or the relative portion of which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus (but not the Listing Particulars) to the extent that a statement contained in any subsequent document all or the relative portion of which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

After the Implementation Date, copies of documents incorporated by reference in this Prospectus can be obtained from the Issuer at Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ. Prior to the Implementation Date, the Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the written request of any such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the Issuer at its head office set out at the end of this Prospectus and marked for the attention of The Treasurer. In addition such documents will be available from the principal office in England of Merrill Lynch International in its capacity as authorised adviser (the "Authorised Adviser") for Ordinary Notes and Subordinated Notes admitted to the Official List.

SUPPLEMENTARY LISTING PARTICULARS

The Issuer has given an undertaking to the Dealers in connection with the admission of the Notes to the Official List to the effect that if after the preparation of the Listing Particulars for submission to the UK Listing Authority and at any time prior to the Implementation Date (a) there is a significant change affecting any matter contained in the Listing Particulars whose inclusion was required by section 80 of the Financial Services and Markets Act 2000, as amended or by the listing rules made under section 74 of that Act (the "Listing Rules") or by the UK Listing Authority; or (b) a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared, the Issuer shall give to Dealers full information about such change or matter and shall publish supplementary listing particulars as may be required by the UK Listing Authority and approved by the Authorised Adviser, and shall otherwise comply with sections 81 and 83 of the Financial Services and Markets Act 2000, as amended and the Listing Rules in that regard and shall supply to each Dealer such number of copies of the supplementary listing particulars as such Dealer may reasonably request.

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

DESCRIPTION OF THE PROGRAMME

The Issuer may, from time to time, issue Notes denominated in such currencies as may be agreed with the relevant Dealer(s).

The issue price, issue date, maturity date, nominal amount and interest rate (if any) applicable to any Note and any other relevant provisions of such Note will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue and will be specified in the applicable Final Terms, as set out under "Form of the Notes" on page 17.

Subject as set out herein, this Prospectus and any supplement hereto will only be valid for listing Notes on the Official List up to an aggregate amount of £5,000,000,000 (or its equivalent in the other currencies) outstanding at any one time, calculated by reference to the Exchange Rate (as defined on page 11 in "Description of the Programme") and otherwise on the basis specified on page 11 in "Description of the Programme".

For the purpose of calculating the Sterling equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the Sterling equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of The Notes*") shall be determined, at the discretion of the Issuer, either as of the date of agreement to issue such Notes (the "Agreement Date") or on the preceding day on which commercial banks and foreign exchange markets settle payments and are open for general business in London, in each case on the basis of the Exchange Rate on such date. As used herein, the "Exchange Rate" against Sterling for any currency means the spot rate for the sale of Sterling against the purchase of such Specified Currency in the London foreign exchange market at any time on the relevant day of calculation, such spot rate being determined by the Issuer from whatever source it may reasonably select.

The Sterling equivalent of any Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under "Form of the Notes") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the amount of the subscription price paid). The Sterling equivalent of any Zero Coupon Note (as specified in the applicable Final Terms in relation to the relevant Notes, described under "Form of the Notes") and any other Note issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

This summary must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the Implementation of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Issuer in any Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer:	Yorkshire Building Society
Arranger:	Merrill Lynch International
Dealers:	Barclays Bank PLC BNP PARIBAS HSBC Bank plc Merrill Lynch International The Royal Bank of Scotland plc UBS Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale" on page 57).
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Principal Paying Agent and Agent Bank:	HSBC Bank plc
Amount:	Other than in respect of Deposit Notes, up to £5,000,000,000 outstanding at any time or its equivalent in other currencies as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Currencies:	Euro, Sterling, U.S. Dollars, Yen or such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s) and the Trustee subject to any applicable legal or regulatory restrictions.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro.
Maturities:	Any maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant specified currency. At the date of this Prospectus, the maturity of all Notes is subject to a

minimum maturity of one month, save that (i) in the case of Subordinated Notes, the minimum maturity will be five years and one day and (ii) in the case of Deposit Notes, the maximum maturity will be five years or in any case such other minimum or maximum maturity as may be required from time to time by the relevant monetary authority or any laws or regulations applicable to the relevant currency.

Issue Price:

Notes may be issued at par or at a discount to, or premium over, par and may be issued on a fully-paid or partly-paid basis.

Form:

Each Tranche of Notes will initially be represented by a temporary global Note which will be deposited on the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and which will be exchangeable upon request as described therein either for a permanent global Note or definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. As described in "Form of the Notes" below, the applicable Final Terms will specify that a permanent global Note is exchangeable (in whole but not in part) for definitive Notes either (i) upon not less than 45 days' written notice or (ii) only upon the occurrence of an Exchange Event. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate.

Notes to be issued under the Programme will be either Ordinary Notes, Deposit Notes or Subordinated Notes.

Fixed Rate Notes:

Fixed interest will be payable in arrear on such date or dates as shall be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes) or on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

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

Floating Rate Notes may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms).

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

Interest Periods for Floating Rate Notes:

Such period(s) as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

Dual Currency Notes:

In the case of Ordinary Notes, payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

In the case of Subordinated Notes and Deposit Notes, payments of interest in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms). Payments of principal (which, in the case of Deposit Notes, must be expressed as a fixed sum) may only be made in the currency in which such Notes are denominated and the Issue Price is expressed to be payable, which, in the case of Subordinated Notes, will be Sterling.

Index Linked Notes:

In the case of Ordinary Notes and Subordinated Notes, payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

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.

Index Linked Interest Notes may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms).

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

Zero Coupon Notes:

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

Redemption:

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

	<p>The Final Terms may provide that Notes may be redeemed in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p>
<p>Denominations of Definitive Notes:</p>	<p>Such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that (i) the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant monetary authority or any laws or regulations applicable to the relevant currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or its equivalent in any other currency), and (ii) in the case of Deposit Notes, the minimum denomination will be £50,000 (or its equivalent in any other currency)</p>
<p>Taxation:</p>	<p>All payments in respect of the Notes will be made without deduction for or on account of United Kingdom withholding taxes, subject to certain exceptions as are described in Condition 10.</p>
<p>Status of the Ordinary Notes and the Deposit Notes:</p>	<p>The Ordinary Notes and the Deposit Notes will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer ranking <i>pari passu</i> among themselves and (subject as aforesaid) with all other present and future outstanding unsecured and unsubordinated obligations of the Issuer in respect of deposits and loans, except as provided by law.</p>
<p>Status of the Subordinated Notes:</p>	<p>The Subordinated Notes will be unsecured, subordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves. The rights of holders of Subordinated Notes will be subordinated in right of payment in the manner provided in the Trust Deed and as specified in Condition 3.</p>
<p>Cross Default:</p>	<p>The Ordinary Notes and the Deposit Notes will contain a cross default clause in respect of present or future indebtedness of, or guaranteed by, the Issuer or any Principal Subsidiary (other than any guarantee given in the ordinary course of its business) having an outstanding aggregate principal amount of at least £10,000,000 (or its equivalent in any other currency) as more fully described in Condition 11.</p>
<p>Negative Pledge:</p>	<p>The Ordinary Notes and the Deposit Notes will contain a negative pledge provision as more fully described in Condition 4.</p>
<p>Listing and admission to trading:</p>	<p>Application has been made to the UK Listing Authority for Ordinary Notes and Subordinated Notes issued under the Programme prior to the Implementation Date to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities will, prior to the Implementation Date, constitute official listing on the London Stock Exchange.</p>

Application will also be made to the UK Listing Authority for Notes issued under the Programme on or after the Implementation Date and up to the expiry of 12 months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market.

Notes which are neither listed nor admitted to trading on any stock exchange and/or market may also be issued. The Final Terms relating to each issue will state whether or not the Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and or markets.

Governing Law:

The Notes will be governed by, and construed in accordance with, English law.

Selling Restrictions:

There are selling restrictions in relation to the United States, the European Economic Area (including the United Kingdom) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular issue of Notes (see "Subscription and Sale" on page 57).

FORM OF THE NOTES

Each Tranche of Notes will initially be represented by a temporary global Note without receipts, interest coupons or talons, which will be delivered to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note only to the extent that certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form set out in the temporary global Note) has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certificate (based on the certifications it has received) to the Issuer or the Agent. Any reference in this section "Form of the Notes" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Dealer(s), the Agent and the Trustee.

On and after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable, upon request being made by Euroclear and/or Clearstream, Luxembourg acting on the instructions of the holders of interests in the temporary global Note, either for interests in a permanent global Note without receipts, interest coupons or talons or for definitive Notes (as indicated in the applicable Final Terms and, subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification as to non-U.S. beneficial ownership as described in the second sentence of the preceding paragraph required by U.S. Treasury regulations in accordance with the terms of the temporary global Note unless certification has already been given pursuant to the second sentence of the preceding paragraph. The holder of a temporary global Note will not be entitled to receive any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and an ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days as certified by the Agent to the relevant Dealer(s) after the completion of the distribution of the Notes of such first-mentioned Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent global Note without any requirement for certification. A permanent global Note will be exchangeable, in whole but not in part, for security printed definitive Notes with, where applicable, receipts, interest coupons and talons attached either (i) upon not less than 45 days' written notice expiring at least 30 days after the Exchange Date to the Agent from Euroclear or Clearstream, Luxembourg (as the case may be) acting on instructions of the holders of interests in the permanent global Note as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means (i) in the case of Ordinary Notes and Deposit Notes, an Event of Default has occurred and is continuing or, in the case of Subordinated Notes, a payment default in accordance with Condition 12 has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 10 which would not be required were the Notes represented by the permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 19 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) may give notice to the Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Agent. Temporary and permanent global Notes and definitive Notes will be authenticated (if applicable) and delivered by the Agent on behalf of the Issuer.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

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

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

If the applicable Final Terms specifies any modifications to the Terms and Conditions of a Tranche of Notes as described below, it is envisaged that, to the extent that such modifications (not being significant for the purposes of section 81 of the Financial Services and Markets Act 2000, as amended) relate only to Conditions 1, 5, 6 (except 6(b)), 7, 8, 9, 16, 17 or 19 (insofar as such Notes are not listed or admitted to trade on any regulated market) they will not necessitate the preparation (prior to the Implementation Date) of supplementary listing particulars, and (post the Implementation Date) of a supplement to this Prospectus. If the Terms and Conditions of the Notes are to be modified in any other respect, it is envisaged that (prior to the Implementation Date) supplementary listing particulars or, if appropriate, further listing particulars describing the modifications will be prepared and, (post the Implementation Date) a supplement to this Prospectus will be prepared, if appropriate.

APPLICABLE FINAL TERMS

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

[Date]

Yorkshire Building Society

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £5,000,000,000 Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of Notes described herein [and Final Terms for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 25th May, 2005 [, which constitutes a prospectus for the purposes of the Prospectus Directive]. This document constitutes the Final Terms of the Notes [for the purposes of Article 5.4 of the Prospectus Directive] and must be read in conjunction with such Prospectus. 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. Copies of the Prospectus are available for viewing at [address] and [website] and copies may be obtained from [address].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date]. [This document constitutes the Final Terms of the Notes [for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) [which constitutes a base prospectus for the purposes of the Prospectus Directive] and must be read in conjunction with the Prospectus dated [current date] [which constitutes a base prospectus for the purposes of the Prospectus Directive], save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. 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 Prospectuses dated [current date] and [original date]. Copies of such Prospectuses are available for viewing at [address] and [website] and copies may be obtained from [address].

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

[When adding any other final terms or information at, for example, items 8, 9, 14, 15, 16 or 29 of Part A or in relation to disclosure relating to the interests of natural and legal persons involved in the issue/offer in Part B 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, the publication of which would in turn trigger the investors’ right to withdraw their acceptances within a 48-hour time period.]

1. [(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)]

2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - Tranche: []
 - Series: []

4. Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
5. Specified Denominations: []
[]
(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the minimum denomination is not required)
6. [(i)] Issue Date [and Interest Commencement Date]: []
[(ii)] Interest Commencement Date (if different from the Issue Date): []
7. Maturity Date: *[Fixed rate specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month]].*
8. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
9. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
(further particulars specified below)
10. Charge of Interest Basis or Redemption/ Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
11. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
12. (i) Status of the Notes: [Ordinary/Deposit/Subordinated]
(ii) Date Committee approval for issuance of Notes obtained: []
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] in arrear] *(If payable other than annually, consider amending Condition 5)*
- (ii) Interest Payment Date(s): in each year up to and including the Maturity Date/[specify other]
- (iii) Fixed Coupon Amount(s): per in nominal amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (v) Day Count Fraction: *[Actual/Actual ([ISMA]) or 30/360 or specify other]*
- (vi) Determination Date(s): in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long and short first or last coupon]
(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration).
(NB: Only relevant where Day Count Fraction is Actual/Actual ([ISMA])).
- (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 sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates:
- (ii) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]*
- (iii) Additional Business Centre(s):
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: *[Screen Rate Determination/ISDA Determination/specify other]*
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):
- (vi) Screen Rate Determination
- Reference Rate:
(Either LIBOR, EURIBOR or other, although additional information is required if other including fallback provisions in the Agency Agreement)
- Interest Determination Date(s):
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page:

(In the case of EURIBOR, if not Moneyline Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately).

- (vii) ISDA Determination:
 - Floating Rate Option:
 - Designated Maturity:
 - Reset Date:
 - (viii) Margin(s): +/- per cent. per annum
 - (ix) Minimum Rate of Interest: per cent. per annum
 - (x) Maximum Rate of Interest: per cent. per annum
 - (xi) Day Count Fraction: [Actual/365 or Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
- (See Condition 5 for alternatives)
- (xii) Fall back 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 subparagraphs of this paragraph)
- (i) Accrual Yield: per cent. per annum
 - (ii) Reference Price:
 - (iii) Any other formula/basis of determining amount payable:
 - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6(f) and 6(g) (iii) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
17. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
 - (ii) Name and address of Calculation Agent responsible for calculating the interest due: [insert name and address]
 - (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]

- (iv) Specified Period(s)//Specified Interest Payment Dates: []
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
 - (vi) Additional Business Centre(s): []
 - (vii) Minimum Rate of Interest: [] per cent. per annum
 - (viii) Maximum Rate of Interest: [] per cent. per annum
 - (ix) Day Count Fraction: []
18. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[s] of Exchange/method of calculating Rate[s] of Exchange: [give or annex details]
 - (ii) Calculation Agent, if any, responsible for calculating the interest payable: []
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
 - (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
 - (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
 - (iv) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

20. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): per note of Specified Denomination
- (iii) Notice period (if other than as set out in the Conditions):
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
21. Final Redemption Amount of each Note: per Note of Specified Denomination/specify other/see Appendix]
22. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(g)):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 45 days' notice given at any time/only upon an Exchange Event].]
 Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.] [Notice period (if any)]
24. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 15(iii) and 17(vi) relate)
25. 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]
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
27. Details relating to Instalment Notes:
 (i) Instalment Amount(s): [Not Applicable/give details]
 (ii) Instalment Date(s): [Not Applicable/give details]
28. Redenomination applicable: Redenomination [not] applicable
[(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]

29. 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, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a 48 hour time period.)

DISTRIBUTION

30. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Date of Syndication Agreement: []
(iii) Stabilising Manager (if any): [Not Applicable/give name]
31. If non-syndicated, name of Dealer: [Not Applicable/give name]
32. Whether TEFRA D applicable or TEFRA rules not applicable: [TEFRA D/TEFRA not applicable]
33. Additional selling restrictions: [Not Applicable/give details]

[LISTING APPLICATION

These Final Terms comprise the final terms required to list [and have admitted to trading] the issue of Notes described herein pursuant to the £5,000,000,000 Note Programme of Yorkshire Building Society.]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: _____
Duly authorised

PART B – OTHER INFORMATION

LISTING

- (i) Listing: [London/Luxembourg/other (specify)/None]
(Notes admitted to trading on the UK regulated market will also be admitted to the Official List as a matter of course.)
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on with effect from .] [No application for admission to trading has been made.]
(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
(The concept of admission to trading will not be relevant for Notes which are listed on the Professional Securities Market in the UK or its equivalent in Luxembourg.)
- (iii) Estimate of total expenses related to admission to trading: []

RATINGS

- Ratings: The Notes to be issued have been rated:
 [S & P:]
 [Moody's:]
 [[Other]:]
(Where no ratings language is included in the Prospectus the above disclosure should reflect the rating allocated to Notes issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[NOTIFICATION

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

[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

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

REASONS FOR THE OFFER; 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 risks will need to include those reasons here)
- (ii) Estimated net proceeds: []
[Only include if reasons are set out in (i) above]
- (iii) Estimate of total expenses related to admission to trading: []
[Only include if reasons are set out in (i) above]

[Fixed Rate Notes only - YIELD

Indication of yield:

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

[Index-Linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS

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

[Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS

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

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 identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each temporary global Note and permanent global Note and which will be endorsed upon (or incorporated by reference into) each definitive Note. The Terms and Conditions shall be incorporated by reference (where applicable, to the Trust Deed) into definitive Notes unless the relevant stock exchange or other relevant authority requires otherwise. The applicable Final Terms in relation to any Tranche (as defined below) of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, supplement, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. The applicable Final Terms will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to Form of the Notes above for the form of Final Terms which will include the definition of certain terms used in the following Terms and Conditions.

This Note is one of a Series of notes (the notes of such Series being hereinafter called the "Notes", which expression shall mean (i) in relation to Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a Global Note and (iii) any Global Note) constituted by a Trust Deed (such Trust Deed as modified and supplemented and/or restated from time to time, the "Trust Deed") dated 28th July, 1993 made between Yorkshire Building Society (the "Issuer") and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference in these Terms and Conditions to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes redeemable in instalments will have instalment receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue.

Payments in respect of the Notes will be made under an Amended and Restated Agency Agreement (such Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 25th May, 2005 made between the Issuer, HSBC Bank plc as issuing agent, principal paying agent and agent bank (the "Agent", which expression shall include any successor as agent), the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The Final Terms for this Note are attached hereto or endorsed hereon and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, supplement, replace or modify these Terms and Conditions for the purposes of this Note. References herein to "applicable Final Terms" are to the Final Terms attached hereto or endorsed hereon.

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

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

Copies of the Trust Deed and the Agency Agreement (which contains the form of Final Terms) are available for inspection during normal business hours at the registered office of the Trustee (being at 25th May, 2005 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms may be obtained from the Issuer at Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms, which are binding on them. Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the

applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Transfer

The Notes are in bearer form in the Specified Currency and the Specified Denomination(s) and definitive Notes are serially numbered. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or any appropriate combination thereof depending upon the Interest Basis shown in the applicable Final Terms.

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

This Note is a Deposit Note or is a Subordinated Note if so indicated in the applicable Final Terms.

If it is a definitive Note, it is issued with Coupons and, if applicable, receipts and Talons attached, unless it is a Zero Coupon Note in which case references to interest and Coupons in these Terms and Conditions are not applicable. Wherever Dual Currency Notes or Index Linked Notes are issued to bear interest on a fixed or floating rate basis or on a non-interest bearing basis, the provisions in these Terms and Conditions relating to Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes respectively shall, where the context so admits, apply to such Dual Currency Notes or Index Linked Notes.

Without prejudice to the provisions relating to Global Notes set out below, title to the Notes, the Receipts and the Coupons will pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law the Issuer, the Trustee, the Agent and any other Paying Agent shall be entitled to (subject as set out below) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not such Note, Receipt or Coupon shall be overdue and notwithstanding any notice to the contrary or any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of making payment thereon and for all other purposes.

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

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Dealer, the Agent and the Trustee.

2. Status of Ordinary Notes and Deposit Notes

The Ordinary Notes and the Deposit Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer ranking *pari passu* among themselves and (subject as aforesaid) with all other present and future outstanding unsecured and unsubordinated obligations of the Issuer in respect of deposits and loans, except as provided by law.

3. Status and Subordination of Subordinated Notes

The Subordinated Notes and the relative Receipts and Coupons are unsecured, subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

Subject to applicable law, no Noteholder, Receiptholder or Couponholder may exercise, claim or

plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes, Receipts or the Coupons and each Noteholder, Receiptholder and Couponholder shall, by virtue of being the holder of any Note, Receipt or Coupon (as the case may be) be deemed to have waived all such rights of set-off, compensation or retention.

On a winding up of the Issuer, the claims of the Noteholders, the Receiptholders and the Couponholders shall be subordinated in right of payment to the claims of all Senior Creditors (as defined herein) in the manner provided in the Trust Deed.

For the purposes of this paragraph, "Senior Creditors" means (i) depositors and other creditors of the Issuer (including persons who become holders of deposits pursuant to Section 100 of the Building Societies Act 1986, as amended (the "Act") if the Issuer transfers its business to a successor pursuant to Section 97 of the Act) but not including creditors (if any) whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Noteholders, the Receiptholders, the Couponholders or creditors with whose claims the Notes or the Coupons rank or are expressed to rank *pari passu* (whether only in the event of a winding up of the Issuer or otherwise) and (ii) (but only in respect of a winding up while the Issuer remains a building society) all members holding shares in the Issuer as regards the principal of their shares in the Issuer and any interest due in respect of those shares (other than members holding Deferred Shares (as defined in the Trust Deed) whose claims rank or are expressed to rank *pari passu* with or junior to the claims of the Noteholders, the Receiptholders and Couponholders (whether only in the event of a winding up of the issuer or otherwise)).

4. Negative Pledge

As long as any of the Ordinary Notes or, as the case may be, Deposit Notes remains outstanding (as defined in the Trust Deed) the Issuer will not create or have outstanding any mortgage, lien (other than arising by operation of law), pledge, charge or other security interest (other than a Permitted Security Interest (as defined herein)) upon, or with respect to, any of its present or future assets or revenues to secure any Loan Stock (as defined herein) or any guarantee of any Loan Stock, unless in any such case the Issuer shall simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable by it under the Ordinary Notes or, as the case may be, Deposit Notes, the Receipts, the Coupons and the Trust Deed are secured equally and rateably with the Loan Stock or guarantee secured by such security interest to the satisfaction of the Trustee or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the holders of the Ordinary Notes or, as the case may be, the Deposit Notes or as shall be approved by an Extraordinary Resolution of the holders of the Ordinary Notes or, as the case may be, the Deposit Notes.

"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).

"Loan Stock" means any indebtedness (as defined in the Trust Deed) in the form of, or represented by, notes, bonds, debentures or other securities which are or are intended by the Issuer to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other recognised securities market (whether or not initially distributed by way of private placing), but excluding any such indebtedness which has a stated maturity not exceeding one year.

"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 of the following (or are otherwise qualifying collateral for issues of covered bonds pursuant to any relevant contractual arrangements and/or specific provisions of the laws of England and Wales relating to covered bonds): (i) mortgage receivables; or (ii) receivables against Government Entities (as defined herein); or (iii) asset-backed securities backed by any of the assets under paragraph (i) or (ii); or (iv) any other assets permitted by English law to collateralise the covered bonds, in each case provided that the creation of such security interest is pursuant to the relevant contractual arrangements or, as the case may be, specific provisions of the laws of England and Wales relating to covered bonds applicable at the time of creation of such security interest.

Any reference in these Terms and Conditions to a guarantee shall be deemed to include a reference to an indemnity.

5. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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

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

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

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Final Terms:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

In these Terms and Conditions:

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

“Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

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

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

- (i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

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

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

(ii) *Rate of Interest*

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

(iii) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions")) and under which:

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

For the purpose of this sub-paragraph (iii), (1) "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions, (2) the definition of "Banking Day" in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line the word "general" and (3) "Euro-zone" means the region comprised of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under paragraph (vi) below in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

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

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

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page);
or
- (B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

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

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

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

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

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

- (i) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the day last preceding the Maturity Date, such last preceding day is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

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

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Trustee and to any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to be published in accordance with Condition 19 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 19. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

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

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

(ix) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b), whether by the Agent, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent, the Trustee, 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 or the Couponholders shall attach to the Agent, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

(c) ***Dual Currency Notes***

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

(d) ***Partly Paid Notes***

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

(e) ***Interest Accrual***

Interest (if any) will cease to accrue on each Note on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue as provided in the Trust Deed.

6. Redemption and Purchase

(a) ***Final redemption***

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) ***Redemption for taxation reasons***

If (1) the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to

below that on the occasion of the next payment due in respect of the Notes the Issuer will be required to pay additional amounts as provided in Condition 10 or to account to any taxing authority in the United Kingdom for any amount (other than any tax withheld or deducted from interest payable in respect of the Notes) calculated by reference to any amount payable in respect of the Notes, and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may (subject, if this Note is a Subordinated Note, to obtaining Requisite Consent (as defined below)), having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 19, the Noteholders (which notice shall be irrevocable), redeem at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on the next Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) all (but not some only) of the Notes at their Early Redemption Amount referred to in paragraph (g) below together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

As used herein, the term "Requisite Consent" means the prior written consent of the Financial Services Authority.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) given not less than 15 nor more than 30 days' notice to the Trustee, the Agent and, in accordance with Condition 19, the holders of the Notes (which notice shall be irrevocable) and having obtained, if this Note is a Subordinated Note, Requisite Consent, redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s), as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice the Issuer shall be bound to redeem the Notes accordingly. In the event of a redemption of some only of the Notes, such redemption must be for an amount being the Minimum Redemption Amount or a Maximum Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of such Redeemed Notes will be published in accordance with Condition 19 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that the first such mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 19 at least 10 days prior to the Selection Date.

(d) Redemption at the option of the Noteholders other than holders of Subordinated Notes (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of this Note (unless this Note is a Subordinated Note) giving to the Issuer, in accordance with Condition 19, not less than 15 nor more than 30 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note, on any Business Day (as defined in Condition 5(b)(i)) falling within the notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition. If this Note is represented by a Global Note or is in

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

(e) Purchases

The Issuer or any of its Subsidiaries may, having obtained, in the case of Subordinated Notes, prior Requisite Consent, at any time purchase or otherwise acquire Notes (provided that, in the case of definitive Notes, all unmatured Receipts and Coupons appertaining thereto are attached thereto or surrendered therewith) in the open market either by tender or private agreement or otherwise, without restriction as to price. If purchases are made by tender, tenders must be available to all Noteholders alike.

(f) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 (if this Note is not a Subordinated Note) or Condition 12 (if this Note is a Subordinated Note) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (g)(iii) below as though the references therein to the date fixed for redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (1) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and
- (2) the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 19 or individually.

(g) Early Redemption Amounts

For the purposes of paragraph (b) above and Condition 11 (if this Note is not a Subordinated Note) or 12 (if this Note is a Subordinated Note), the Notes will be redeemed at an amount (the "Early Redemption Amount") determined or calculated as follows:

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

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

where:

"RP" means the Reference Price;

"AY" means the Accrual Yield, expressed as a decimal; and

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

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

(h) Instalments

Instalment Notes will be repaid in the Instalment Amounts and on the Instalment Dates.

(i) Cancellation

All Notes which are (i) redeemed in full or (ii) purchased by or on behalf of the Issuer or any Subsidiary of the Issuer (except purchases made in the ordinary course of a business of a dealer in securities) will forthwith be cancelled (together with, in the case of definitive Notes, all unmatured Receipts and Coupons attached thereto or surrendered therewith) and such Notes may not be re-issued or resold.

7. Payments

(a) Method of Payment

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

(b) Presentation of definitive Notes, Receipts and Coupons

Subject as provided below, payments of principal and interest (if any) in respect of definitive Notes (if issued) will be made against presentation and surrender of definitive Notes or Coupons, as the case may be, at any specified office of any Paying Agent. Payments of instalments (if any) of principal, other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. If any definitive Note is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable on surrender of such Note together with all unmatured Receipts appertaining thereto. Receipts presented without the definitive Note to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of the relevant global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant global Note (or the Trustee, as the case may be). No person other than the holder of the relevant global Note (or, as provided in the Trust Deed, the Trustee) shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing:

- (i) the Issuer reserves the right to require Couponholders who do not make a declaration (such declaration being to the satisfaction of the United Kingdom Inland Revenue) that they are not resident in the United Kingdom to present their Coupons at a specified office of a Paying Agent situated outside the United Kingdom if the Issuer would otherwise be

obliged to account to any taxing authority in the United Kingdom for any amount in respect of income tax (other than any tax withheld or deducted from interest payable on Notes) calculated by reference to the interest represented by the relevant Coupon; and

- (ii) payments of interest in U.S. Dollars will only be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction) if (a) 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 at such specified offices outside the United States of the full amount of interest on the Notes in the manner provided above when due, (b) payment of the full amount of such interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of ten years after the relevant date (as defined in Condition 10) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 13) or, if later, five years from the date on which such Coupon would otherwise have become due.

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

Upon the due date for redemption of any Floating Rate Note, Dual Currency Note or Index Linked Note in definitive form, all unmatured Coupons and Talons (if any) relating to such Note (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

(c) Payment Business Day

If any date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Business Day (as defined below), then the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Business Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), "Payment Business Day" means any day which (subject to Condition 13) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant place of presentation; and
- (ii) a Business Day (as defined in Condition 5(b)(i)).

If the due date for redemption of any interest bearing Note in definitive form is not a due date for the payment of interest relating thereto, interest accrued in respect of such interest bearing Note from (and including) the last preceding due date for the payment of interest (or from (and including) the Interest Commencement Date, as the case may be) will be paid only against surrender of such interest bearing Note.

(d) Interpretation of Principal and Interest

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

- (i) any additional amounts which may be payable with respect to principal under Condition 10 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;

- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

8. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 13. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

9. Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below. The Issuer will procure that so long as any Floating Rate Note remains outstanding there shall at all times be an Agent for the purposes of such Notes. In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Agent, or failing duly to determine the Rate of Interest or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Trustee to act as such in its place. The Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid. The Issuer may, with the prior approval of the Trustee, vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts provided that it will, so long as any of the Notes is outstanding, maintain (i) a Paying Agent (which may be the Agent) having a specified office in a city approved by the Trustee in continental Europe, (ii) so long as any of the Notes are listed on any stock exchange (or any other relevant authority), a Paying Agent (which may be the Agent) having a specified office in each location required by the rules and regulations of the relevant stock exchange (or any other relevant authority) and (iii) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in sub-paragraph (ii) of the fourth paragraph of Condition 7(b). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Noteholders in accordance with Condition 19.

10. Taxation

All payments of principal and interest (if any) in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding of, or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the Withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Noteholders, Receiptholders and Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest (if any) which would have been receivable in respect of the Notes, Receipts or Coupons (as the case may be) in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by or on behalf of a holder who (a) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or

- (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by the holding of such Note, Receipt or Coupon; or
- (ii) presented for payment in the United Kingdom; or
- (iii) presented for payment more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a holder who would be 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.

For this purpose, the "relevant date" means the date on which the payment in respect of the Note, Receipt or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Agent or the Trustee on or prior to such date, the "relevant date" means the date on which, such moneys having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 19.

11. Events of Default and Enforcement relating to Ordinary Notes and Deposit Notes

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal 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 to its satisfaction), (but, in the case of the happening of any of the events mentioned in paragraphs (ii) to (vii) below (inclusive), only if the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount (as described in Condition 6(g)), together with accrued interest (if any) as provided in the Trust Deed, if any of the following events (each an "Event of Default") occurs:

- (i) there is default for seven days or more in respect of the payment of principal in respect of the Notes or any of them or for 14 days or more in respect of the payment of interest in respect of the Notes or any of them in each case when and as the same ought to be paid;
- (ii) there is default by the Issuer in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Notes, Receipts or Coupons and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and (except where the Trustee determines that such default is not capable of remedy when no such notice or continuation as is hereinafter mentioned shall be required) such default continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii)
 - (a) if any other present or future indebtedness of the Issuer or any Principal Subsidiary (as defined below) becomes due and payable prior to its stated maturity by reason of a default; or
 - (b) if any such indebtedness is not paid when due or (as the case may be) within any applicable grace period therefor as originally provided; or
 - (c) if the Issuer or any Principal Subsidiary fails to pay when due or (as the case may be) within any applicable grace period therefor as originally provided any amount payable by it under any present or future guarantee (other than any guarantee given in the ordinary course of its businesses) in respect of any indebtedness; or
 - (d) if any mortgage, charge, pledge, lien or other encumbrance present or future securing any such indebtedness or guarantee as aforesaid and created or assumed by the Issuer or any Principal Subsidiary becomes enforceable and the holder thereof takes any steps to enforce the same;

provided, however, that the aggregate principal amount of any such indebtedness shall at the time exceed £10,000,000 (or its equivalent in any other currency or currencies); or

- (iv) a distress or execution or other legal process is levied or enforced or sued out upon or against the whole or any substantial part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or
- (v) save for the occurrence of any of the following events in the case of the Issuer in connection with an amalgamation pursuant to Section 93 of the Act, a transfer of all of the Issuer's engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act, the Issuer or any Principal Subsidiary becomes insolvent or stops or threatens to stop payment of or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or an administrative or other receiver or an administrator of itself or the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceedings under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or, save as aforesaid or for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval of an Extraordinary Resolution of the Noteholders, ceases or threatens to cease to carry on its business or any substantial part of its business; or
- (vi) save:
 - (a) in the case of the Issuer, as a result of an amalgamation pursuant to Section 93 of the Act, a transfer of all of the Issuer's engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act; or
 - (b) in the case of a Principal Subsidiary, for a solvent winding up of such Principal Subsidiary pursuant to which the assets thereof attributable directly or indirectly to the Issuer are distributable to any one or more of the issuer and its other Subsidiaries; or
 - (c) in any case, for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval of an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed for the winding up or dissolution of the Issuer or any Principal Subsidiary or the authorisation or registration of the Issuer is cancelled, suspended or revoked, or notice of a decision that the Issuer's authorisation is to be revoked is duly served pursuant to Section 43 and Schedule 3 of the Act, or anything analogous or similar to any of the foregoing occurs; or
- (vii) the Issuer ceases to be a building society for the purposes of the Act or the Issuer transfers its assets or engagements save:
 - (a) as a result of an amalgamation pursuant to Section 93 of the Act, a transfer of all of the Issuer's engagements pursuant to Section 94 of the Act or a transfer of its business pursuant to Section 97 of the Act; or
 - (b) for the purposes of a reconstruction, union, transfer, merger or amalgamation effected with the consent of the Trustee or with the approval of an Extraordinary Resolution of the Noteholders; or
 - (c) as a result of an arrangement whereunder the Issuer shall cease to be a building society for the purposes of the Act the terms of which arrangement have been approved by an Extraordinary Resolution of the Noteholders.

"Principal Subsidiary" means a Subsidiary whose total assets (attributable to the Issuer) represent 10 per cent. or more of the consolidated total assets of the Issuer and the Subsidiaries taken as a whole (all as more particularly described in the Trust Deed). A report by the Auditors (as defined in the Trust Deed) that in their opinion a Subsidiary is or is not or was or was not at any particular time a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

The Trustee may at its discretion and without further notice take such proceedings as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes, Receipts and Coupons, but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least 25 per cent. in nominal amount of the Notes outstanding and (ii) it shall have been indemnified to

its satisfaction. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

12. Events of Default and Enforcement relating to Subordinated Notes

- (i) In the event of a default being made for a period of seven days or more in payment of principal in respect of the Notes or any of them or for 14 days or more in payment of any interest in respect of the 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 Notes, Receipts and Coupons, at its discretion without further notice, institute proceedings for the winding up of the Issuer, but may take no further action in respect of such default.
- (ii) The Trustee may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or the Notes (other than any obligation for the payment of any principal or interest in respect of the Notes, Receipts or Coupons) provided that the Issuer shall not by virtue of any such proceedings be obliged to pay any sum or sums representing principal or interest in respect of the Notes, Receipts or Coupons sooner than the same would otherwise have been payable by it.
- (iii) 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 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 at least 25 per cent. in principal amount of the Notes then outstanding or so directed by an Extraordinary Resolution of the Noteholders shall (subject to being indemnified to its satisfaction), give notice to the Issuer that the Notes are due and repayable immediately (and the Notes shall thereby become so due and repayable) at their Early Redemption Amount (as described in Condition 6(g)) together with accrued interest (if any) as provided in the Trust Deed.
- (iv) The Trustee shall not be bound to take any of the actions referred to above to enforce the obligations of the Issuer under the Trust Deed, 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 principal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the issuer unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure is continuing.

13. Prescription

Notes, Receipts and Coupons shall become void unless presented for payment within 10 years (in the case of Notes and Receipts) and five years (in the case of Coupons), in each case from the relevant date (as defined in Condition 10) therefor, subject to the provisions of Condition 7. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 13 or Condition 7 or any Talon which would be void pursuant to Condition 7.

14. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes for the time being outstanding so held or represented, except that, at any meeting, the business of which includes the modification of certain of these Terms and Conditions or of certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-

third, of the nominal amount of the Notes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of the terms and conditions of the Notes or any of the provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification thereof which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver or authorisation shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 19.

In connection with the exercise by it of any of its trusts, powers or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 10 and/or any undertaking given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

15. Substitution

- (i) Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to the substitution of any Successor in Business of the Issuer (as defined in the Trust Deed) or of a Subsidiary of the Issuer or any such 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 (in the case of the substitution of any company which is a Subsidiary of the Issuer or such Successor in Business) that the obligations of the Subsidiary in respect of the Trust Deed, the Notes, Receipts and Coupons shall be unconditionally and irrevocably guaranteed by the Issuer or such Successor in Business in such form as the Trustee may require and provided further that (in the case of Subordinated Notes) the obligations of such Successor in Business or Subsidiary of the Issuer or of any such Successor in Business 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.
- (ii) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Act or transfer its engagements to another building society pursuant to Section 94 of the Act or propose to transfer the whole of its business to a successor in accordance with Section 97 and other applicable provisions of the Act the successor will upon such transfer, pursuant to such provisions, forthwith automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Notes, Receipts and Coupons without any prior approval thereof being required from the Noteholders, Receiptholders, Couponholders or the Trustee provided that (in the case of Subordinated Notes), 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 have such permission under the Financial Services and Markets Act 2000 (or any statutory modification or re-enactment thereof) as will enable it to carry on the business which it will have as a result of the transfer without being taken to have contravened a requirement imposed on it by the Financial Services Authority under that Act (as so modified or re-enacted) or (2) such transfer is approved by an Extraordinary Resolution of

the Noteholders.

16. Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes ranking *pari passu* in all respects (or in all respects save for the date for, and the amount of, the first payment of interest thereon) with the outstanding Notes and so that the same shall be consolidated and form a single series with the outstanding Notes.

17. Replacement of Notes, Receipts, Coupons and Talons

If a Note (including any global Note), Receipt, Coupon or Talon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Agent in London, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 19, on payment of such costs as may be incurred therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

18. Indemnification

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

19. Notices

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

Until such time as any definitive Notes are issued, there may, so long as any global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

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

20. Contracts (Rights of Third Parties) Act 1999

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

21. Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and will be construed in accordance with, English law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Issuer for the general funding purposes of its business. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

YORKSHIRE BUILDING SOCIETY

Introduction

Yorkshire Building Society's Principal Office is Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ (telephone number: 01274 730157). The Society and its subsidiaries (the "Group") was, in terms of total assets, at 31st December, 2004 the fourth largest building society in the United Kingdom with total assets exceeding £15.03 billion.

The Society was formed in 1884 as The Bradford Self-Help Permanent Building Society. It was incorporated in England in 1885 under the Building Societies Act 1874. In 1975 it merged with the Huddersfield Building Society (incorporated in 1864) to become the Huddersfield and Bradford Building Society. The present name was adopted following a further merger with the West Yorkshire Building Society in 1982. The engagements of Haywards Heath Building Society were transferred to the Society on 31st December, 1992. On 31st December, 2001 the Gainsborough Building Society merged with the Society.

Except as otherwise stated, financial information contained herein is extracted from the audited consolidated annual accounts of the Issuer and its subsidiaries or is calculated using financial information extracted from such annual accounts.

Constitution

The Society is regulated by the Financial Services Authority and operates in accordance with the Building Societies Act 1986, as amended (the "Act") and the Society's Memorandum and Rules. It is an authorised building society within the meaning of the Act and is registered with the Financial Services Authority, register number 106085.

The affairs of the Society are conducted and managed by a Board of Directors who are elected and who serve in accordance with the Rules of the Society. The Board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises the senior executives of the Society who are responsible to the Board for the day-to-day management of the Society. Eligibility to vote at General Meetings is governed by the Act and the Rules of the Society.

No individual member is entitled to more than one vote on any resolution proposed at a General Meeting.

BOARD OF DIRECTORS

The Directors of the Society and their responsibilities within the Society, their business occupations outside the Society (if any), their other directorships, their dates of birth and the dates that they were appointed as directors, as of the date hereof, are as set out below:

<i>Directors</i>	<i>Date of birth</i>	<i>Business Occupation</i>	<i>Other Directorships</i>	<i>Date of appointment as Director</i>
Edmund John Seward Anderson, B.Sc, CPFA	22 nd Dec, 1950	Company Director	Airport Operators Association Ltd Leeds Bradford International Airport Ltd Leeds Chamber of Commerce and Industry St. Gemma's Hospice	19 th May, 2003
Ms Julie Margaret Baddeley, MA	21 st March, 1951	Associate Fellow Templeton College, Oxford	ART VPS Ltd BOC Group PLC Eifland Ltd Chrysalis A VCT Plc Chrysalis B VCT Plc Chrysalis C VCT Plc Chrysalis VCT Plc	2 nd Nov, 2001

Frank Blair Beckett, CA	30 th Oct. 1941	Chartered Accountant (retired) and Company Director	Yorkshire Investment Services Ltd Harrogate Golf Club Ltd Paperworks (Harrogate) Ltd	27 th July, 2000
Ms Mary Colette Bowe, B.Sc, M.Sc, PhD	27 th Nov, 1946	Company Director	Alcohol Concern Camden People's Theatre Framlington Investment Management Ltd National Institute for Economic and Social Research Thames Water Utilities Ltd	19 th May, 2003
Andrew Mark Caton, BA	27 th July, 1963	Corporate Development Director	Accord Mortgages Ltd Yorksafes Insurance Company Ltd Yorkshire Guernsey Ltd Yorkshire Investment Services Ltd Yorkshire (YBS) Finance B.V. YBS Investments (No. 1) Ltd YBS Investments (No. 2) Ltd	1 st July, 2004
Iain Charles Andrew Cornish, B.Sc	11 th Nov, 1960	Chief Executive	Accord Mortgages Ltd Yorksafes Insurance Company Ltd Yorkshire Guernsey Ltd Yorkshire Investment Services Ltd Yorkshire Key Services Ltd Yorkshire Key Services (No. 2) Ltd	1 st July, 2003
Andrew Thomas Gosling, MA, FCA	1 st June, 1955	Finance Director	YBS Investments (No. 1) Ltd YBS Investments (No. 2) Ltd YBS Properties Ltd YBS Properties (Edinburgh) Ltd YBS Properties (York) Ltd Yorksafes Insurance Company Ltd Yorkshire Building Society Estate Agents Ltd Yorkshire Computer Services Ltd Yorkshire Guernsey Ltd Yorkshire Investment Services Ltd	1 st May, 2001
Robert Bruce Jackson, BA, MBA, FCIB	5 th June, 1951	Operations Director	Yorkshire Computer Services Ltd Yorkshire Key Services Ltd Yorkshire Key Services (No. 2) Ltd Yorkshire Syndications Ltd MutualPlus Ltd	1 st May, 1996
Paul Anthony Lee, MA, LL.B	26 th Jan, 1946	Solicitor	AB & C Secretarial Ltd Addleshaw Sons & Latham Barlows Plc	22 nd May, 1998

			<p>Chepstow Trustee Ltd</p> <p>Exchange Productions Ltd</p> <p>Hopkins & Jones Ltd</p> <p>Ihoco Formations Ltd</p> <p>j4b plc</p> <p>Leaf Properties Ltd</p> <p>Royal Exchange Theatre Catering Ltd</p> <p>Royal Exchange Theatre Company Ltd</p> <p>Royal Exchange Theatre Trustees Ltd</p>	
Christopher Julian Sheridan, FCIB, MSI	18 th Feb, 1943	Company Director	<p>Alpha Bank London Ltd</p> <p>Francis Holland (Church of England) Schools Trust Ltd</p> <p>Hanover Acceptances Ltd</p> <p>Minerva plc</p> <p>Sports Road Holdings Ltd</p> <p>Standard Bank London Ltd</p>	27 th June, 1995
Dame Susan Myfanwy Tinson, DBE, BA	15 th Jan, 1943	Media Consultant	<p>Carlton Broadcasting Ltd</p> <p>Chime Communications Plc</p> <p>LWT Holdings Ltd</p> <p>St. Ives Plc</p>	1 st July, 1999
John Grenville Bernard Watson, OBE (retired 31 st Dec 2004)	21 st Feb, 1943	Company Director	<p>Bay Horse Marketing Services Ltd</p> <p>Bradford Breakthrough Ltd</p> <p>Young Enterprise UK Ltd</p> <p>Young Enterprise Yorkshire and Humber Ltd</p>	27 th June, 1995

The business address of the Society's Directors is at 1 The Embankment, Neville Street, Leeds LS1 4DW

Management

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

I. C. A. Cornish B.Sc	<i>Chief Executive</i>
A. M. Caton, BA	<i>Corporate Development Director</i>
A. T. Gosling, MA, FCA	<i>Finance Director</i>
R. B. Jackson, BA, MBA, FCIB	<i>Operations Director</i>
I. J. Bullock, B.Sc, FIA	<i>General Manager Product Development I</i>
D. J. Davies, BEng, CEng, MIMechE,	<i>General Manager Resources</i>

There exist no potential conflicts of interest between (i) any duties owed to the Issuer by any member of the Board of Directors or any of the senior executives listed above and (ii) their private interests and/or other duties.

Business of the Society

The principal purpose of the Society is making loans which are secured on residential properties and are funded substantially by its members. The other purposes and powers of the Society are

specified in its Memorandum.

Group Income

The total Interest Receivable for the year ended 31st December, 2004 amounted to £690.7million. The Net Interest Receivable was £143.1 million and Other Income (primarily from Commission Receivable) was £38.0 million giving a total of £181.1 million. After deducting administrative expenses, depreciation, amortisation and provisions, the pre-tax profit was £73.4 million. Profit on ordinary activities before tax for the four month period ended 30th April, 2005 was £25.319 million, as against £23.753 million for the four month period ended 30th April, 2004 (*Source*: unaudited management accounts).

Group Lending

Group Lending can be summarised as follows:

	2004	2003	2002
	£'000	£'000	£'000
Average balance outstanding	11,017,166	10,491,123	9,844,260
Interest earned	545,864	501,263	521,846
Average yield (%)	5.0	4.8	5.3

The rates of interest charged to the majority of borrowers are variable at the discretion of the Society. Where the amount of an advance exceeds 75 per cent. of the value of the property, the Society obtains insurance cover in relation to this excess amount through its offshore captive insurance company, Yorksafe Insurance Company Ltd.

Mortgage Losses

The following table shows for the two years ended 31st December, 2003 and 2004 charges for provisions for losses on loans and advances to customers for the year as a percentage of mortgage loans, (both principal and accumulated interest) net of provisions:

	<i>Year ended 31st December,</i>	
	<i>Charge for provisions for losses on loans and advances to customers as a percentage of Mortgages Balances</i>	<i>Mortgages Balances at end of year £'000</i>
2003	0.0124	10,808,424
2004	(0.0042)	11,225,908

Liquidity

Building societies are required to hold a proportion of their assets in a readily realisable form. At 31st December, 2004 the Group held cash and authorised investments of £3,583.9 million, being 25.6 per cent. of total shares and borrowings.

The types of investment in which building societies may invest funds are laid down in rules and guidance issued by the Financial Services Authority.

Group Reserves

At the end of 2004 and 2003 the gross and free capital ratios of the Society for the purposes of the Building Societies (Accounts and Related Provisions) Regulations 1998 were as follows:

	<i>31st December,</i>	
	2004	2003
Gross capital as a percentage of shares and borrowings	6.7	6.5
Free capital as a percentage of shares and borrowings	6.1	5.9

Gross capital represents the Group's general reserve (£832 million at the end of 2004) plus the existing subordinated debt of £100 million (excluding accrued interest) and free capital represents the gross capital less the book value of fixed assets plus the general loss provision.

Funding Activities

Savings from the personal sector are the primary source of funds for the building society

industry. However, since 1981 societies have been permitted to raise funds from the wholesale money markets, principally in the form of certificates of deposit, time deposits, loans from banks and note issues.

The proportion of shares and borrowings not in the form of shares held by individuals (the "Funding Limit") at 31st December, 2004 was 31.1 per cent. compared with the statutory limit of 50 per cent.

The Funding Limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are as laid down under the Building Societies Act 1986 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.

The wholesale funding of the Group at 31st December, 2004 and 2003 was:

	31 st December,	
	2004	2003
	£m	£m
Amounts owed to credit institutions	185.9	321.8
Certificates of Deposit	260.7	262.4
Commercial Paper	534.2	333.4
Fixed and Floating Rate Notes	1,887.7	2,024.2
Other Deposits	584.7	642.0
	<u>3,453.2</u>	<u>3,583.8</u>

The funding of the Group from retail sources was:

	31 st December,	
	2004	2003
	£m	£m
Shares	9,631.1	8,972.8
Deposits	891.2	884.8
	<u>10,522.3</u>	<u>9,857.6</u>

The Rules of the Society provide that the Board may limit the amount which may be withdrawn from the Society in respect of any shares. Higher rates of interest are generally paid for larger investments in tiered or fixed rate accounts especially where there are restrictions against early withdrawal. Investing shareholders and borrowers automatically become members of the Society and such membership ceases on withdrawal in full of funds by investing shareholders or redemption of all loans by borrowers. Depositors do not become members of the Society on making deposits.

Other Activities

Building societies may, subject to the approval of their members (by special resolution of investing members and ordinary resolution of borrowing members) and the Financial Services Authority, transfer their business to companies incorporated under the Companies Act 1985 in a procedure commonly referred to as "conversion".

The Society's corporate strategy includes a commitment to its existing status as a mutual building society run for the benefit of its current and future members. The Society believes that its strong capital position and excellent cost efficiency are key factors in fulfilling this objective. The Society aims to generate additional benefits for members in terms of security, products and quality of service.

As part of its decision to retain its building society status, the Society has chosen to focus on its core businesses, providing residential mortgages, deposit based savings and closely related services including insurance. The Society purposely maintains a relatively low net interest margin by offering attractive rates to its borrowing and investing members. Competitive product pricing reinforces the Society's objective of continuing to grow its assets at a faster rate than its costs. Whilst capital ratios are projected to decline, the Society's historically strong capital position will ensure that this is a manageable process. Security will continue to be assured by the maintenance of strong levels of reserves and the avoidance of high risk business plans.

During 1998 the Society announced the establishment of a Charitable Foundation. Since the date of its establishment, new members of the Society have to agree for a period of five years from commencement of their Membership to assign to the Foundation their rights to any windfall benefits arising from a conversion to plc status. Members retain their full rights to vote on any conversion resolution during the five year assignment period.

Aside from its core activities, the Society operates the following key subsidiary companies.

Yorkshire Guernsey Limited is an offshore deposit taking company. The Society was the first building society to launch an off-shore operation in Guernsey, specifically to offer gross interest accounts to investors.

The Society's domestic mortgage indemnity captive insurance company, Yorksafe Insurance Company Ltd, is also based in Guernsey.

The Society's business to business subsidiary Yorkshire Key Services Ltd (YKS) was established during 2001 to sell the Society's systems platform.

Yorkshire Investment Services Ltd was established in 2001 taking advantage of the Society's treasury infrastructure and capital strength to invest in structured assets.

Accord Mortgages Ltd was established in 2003, to deal with borrowers introduced through financial intermediaries and mortgage brokers. It is now well established as a significant force in the intermediary market.

The Society is a member of LINK Interchange Network Limited ("LINK") providing 24-hour service through Automated Teller Machines ("ATMs") in the United Kingdom.

CAPITALISATION AND INDEBTEDNESS

The following table is a summary of the Society's consolidated shareholders' funds and indebtedness as shown in the audited Group balance sheet as at 31st December, 2004:

	<i>Audited</i> 31 st December, 2004 £m
Shareholders' Funds:	
Share Accounts	9,631.1
General Reserve	832.0
Total Shareholders' Funds	10,463.1
Subordinated Indebtedness	100.0
Deposits	891.2
Other Indebtedness:	
Amounts owed to credit institutions	185.9
Certificates of Deposit	260.7
Commercial Paper	534.2
Fixed and Floating Rate Notes	1,887.7
Other Deposits	584.7
Total Other indebtedness	3,453.2
Total Capitalisation and Indebtedness ⁽¹⁾⁽²⁾	14,907.5

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Act 1985, 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. Holders of investment shares may withdraw funds from their share accounts subject to the Rules of the Society and the terms upon which their shares are issued. Depositors with and lenders to the Society are not members and accordingly have no voting rights.

Notes:

- (1) As at the 31st December, 2004, the Society had no material contingent liabilities or guarantees other than guarantees entered into in support of subsidiaries acting in the ordinary course of business in circumstances in which, had the Society been the party to the contract, the Society would have assumed those liabilities direct. There has been no material change in such contingent liabilities and guarantees since 31st December, 2004.
- (2) As at 31st December, 2004 all capitalisation, guarantees, contingent liabilities and indebtedness was unguaranteed and unsecured.
- (3) As at 30th April, 2005 (i) Certificates of Deposit, Commercial Paper and Fixed and Floating Rate Notes in issue together totalled £3,173million, (ii) Amounts owed to credit institutions totalled £494 million, (iii) Other Deposits totalled £545 million and (iv) Subordinated indebtedness totalled £100 million (figures extracted from the unaudited financial statements of the Issuer dated 30th April, 2005). All of such capitalisation and indebtedness was unguaranteed and unsecured.
- (4) Save as disclosed in Note (3) above, there have been no material changes in the Society's consolidated shareholders' funds, capitalisation and indebtedness, contingent liabilities and guarantees since 31st December, 2004.

FINANCIAL INFORMATION

The following financial information relating to the Group has been extracted, without material adjustment, from the audited Group balance sheet for the years ended 31st December, 2003 and 2004.

Group income and expenditure account

	<i>For the year ended 31st December,</i>	
	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>
Interest receivable and similar income	690.7	561.7
Interest payable and similar charges	(547.6)	(423.6)
Net interest receivable	143.1	138.1
Income from investments	—	—
Fees and commissions receivable	40.9	39.5
Fees and commissions payable	(15.6)	(13.5)
Other operating income	12.7	11.8
	181.1	175.9
Administrative expenses	(93.7)	(87.9)
Depreciation and amortisation	(11.5)	(11.7)
	75.9	76.3
Provisions	(2.5)	(6.6)
Net gain arising from disposal of fixed asset investments	-	1.9
Profit on ordinary activities before tax	73.4	71.6
Tax on profit on ordinary activities	(20.2)	(19.0)
Profit for the Financial Year	53.2	52.6

FINANCIAL INFORMATION

Group balance sheet

	<i>As at 31st December,</i>	
	2004	2003
	<i>£m</i>	<i>£m</i>
ASSETS		
Liquid assets		
Cash in hand and balances with the Bank of England	14.6	14.8
Loans and advances to credit institutions	440.3	383.1
Debt securities	3,129.0	3,027.7
Other liquid assets	—	—
Loans and advances to customers		
Loans fully secured on residential property	11,215.9	10,795.3
Other loans	10.0	13.1
Investments		
Investments in subsidiary undertakings	0.1	0.1
Tangible fixed assets	100.9	96.3
Other assets	11.3	7.9
Prepayments and accrued income	111.7	98.2
Total assets	15,033.8	14,436.5
LIABILITIES		
Shares	9,631.1	8,972.8
Amounts owed to credit institutions	185.9	321.8
Amounts owed to other customers	1,475.9	1,526.8
Debt securities in issue	2,682.6	2,620.0
Other liabilities	70.9	60.2
Accruals and deferred income	41.2	47.5
Provisions for liabilities and charges	14.2	8.6
Subordinated liabilities	100.0	100.0
	14,201.8	13,657.7
Reserves		
General reserve	832.0	778.8
Total liabilities	15,033.8	14,436.5

UNITED KINGDOM TAXATION

The following applies only to persons who are beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers) to whom special rules may apply. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

A. Interest on the Notes

1. *Payment of interest on the Ordinary Notes and Subordinated Notes*

Payments of interest on the Ordinary Notes and Subordinated Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided such Notes are, and continue to be, listed on a "recognised stock exchange" as defined in section 841 of the Income and Corporation Taxes Act 1988 (the "Act"). The London Stock Exchange is a recognised stock exchange. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom and the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest at the time the payment is made, provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in section 349B of the Act will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In all other cases, interest on Ordinary Notes or Subordinated Notes will generally be paid under deduction of income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty between the United Kingdom and the country of residence of the holder of the Note.

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. The Inland Revenue also has power to obtain information from any person in the United Kingdom who pays amounts payable on redemption of Notes which are relevant discounted securities for the purposes of the Finance Act 1996 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions. Such information should not be regulated in respect of payments in respect of Deposit Notes which are certificates of deposit within the meaning given by section 56(5) of the Act.

2. *Payment of interest on the Deposit Notes*

The Deposit Notes will be "qualifying certificate of deposit" within the meaning of section 349(4) of the Act. As long as they constitute "qualifying certificates of deposit", interest on the Deposit Notes will be paid without deduction or withholding on account of United Kingdom income tax.

B. Further United Kingdom Income Tax Issues

Interest on the Notes constitutes United Kingdom source income for United Kingdom tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United

Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for some Noteholders.

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated Programme Agreement (the "Amended and Restated Programme Agreement") dated 25th May, 2005, (the "Programme Agreement") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under "Terms and Conditions of the Notes" and "Form of the Notes" above. The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Notes. In the Amended and Restated Programme Agreement the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment of the Programme and the issue of the Notes. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Notes under the Amended and Restated Programme Agreement in certain circumstances prior to payment to the Issuer.

(a) United States

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

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

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

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

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

(b) European Economic Area

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, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes 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 Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

- (b) 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;
- (c) 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 turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 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.

(c) United Kingdom

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

- (a) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List during the period up to but excluding the Implementation Date, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the “FSMA”) except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
- (b) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List during the period up to but excluding the Implementation Date, it has not offered or sold and will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and
- (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

(d) Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Laws and any other applicable laws and regulations of Japan.

(e) Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes have not been and will not be during the period up to but excluding the date on which the Prospectus Directive is implemented in Germany, offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (Wertpapierverkaufsprospektgesetz) of 13th December, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

(f) The Netherlands

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

(g) General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief having made all reasonable enquiries) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor. Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of issuance and purchase and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Listing

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The listing of the Programme in respect of Notes issued prior to the Implementation Date is expected to be granted on or before 1st June, 2005. Application will also be made on or before the Implementation Date to the UK Listing Authority for Notes issued under the Programme on or after the Implementation Date and up to the expiry of 12 months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Income Market.

Authorisation

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 20th April, 1993. The increase in the aggregate outstanding amount of the Programme to £750,000,000 was authorised by a resolution of the Board of Directors of the Issuer passed on 26th July, 1994. The further increase in the aggregate outstanding amount to £1,000,000,000 was authorised by a resolution of the Board of Directors passed on 24th September, 1996. The further increase in the aggregate outstanding amount to £1,500,000,000 was authorised by a resolution of the Board of Directors passed on 22nd September, 1998. The further increase in the aggregate outstanding amount to £3,000,000,000 was authorised by a resolution of the Board of Directors passed on 20th March, 2001. The further increase in the aggregate outstanding amount to £5,000,000,000 was authorised by a resolution of the Board of Directors passed on 22nd March, 2005.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN allocated by Euroclear and Clearstream, Luxembourg in respect of each Tranche of Notes will be specified in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than two days after the date of the transaction. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

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

Conditions for determining price

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

Auditors

The consolidated accounts of the Issuer for the three years ended 31st December, 2004 have been audited, without qualification, in accordance with U.K. Auditing Standards issued by the Auditing Practices Board, by KPMG Audit Plc, Chartered Accountants, of 1 The Embankment, Neville Street, Leeds LS1 4DW. The auditors of the Issuer have no material interest in the Issuer.

The reports of the auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Prospectus.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since 31st December, 2004, being the date of the last published audited accounts.

Litigation

Neither the Issuer nor any of its subsidiaries is or has been involved in nor are there any governmental legal or arbitration proceedings pending or threatened of which the Issuer is aware which may have or have had during the previous 12 months a significant effect on the Issuer's

financial position or that of the Issuer and its subsidiaries taken as a whole.

Documents Available

From the date hereof throughout the duration of the Programme, and while any Notes remain outstanding, copies of the following documents will, when published, be available at the registered chief office of the Issuer and from the specified office in London of the Agent:

- (i) the Memorandum and the Rules of the Issuer and the Act;
- (ii) the audited consolidated annual accounts of the Issuer and its subsidiaries for each of the years ended 31st December, 2003 and 2004, together with any audit or review reports prepared in connection therewith;
- (iii) the most recently available audited consolidated annual accounts of the Issuer and its subsidiaries, together with any audit or review reports prepared in connection therewith;
- (iv) the Programme Agreement, the Trust Deed (which contains the forms of the temporary and permanent global Notes, and the definitive Notes, the Receipts, the Talons and the Coupons) and the Agency Agreement (which contains the form of the Final Terms) and all amendments and supplements thereto and restatements thereof;
- (v) this Prospectus;
- (vi) any future prospectuses, offering circulars, information memoranda and supplements (including Final Terms, but, prior to the Implementation Date, excluding Final Terms relating to Notes not admitted to the Official List and save that, prior to the Implementation Date, a Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity to this Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Certificates and Reports of the Auditors

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

Post-issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

REGISTERED AND HEAD OFFICE OF THE ISSUER

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The Royal Bank of Scotland plc
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