



With you one hundred percent

## Yorkshire Building Society

(Incorporated in England under the Building Societies Act 1986)

**£2,000,000,000**

### Note Programme

**for the issue of Ordinary Notes, Deposit Notes, Certificates of Deposit and Commercial Paper Notes**

**Guaranteed by the United Kingdom in respect of issues for which an Eligibility Certificate has been issued**

Pursuant to the Programme Yorkshire Building Society (the **Issuer** (which expression and the expression **Society** shall include any successor or substitute (see Condition 13)) may from time to time issue in one or more Tranches (as defined herein) of Notes (the **Notes**, which expression shall include Ordinary Notes and Deposit Notes (each as defined in the Trust Deed (as defined herein)), Commercial Paper Notes (as defined in the Deed of Covenant (as defined herein)) and Certificates of Deposit (as defined in the CD Agency Agreement (as defined herein))). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £2,000,000,000 (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, Canadian Dollars, Australian Dollars, Swiss Francs or such other currency or currencies (if any) as may be allowed under the 2008 Credit Guarantee Scheme (the **Scheme**), (ii) be issued at par or at a premium or discount to par and/or (iii) bear interest at a fixed or floating rate or be issued on a non-interest bearing fully-discounted basis.

The Notes may be issued from time to time to one or more of the Dealers appointed under the Programme from time to time (each a **Dealer** and together the **Dealers**).

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

The Commissioners of Her Majesty's Treasury (HM Treasury) will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under the Notes. HM Treasury's obligations in that respect are contained in a Deed of Guarantee (the **Guarantee**) dated 13 October 2008 as supplemented on 20 October 2008, the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk). Any demand under the Guarantee must be made in writing and in the form attached to the Rules of the Scheme. The purpose of this document is to give information with respect to the issue of Notes. Applications may be made for Notes to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the official list of the UK Listing Authority (the **Official List**).

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

References in this Information Memorandum to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Regulated Market and have been admitted to the Official List. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

*References in this Information Memorandum to Notes shall mean Notes for which an Eligibility Certificate (as defined herein) has been issued.*

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 in the case of Ordinary Notes and Deposit Notes, be set forth in a final terms document (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.

The Programme provides that Ordinary Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer 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) (as the case may be) that Notes may be issued in a form not contemplated by the "*Terms and Conditions of the Ordinary Notes and Deposit Notes*" herein in which event a supplemental Information Memorandum, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Ordinary Notes and Deposit Notes of each Tranche will initially be represented by a temporary global Note 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 Ordinary Notes and Deposit Notes*" below, in respect of Ordinary Notes and Deposit Notes, 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). In respect of Commercial Paper Notes, the Notes of each Tranche will be represented by a global Note. As further described in "*Forms of Commercial Paper Notes*" the global Note will be exchangeable for definitive Notes in limited circumstances.

This Information Memorandum comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the **FSMA**), a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, nor listing particulars given in compliance with the listing rules made under Part VI of the FSMA by the UK Listing Authority.

**Arranger**  
**HSBC**

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

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

Neither the Arranger, the Dealers nor the Trustee have separately verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Information Memorandum, 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 Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Arranger, the Dealers or the Trustee.

None of this Information Memorandum 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 Arranger, the Dealers or the Trustee that any recipient of this Information Memorandum 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.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Notes shall 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 Arranger, 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 or to advise any investor in the Notes of any information coming to their attention.

This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Information Memorandum and the offer, distribution or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, Arranger, 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, Arranger, the Dealers or the Trustee which is intended to permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Information Memorandum 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 Arranger and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in the United States, the United Kingdom and Japan (see “*Subscription and Sale*”).

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 Information Memorandum, 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, 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, references to CAD and Canadian Dollars are to Canadian dollars, references to AUD and Australian Dollars are to Australian dollars and references to CHF and Swiss Francs are to Switzerland Francs.

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

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## DESCRIPTION OF THE PROGRAMME

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Ordinary Notes and Deposit Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions.*

*Words and expressions defined in “Form of the Ordinary Notes and Deposit Notes”, “Terms and Conditions of the Ordinary Notes and Deposit Notes” and “Forms of Commercial Paper Notes” below shall have the same meanings in this description (as appropriate to the type of Notes being described).*

<b>Issuer:</b>	Yorkshire Building Society
<b>Guarantor:</b>	HM Treasury
<b>Guarantee:</b>	HM Treasury will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under the Notes. In respect of Ordinary Notes and Deposit Notes, the Trustee on behalf of the holders of the Notes will be the beneficiary of the Guarantee. In respect of Commercial Paper Notes and Certificates of Deposit, the holders of the Notes will be the beneficiary of the Guarantee.
<b>Arranger:</b>	HSBC Bank plc
<b>Dealers:</b>	Any Dealers appointed in accordance with the Programme Agreement.
<b>Amount:</b>	Up to £2,000,000,000 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.
<b>Currencies:</b>	Euro, U.S. Dollars, Sterling, Yen, Canadian Dollars, Australian Dollars, Swiss Francs or such other currency or currencies (if any) as may be allowed under the Scheme subject to any applicable legal or regulatory restrictions. References to other currencies in Terms and Conditions of the Ordinary Notes and Deposit Notes and “Forms of Commercial Paper Notes” shall have no application until such currency is allowed under the Scheme.
<b>Certain Restrictions:</b>	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 “ <i>Subscription and Sale</i> ”).
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Selling Restrictions:</b>	There are selling restrictions in relation to the United States, 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 “ <i>Subscription and Sale</i> ”).

## ORDINARY NOTES AND DEPOSIT NOTES

References in this section to “the Notes” are references to Ordinary Notes and Deposit Notes.

- Trustee:** BNY Corporate Trustee Services Limited
- Agent and Paying Agent:** The Bank of New York Mellon
- 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 Information Memorandum, the maturity of all Notes is subject to a minimum maturity of one month and a maximum maturity of three years, save that (i) the scheduled maturity must fall before 9 April 2014 (or such later date as HM Treasury may determine in its discretion) and (ii) in the event that the Scheme is amended such that the maximum permitted maturity for Notes is greater than three years, 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.
- Form:** The Notes will be issued in bearer form. Each Tranche of Notes will initially be represented by a temporary global Note 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 Ordinary Notes and Deposit 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.
- The Issuer may issue Notes in new global note (NGN) form.
- 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 2006 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).

**Zero Coupon Notes:**

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

**Redemption:**

Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default).

**Denominations of Notes:**

The Notes will be issued in 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 (ii) in the case of Deposit Notes, the minimum denomination will be £50,000 (or its equivalent in any other currency).

**Taxation:**

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of United Kingdom taxes, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as necessary so that the Noteholders receive the amount they would have received in the absence of such withholding or deduction subject to certain exceptions as are described in Condition 9.

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

<b>Status of the Notes:</b>	The Notes will be direct, unconditional and (subject to the provisions of Condition 3) 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.
<b>Cross Default and Cross Acceleration:</b>	None.
<b>Negative Pledge:</b>	The Notes will contain a negative pledge provision as more fully described in Condition 3.
<b>Listing and admission to trading:</b>	Applications may be made for Ordinary Notes and Deposit Notes to be admitted to trading on the London Stock Exchange and to be listed on the Official List.
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

## COMMERCIAL PAPER NOTES

References in this section to “the Notes” are references to Commercial Paper Notes.

<b>Issue and Paying Agent:</b>	The Bank of New York Mellon
<b>Form of the Notes:</b>	The Notes will be in bearer form. The Notes will initially be in global form. A Global Note will be exchangeable into definitive notes only in the circumstances set out in that Global Note.
<b>Delivery:</b>	Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with any other recognised clearing system. Account holders will, in respect of Global Notes, have the benefit of a Deed of Covenant dated 28 January 2009 (the <b>Deed of Covenant</b> ), copies of which may be inspected during normal business hours at the specified office of the Issuer and Issue and Paying Agent. Definitive Notes (if any are printed) will be available in London for collection or for delivery to Euroclear, Clearstream, Luxembourg or any other recognised clearing system.
<b>Term of Notes:</b>	The tenor of the Notes shall be not less than one day or more than 364 days from and including the date of issue, subject to compliance with any applicable legal and regulatory requirements save that (i) the scheduled maturity must fall before 9 April 2014 (or such later date as HM Treasury may determine in its discretion) 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.
<b>Denomination of the Notes:</b>	Notes may have any denomination, subject to compliance with any applicable legal and regulatory requirements. The initial minimum denominations for Notes are US\$500,000, €500,000, £50,000, ¥100,000,000, CAD500,000, AUD500,000 and CHF500,000. The minimum denominations of Notes denominated in other currencies will be in accordance with any applicable legal and regulatory requirements. Minimum denominations may be changed from time to time, but shall, in no circumstances, be less than £50,000 or its equivalent in other currencies.
<b>Listing:</b>	The Notes will not be listed on any stock exchange.
<b>Yield Basis:</b>	The Notes may be issued at a discount or may bear fixed or floating rate interest.
<b>Redemption:</b>	The Notes will be redeemed at par.
<b>Status of the Notes:</b>	The Issuer’s obligations under the Notes will rank at least <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Issuer other than obligations mandatorily preferred by law applying to building societies generally.
<b>Taxation:</b>	Subject to the limitations and exceptions set out in the Notes, all payments under the Notes will be made free and clear of withholding for any taxes imposed by the United Kingdom. In that event, the Issuer will pay such additional amounts as necessary so that the Noteholders receive the amount they would have received in the absence of such withholding or

deduction subject to certain exceptions as are described in the Forms of Commercial Paper Notes. However, in the event that any payment made by HM Treasury in respect of the Guarantee is made subject to deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by HM Treasury, the Issuer, any Paying Agent or any other person in respect of such deduction or withholding.

**Governing Law:**

The Notes and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.

## CERTIFICATES OF DEPOSIT

*References in this section to “the Notes” are references to Certificates of Deposit.*

<b>Issue and Paying Agent:</b>	The Bank of New York Mellon
<b>Form of the Notes:</b>	The Notes will be in uncertificated form.
<b>Delivery:</b>	The Notes will be created in CREST. Account holders will, in respect of the Notes, have the benefit of an Issuing and Paying Agency Agreement dated 21 December 2005 (the <b>CD Agency Agreement</b> ) copies of which may be inspected during normal business hours at the specified office of the Issuer and the Issue and Paying Agent.
<b>Term of Notes:</b>	As agreed between the Issuer and the relevant investor, subject to, as at the date of this Information Memorandum, a maximum maturity of three years and compliance with any applicable legal and regulatory requirements save that (i) the scheduled maturity must fall before 9 April 2014 (or such later date as HM Treasury may determine in its discretion) and (ii) in the event that the Scheme is amended such that the maximum permitted maturity for Notes is greater than three years, 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.
<b>Denomination of the Notes:</b>	Notes may have any denomination, subject to compliance with any applicable legal and regulatory requirements. The initial minimum denominations for Notes are US\$500,000, €500,000, £50,000, ¥100,000,000, CAD500,000, AUD500,000 and CHF500,000. The minimum denominations of Notes denominated in other currencies will be in accordance with any applicable legal and regulatory requirements. Minimum denominations may be changed from time to time, but shall, in no circumstances, be less than £50,000 or its equivalent in other currencies.
<b>Listing:</b>	The Notes will not be listed on any stock exchange.
<b>Yield Basis:</b>	The Notes may be issued at a discount or may bear fixed or floating rate interest.
<b>Redemption:</b>	The Notes will be redeemed at par.
<b>Status of the Notes:</b>	The Issuer’s obligations under the Notes will rank at least pari passu with all present and future unsecured and unsubordinated obligations of the Issuer other than obligations mandatorily preferred by law applying to building societies generally.
<b>Taxes:</b>	Subject to the limitations and exceptions set out in the Notes, all payments under the Notes will be made free and clear of withholding for any taxes imposed by the United Kingdom. In that event, the Issuer will pay such additional amounts as necessary so that the Noteholders receive the amount they would have received in the absence of such withholding or deduction subject to certain exceptions. However, in the event that any payment made by HM Treasury in respect of the Guarantee is made subject to deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by HM Treasury, the Issuer, the Issue and Paying Agent or any other person in respect of such deduction or withholding.
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.

## RISK FACTORS

*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. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.*

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

#### ***Banking (Special Provisions) Act 2008***

Under the Banking (Special Provisions) Act 2008 (the **BSP Act**), the UK Treasury may, in the circumstances described below, until 21 February 2009 make an order relating to, amongst other things, the transfer of securities (which may include Notes) issued by, or of the property, assets or liabilities belonging to, a UK-incorporated bank or building society which would include the Issuer, either into public ownership or to another body in the private sector. An order under the BSP Act in relation to the Issuer could be severely prejudicial to the interests of creditors of the Issuer (including Noteholders) and creditors of other companies in the same group as the Issuer. Orders may make provision to deal with a wide range of matters, for example, to alter the terms of the relevant securities, to discontinue the listing of the relevant securities, to disapply a statutory provision or rule of law, or to impose a moratorium on the commencement or continuation of any legal process, such as winding up proceedings. The provisions of an order may have retrospective effect.

The BSP Act provides that the UK Treasury may exercise its power to make an initial order in relation to the transfer of securities or property, assets and liabilities if it appears desirable to do so for the purposes of (a) maintaining the stability of the UK financial system in circumstances where the UK Treasury considers that there would be a serious threat to its stability if the order were not made, and/or (b) protecting the public interest in circumstances where financial assistance has been provided by the UK Treasury to the relevant UK-incorporated bank or building society for the purpose of maintaining the stability of the UK financial system.

The Banking Bill (the **Bill**) was introduced in the House of Commons on 7 October 2008. The Bill includes (amongst other things) provision for a new special resolution regime intended to extend the range of tools available to UK authorities to deal with the failure (or likely failure) of a UK bank or building society. We understand that the Bill will form the basis of the permanent regime to be put into place on or about the expiration of the BSP Act in February 2009. The Bill is not in final form and it is likely that changes will be made to it in the course of the corresponding parliamentary debate. As such, it is too early to anticipate the full impact of the Bill and there can be no assurance that Noteholders will not be adversely affected by any action taken under it, once it is finalised and implemented.

#### ***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 Information Memorandum 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, 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 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.

***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 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.

***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 Ordinary Notes and Deposit 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 Ordinary Notes and Deposit Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) (subject to the prior written consent of HM Treasury having been obtained by the Issuer) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the terms and conditions of Ordinary Notes and Deposit 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 Ordinary Notes and Deposit Notes in place of the Issuer, in the circumstances described in Condition 13.

*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*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 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 or to certain limited types of entities established in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead 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). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not 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 Information Memorandum. 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 Information Memorandum.

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

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

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

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

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

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be 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 (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) 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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## CONSEQUENCES OF THE BUILDING SOCIETIES ACT 1986 FOR NOTEHOLDERS

The Building Societies Act 1986 (the Act) includes provisions under which a building society may transfer the whole of its business to a company. At present, the claims of depositors and other unsubordinated creditors of the Issuer would rank ahead of share accounts and the members' rights to any surplus in the event of a liquidation of the Issuer and the claims of subordinated creditors of the Issuer would rank behind share accounts but ahead of members' rights to any surplus in the event of a liquidation of the Issuer. If, however, the Issuer transfers its business to a specially formed company or an existing company (as defined in the Act), all the liabilities of the Issuer which immediately prior thereto were classified as share accounts will thereafter rank at least *pari passu* with all other unsecured and unsubordinated liabilities of the Issuer.

Following a transfer of business to a company by the Issuer the obligations under the Notes will rank (a) in priority to both the rights of the holders of the equity share capital in the company to any repayment of capital or surplus on a liquidation and any obligations of the company (whether or not created prior to such transfer) expressed to rank junior to such Notes, (b) equally with other unsecured and unsubordinated creditors (including inter-bank lenders and retail depositors) and (c) behind any statutorily preferential creditors.

## **DOCUMENTS INCORPORATED BY REFERENCE**

A supplement to this Information Memorandum may be prepared by the Issuer as provided below. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Information Memorandum or in a document which is incorporated by reference in this Information Memorandum. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Information Memorandum.

Copies of documents incorporated by reference in this Information Memorandum can be obtained from the registered office of the Issuer at Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ and from the specified offices of the Paying Agents for the time being in London.

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

## FORM OF THE ORDINARY NOTES AND DEPOSIT NOTES

References to “Notes” in this section shall be construed as references to Ordinary Notes and Deposit Notes.

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global Note without interest coupons or talons, which will:

- (i) if the global Notes are intended to be issued in new global Note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or
- (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche 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 if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations 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 Ordinary Notes and Deposit Notes*” to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits except in relation to Notes issued in NGN form, 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 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 relating to Ordinary Notes and Deposit Notes, 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 if the permanent global Note is not intended to be issued in NGN form) 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, 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. Notes for which the applicable Final Terms permit trading in the clearing systems in tradeable amounts which are not a specified denomination of these Notes (as set out in the applicable Final Terms) will only be exchangeable for definitive Notes upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means (i) an Event of Default 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) (if so stated in the applicable Final Terms), the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 9 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 17 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 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 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 or interest coupons.

## FORM OF FINAL TERMS

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

[Date]

### Yorkshire Building Society

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
guaranteed by the Commissioners of Her Majesty's Treasury  
under the £2,000,000,000 Note Programme**

The Commissioners of Her Majesty's Treasury (**HM Treasury**) have unconditionally and irrevocably guaranteed the due payment of all sums due and payable by the Issuer under the Notes.<sup>1</sup>

HM Treasury's obligations in that respect are contained in a deed of guarantee (the **Guarantee**) dated 13 October 2008, as supplemented on 20 October 2008, the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the document titled "Information Memorandum" dated 28 January 2009 the purpose of which is to give information with respect to the issue of Notes (the **Information Memorandum**) [and the supplement to the Information Memorandum dated [date]] which, for the purposes of the issue of Notes described in these Final Terms, does not constitute a Prospectus for the purpose of the Prospectus Directive (Directive 2003/71/EC). This document must be read in conjunction with such Information Memorandum. 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 Information Memorandum. Copies of the Information Memorandum are available for viewing at the office of the Issuer at Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ and copies may be obtained from the Principal Paying Agent at One Canada Square, London E14 5AL.

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

1. Guarantee: An Eligibility Certificate (as defined in the Guarantee) in respect of the Notes [[has been issued]/[has been applied for and is pending]]
  
  2. (i) Series Number: [ ]
  - (ii) Tranche Number: [ ]
- (If fungible with an existing Series, details of that Series including the date on which the Notes become fungible)*

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<sup>1</sup> These Final Terms are only applicable where the Issuer has obtained an eligibility certificate under the Scheme in respect of the Notes to be issued.

3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
 — Tranche: [ ]  
 — Series: [ ]
5. Issue Price of Tranche: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (i) Specified Denominations: [ ]  
 [ ]  
*(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:*  
*“€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. No Notes in definitive form will be issued with a denomination above €99,000.”)*
- (ii) Calculation Amount: [ ]  
*(If only one Specified Denomination, insert the Specified Denomination.*  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date: [ ]  
 (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)*
8. Maturity Date: *[Fixed rate specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month]].*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 [specify other]  
 (further particulars specified below)  
*(N.B. The Rules of the Scheme (the **Rules**) prescribe that Notes subject to the Guarantee must not be “complex instruments”)*

10. Redemption/Payment Basis: [Redemption at par]  
[specify other]  
(further particulars specified below)  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)
12. (i) Status of the Notes: Senior
- (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 sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]  
(If payable other than annually, consider amending Condition 4)
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other]
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [Actual/Actual (ICMA) 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 (ICMA))].
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)

15. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs 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 TARGET2 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 Reuters EURIBOR01 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/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
(See Condition 4 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: [ ]  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)
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: [ ]  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 5(d) and 6(e) (iii) apply/specify other]  
(Consider applicable day count fraction if not U.S. dollar denominated)

#### PROVISIONS RELATING TO REDEMPTION

17. Final Redemption Amount of each Note: [[ ] per Calculation Amount/specify other/see Appendix]  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)
18. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(e)): [[ ] per Calculation Amount/specify other/see Appendix]  
(N.B. The Rules prescribe that Notes subject to the Guarantee must not be “complex instruments”)

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. 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 [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note].]  
  
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.] [Notice period (if any)]

*(Ensure that this is consistent with the wording in the “Form of the Ordinary Notes and Deposit Notes” section in the Information Memorandum and the Notes themselves. N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000.” Furthermore, such Specified Denomination Construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

20. New Global Note (NGN): [Yes][No].
21. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(iii) relates)*
22. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
23. Redenomination applicable: Redenomination not applicable
24. Other final terms: [Not Applicable/give details]

**DISTRIBUTION**

25. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(ii) Date of Syndication Agreement: [ ]  
(iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
26. If non-syndicated, name of Dealer: [Not Applicable/give name]
27. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA not applicable]
28. Additional selling restrictions: [Not Applicable/give details]

**PAYMENTS BY HM TREASURY UNDER THE GUARANTEE**

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

The Issuer agrees that it will not modify, vary, amend, waive, release, novate, supplement, extend or restate in any respect the terms and conditions of the Notes without obtaining the prior written consent of HM Treasury.

**PURPOSE OF THE FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange’s Regulated Market and, if relevant, listing on the Official List of the UK Listing Authority of the Notes described herein pursuant to the £2,000,000,000 Note Programme of Yorkshire Building Society.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of Yorkshire Building Society:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange’s Regulated Market and, if relevant, listing on the Official List of the UK Listing Authority with effect from [ ] [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S&P: [ ]]  
[Moody’s: [ ]]  
[[Other]: [ ]]

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

### 3. OPERATIONAL INFORMATION

- (i) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]  
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form.]*
- (ii) ISIN Code: [ ]
- (iii) Common Code: [ ]
- (iv) 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)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): [ ]

## TERMS AND CONDITIONS OF THE ORDINARY NOTES AND DEPOSIT NOTES

*The following are the Terms and Conditions of the Ordinary Notes and Deposit 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 Ordinary Notes and Deposit 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 Ordinary Notes and Deposit 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 28 January 2009 made between Yorkshire Building Society (the **Issuer**) and BNY Corporate Trustee Services Limited (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.

Payments in respect of the Notes will be made under an Agency Agreement (such Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 January 2009 made between the Issuer, The Bank of New York Mellon 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 set out in Part A of the Final Terms attached hereto or endorsed hereon which 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 Part A of 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) 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 28 January 2009 at One Canada Square, London E14 5AL) 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 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 or any appropriate combination thereof depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Ordinary Note or a Deposit Note, as indicated in the applicable Final Terms.

If it is a definitive Note, it is issued with Coupons and, if applicable, 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.

Without prejudice to the provisions relating to Global Notes set out below, title to the Notes 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 or Coupon as the absolute owner thereof (whether or not such Note 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 by or on behalf of Euroclear Bank SA/NV (**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, but not in the case of Notes indicated in the applicable Final Terms of being in NGN form, 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. Guarantee and Status

(a) Providing an Eligibility Certificate (as defined in the Guarantee) in respect of the Notes has been issued, The Commissioners of Her Majesty's Treasury, by a deed of guarantee dated 13 October 2008, as supplemented on 20 October 2008 (the **Guarantee**), will unconditionally and irrevocably guarantee the

due payment of all sums due and payable by the Issuer under the Notes. The form of the Guarantee is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

(b) The Notes and the relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) 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. Negative Pledge

As long as any of the 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 Notes, 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 Notes or as shall be approved by an Extraordinary Resolution of the holders of the 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.

### 4. Interest

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

Each Fixed Rate Note bears interest 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.

If the Notes are in definitive form, 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.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, 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. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount comprising the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if “Actual/Actual (ICMA)” 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**

*(i) Interest Payment Dates*

Each Floating Rate Note bears interest 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 4(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 TARGET2 System is open. In these Terms and Conditions, **TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate 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 2006 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 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.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, 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. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” 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, calculated on a formula basis as follows:

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

where: I

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

*(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 are for the time being listed and to be published in accordance with Condition 17 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 are for the time being listed and to the Noteholders in accordance with Condition 17. 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 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 subparagraphs (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.

*(ix) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the 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) 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.

**5. 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 9 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, having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 17, the Noteholders (which notice shall be irrevocable), redeem at any time (if this Note is not a Floating Rate Note) or on the next Interest Payment Date (if this Note is a Floating Rate Note) all (but not some only) of the Notes at their Early Redemption Amount referred to in paragraph (e) 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.

**(c) Purchases**

The Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire Notes (provided that, in the case of definitive Notes, all unmatured 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. Such Notes may be held, reissued or resold.

**(d) 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) or (b) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) 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 17 or individually.

**(e) Early Redemption Amounts**

For the purposes of paragraph (b) above and Condition 10, 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) 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.

**(f) Cancellation**

All Notes which are redeemed in full will forthwith be cancelled (together with, in the case of definitive Notes, all unmatured Coupons attached thereto or surrendered therewith) and such Notes may not be re-issued or resold.

## **6. 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 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 9.

### **(b) *Presentation of definitive Notes 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. If any definitive Note is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable on surrender of such Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. 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 HM Revenue & Customs) 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 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 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) 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 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 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 11) 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 4(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 9 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;

- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (v) 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 9 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **7. 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 11. 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.

## **8. 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 other than the jurisdiction in which the Issuer is incorporated, (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 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 6(b). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Noteholders in accordance with Condition 17.

## **9. Taxation**

All payments of principal and interest (if any) in respect of the Notes 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 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 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 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 or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by the holding of such Note 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 the European Council Directive 2003/48/EC or any law 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 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 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 17.

## 10. Events of Default and Enforcement

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 (vi) 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 5(e)), 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 14 days or more in respect of the payment of principal or 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 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 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
- (iv) 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
- (v) 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
- (vi) 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 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 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.

## **11. Prescription**

Notes and Coupons shall become void unless presented for payment within 10 years (in the case of Notes) and five years (in the case of Coupons), in each case from the relevant date (as defined in Condition 9) therefor, subject to the provisions of Condition 6. 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 11 or Condition 6 or any Talon which would be void pursuant to Condition 6.

## **12. 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 Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders or Couponholders, but subject to the prior written consent of The Commissioners of Her Majesty's Treasury (**HM Treasury**) having been obtained by the Issuer, 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 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 17.

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 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 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 or Couponholders except

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

### **13. Substitution**

- (i) Subject to the prior written consent of HM Treasury having been obtained by the Issuer and 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 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 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 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 that HM Treasury unconditionally and irrevocably guarantees all amounts payable by such Successor in Business.
- (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 and Coupons without any prior approval thereof being required from the Noteholders, Couponholders or the Trustee.

### **14. Further Issues**

The Issuer is at liberty from time to time without the consent of the Noteholders 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.

### **15. Replacement of Notes, Coupons and Talons**

If a Note (including any global Note), 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 17, 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, Coupons or Talons must be surrendered before replacements will be issued.

### **16. 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.

### **17. 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.

#### **18. 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.

#### **19. Governing Law**

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

## FORMS OF COMMERCIAL PAPER NOTES

The following are the forms of Global Note and Definitive Note which shall be used in respect of an issue of Commercial Paper Notes.

### FORM OF MULTICURRENCY GLOBAL NOTE (INTEREST BEARING/DISCOUNTED)

The Securities covered hereby have not been registered under the US Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons. Terms used above have the meanings given to them by Regulation S under the Securities Act.

#### YORKSHIRE BUILDING SOCIETY (Incorporated in England and Wales)

No: \_\_\_\_\_ Series No.: \_\_\_\_\_  
Issued in London on: \_\_\_\_\_ Maturity Date<sup>1</sup>: \_\_\_\_\_  
(the **Issue Date**)  
Specified Currency: \_\_\_\_\_ Denomination: \_\_\_\_\_  
Nominal Amount: \_\_\_\_\_ Issue Amount: \_\_\_\_\_  
(*words and figures if a Sterling Note*) (*words and figures if a Sterling Note*)  
Reference Rate: LIBOR/EURIBOR<sup>2</sup> Fixed Interest Rate:<sup>3</sup> \_\_% per annum Margin:<sup>4</sup> \_\_%  
Calculation Agent:<sup>5</sup> \_\_\_\_\_ Interest Payment Dates:<sup>6</sup> \_\_\_\_\_  
(*Interest*)  
Interest Commencement Date:<sup>7</sup> \_\_\_\_\_

1. For value received, **Yorkshire Building Society** (the **Issuer**) promises to pay to the bearer of this Global Note on the above-mentioned Maturity Date the above-mentioned Nominal Amount, together with interest thereon at the rate and at the times (if any) specified herein.

All such payments shall be made in accordance with an issue and paying agency agreement dated 28 January 2009 between the Issuer, the Issue Agent and the Principal Paying Agent referred to therein, a copy of which is available for inspection at the offices of The Bank of New York Mellon at One Canada Square, London E14 5AL (the **Paying Agent**), and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the offices of the Paying Agent referred to above by transfer to an account denominated in the above-mentioned Specified Currency maintained by the bearer with a bank in the principal financial centre in the country of that currency or, in the case of a Global Note denominated or payable in euro by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union. The Issuer

- 
- 1 Not to be more than 364 days from (and including) the Issue Date.
  - 2 Delete as appropriate. The reference rate will be LIBOR unless this Global Note is denominated in euro and the Issuer and the relevant Dealer agree that the reference rate should be EURIBOR.
  - 3 Complete for fixed rate interest bearing Notes only.
  - 4 Complete for floating rate interest bearing Notes only.
  - 5 Complete for floating rate interest bearing Notes only.
  - 6 Complete for interest bearing Notes.
  - 7 Complete for interest bearing Yen-denominated Notes only.

will ensure that it maintains a paying agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notwithstanding the foregoing, presentation and surrender of this Global Note shall be made outside the United States and no amount shall be paid by transfer to an account in the United States, or mailed to an address in the United States. In the case of a Global Note denominated in US Dollars, payments shall be made by transfer to an account denominated in US Dollars in the principal financial centre of any country outside of the United States that the Issuer or Paying Agent so chooses.

[[The Commissioners of Her Majesty's Treasury (**HM Treasury**) has issued an Eligibility Certificate (as defined in the Guarantee) in respect of this Global Note.]/[An Eligibility Certificate (as defined in the Guarantee) in respect of this Global Note is pending.]] Accordingly, [once the Eligibility Certificate has been received] HM Treasury will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under this Global Note pursuant to a deed of guarantee dated 13 October 2008, as supplemented on 20 October 2008 (the **Guarantee**). The form of the Guarantee is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

The Issuer agrees that it will not modify, vary, amend, waive, release, novate, supplement, extend or restate in any respect the terms and conditions of this Global Note without obtaining the prior written consent of HM Treasury.

2. This Global Note is issued in representation of an issue of Notes in the above-mentioned aggregate Nominal Amount.

3. To the extent possible, this Global Note is issued in respect of a deposit of the aggregate above-mentioned Issue Amount.

4. All payments in respect of this Global Note by or on behalf of the Issuer shall be made without set-off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or taxing authority of or in the foregoing (**Taxes**). If the Issuer or any agent thereof is required by law or regulation to make any deduction or withholding for or on account of Taxes, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Global Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable where this Global Note is presented for payment:

- (a) by or on behalf of a holder which is liable to such Taxes by reason of its having some connection with the jurisdiction imposing the Taxes other than the mere holding of this Global Note; or
- (b) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting this Global Note to another Paying Agent in a Member State of the European Union; or
- (d) more than 15 days after the Maturity Date or, if applicable, the relevant Interest Payment Date or (in either case) the date on which payment hereof is duly provided for, whichever occurs later, except to the extent that the holder would have been entitled to such additional amounts if it had presented this Global Note on the last day of such period of 15 days.

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

5. If the Maturity Date or, if applicable, the relevant Interest Payment Date is not a Payment Business Day (as defined herein) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day (unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding Payment Business Day) and neither the bearer of this Global Note nor the holder or beneficial owner of any interest herein or rights in respect hereof shall be entitled to any interest or other sums in respect of such postponed payment.

As used in this Global Note:

**Payment Business Day** means any day other than a Saturday or Sunday which is both (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation, and (B) either (i) if the above-mentioned Specified Currency is any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both London and the principal financial centre of the country of the relevant Specified Currency or (ii) if the above-mentioned Specified Currency is euro, a day which is a TARGET2 Business Day; and

**TARGET2 Business Day** means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System, or any successor thereto, is operating credit or transfer instructions in respect of payments in euro,

provided that if the Paying Agent determines with the agreement of the Issuer that the market practice in respect of euro denominated internationally offered securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Paying Agent shall procure that a notice of such amendment is published not less than 15 days prior to the date on which any payment in euro falls due to be made in such manner as the Paying Agent may determine.

6. The payment obligation of the Issuer represented by this Global Note constitutes and at all times shall constitute a direct and unsecured obligation of the Issuer ranking at least pari passu with all present and future unsecured and unsubordinated indebtedness of the Issuer other than obligations preferred by mandatory provisions of law applying to building societies generally.

7. This Global Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof free and clear of any equity, set-off or counterclaim on the part of the Issuer against any previous bearer hereof.

8. This Global Note is issued in respect of an issue of Notes of the Issuer and is exchangeable in whole (but not in part only) for duly executed and authenticated bearer Notes in definitive form (whether before, on or, subject as provided below, after the Maturity Date):

- (a) if the clearing system(s) in which this Global Note is held at the relevant time is closed for a continuous period of 14 days or more (other than by reason of weekends or public holidays statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) if default is made in the payment of any amount payable in respect of this Global Note.

Upon presentation and surrender of this Global Note during normal business hours to the Issuer at the offices of the Paying Agent (or to any other person or at any other office outside the United States as may be designated in writing by the Issuer to the bearer), the Paying Agent shall authenticate and deliver, in

exchange for this Global Note, bearer definitive Notes denominated in the above-mentioned Specified Currency in an aggregate nominal amount equal to the Nominal Amount of this Global Note.

9. If, upon any such default and following such surrender, definitive Notes are not issued in full exchange for this Global Note before 5.00 p.m. (London time) on the 30th day after surrender, this Global Note (including the obligation hereunder to issue definitive Notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under a Deed of Covenant dated 28 January 2009 (as amended, re-stated or supplemented as of the date of issue of the Notes) entered into by the Issuer).

10. If this is an interest bearing Global Note, then:

- (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Global Note falling due for payment prior to the above-mentioned Maturity Date remains unpaid on the 15th day after falling so due, the amount referred to in part (a) or (b) (as the case may be) of paragraph 1 shall be payable on such 15th day;
- (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Global Note, the Schedule hereto shall be duly completed by the Paying Agent to reflect such payment; and
- (c) if no Interest Payment Dates are specified on the face of the Global Note, the Interest Payment Date shall be the Maturity Date.

11. If this is a fixed rate interest bearing Global Note, interest shall be calculated on the Nominal Amount as follows:

- (a) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date or the Interest Commencement Date (as the case may be) to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days at the above-mentioned Interest Rate with the resulting figure being rounded to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards); and
- (b) the period beginning on (and including) the Issue Date or the Interest Commencement Date (as the case may be) and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an "Interest Period" for the purposes of this paragraph.

12. If this is a floating rate interest bearing Global Note, interest shall be calculated on the Nominal Amount as follows:

- (a) in the case of a Global Note which specifies LIBOR as the Reference Rate on its face, the Rate of Interest will be the aggregate of LIBOR and the above-mentioned Margin (if any) above or below LIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date or the Interest Commencement Date (as the case may be) to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

As used in this Global Note:

**LIBOR** shall be equal to the rate defined as "LIBOR-BBA" in respect of the above-mentioned Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this

Global Note, (the **ISDA Definitions**)) as at 11.00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period or, if this Global Note is denominated in Sterling, on the first day thereof (a **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified on the face of this Note in relation to the Reference Rate; and

**London Banking Day** shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

- (b) in the case of a Global Note which specifies EURIBOR as the Reference Rate on its face, the Rate of Interest will be the aggregate of EURIBOR and the above-mentioned Margin (if any) above or below EURIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date or Interest Commencement Date (as the case may be) to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Global Note, **EURIBOR** shall be equal to EUR-EURIBOR- Reuters (as defined in the ISDA Definitions) as at 11.00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET2 Business Day before the first day of the relevant Interest Period (a **EURIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified on the face of this Note in relation to the Reference Rate;

- (c) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date or 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date (as the case may be), determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) for the relevant Interest Period. **Rate of Interest** means (A) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 12(b), and (B) in any other case, the rate which is determined in accordance with the provisions of paragraph 12(a). The Amount of Interest shall be calculated by applying the Rate of Interest to the Nominal Amount of one Note of each denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 360 or, if this Global Note is denominated in Sterling, by 365 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent named above shall (in the absence of manifest error) be final and binding upon all parties;
- (d) the period beginning on (and including) the Issue Date or the Interest Commencement Date (as the case may be) and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph; and
- (e) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to the clearing system(s) in which this Global Note is held at the relevant time or, if this Global Note has been exchanged for bearer definitive Notes pursuant to paragraph 8, will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*).

13. The Nominal Amount shall be not less than £50,000 (or the equivalent, as at the Issue Date, in any other currency).

14. Instructions for payment must be received at the offices of the Paying Agent referred to above together with this Global Note as follows:

- (a) if this Global Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;
- (b) if this Global Note is denominated in United States dollars, Canadian dollars or Sterling, on or prior to the relevant payment date; and
- (c) in all other cases, at least one Business Day prior to the relevant payment date.

As used in this paragraph, **Business Day** means:

- (i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London; and
- (ii) in the case of payments in euro, a TARGET2 Business Day and, in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the above-mentioned Specified Currency.

15. This Global Note shall not be validly issued unless manually authenticated by the Paying Agent.

16. This Global Note and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Global Note (including a dispute regarding the existence, validity or termination of this Global Note and in relation to any non-contractual obligations arising out of or in connection with this Global Note). The parties to this Global Note agree that the English courts are the most appropriate and convenient courts to settle any such dispute and accordingly no such party will argue to the contrary.

The Issuer irrevocably and unconditionally, agrees not to claim any immunity from proceedings brought by the bearer against it in relation to this Global Note and to ensure that no such claim is made on its behalf, consents generally to the giving of any relief or the issue of any process in connection with those proceedings, and waives all rights of immunity in respect of it or its assets.

17. No person shall have any right to enforce any provision of this Global Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**AUTHENTICATED** by  
**THE BANK OF NEW YORK MELLON**  
without recourse, warranty or  
liability and for authentication  
purposes only

Signed on behalf of:  
**YORKSHIRE BUILDING SOCIETY**

By: \_\_\_\_\_  
( *Authorised Signatory* )

By: \_\_\_\_\_  
( *Authorised Signatory* )



**FORM OF MULTICURRENCY DEFINITIVE NOTE  
(INTEREST BEARING/DISCOUNTED)**

The Securities covered hereby have not been registered under the US Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons. Terms used above have the meanings given to them by Regulation S under the Securities Act.

**YORKSHIRE BUILDING SOCIETY  
(Incorporated in England and Wales)**

No: \_\_\_\_\_ Series No.: \_\_\_\_\_  
Issued in London on: \_\_\_\_\_ Maturity Date<sup>1</sup>: \_\_\_\_\_  
(the **Issue Date**)  
Specified Currency: \_\_\_\_\_ Denomination: \_\_\_\_\_  
Nominal Amount: \_\_\_\_\_ Issue Amount: \_\_\_\_\_  
(*words and figures if a Sterling Note*) (*words and figures if a Sterling Note*)  
Reference Rate: LIBOR/EURIBOR<sup>2</sup> Fixed Interest Rate:<sup>3</sup> \_\_% per annum Margin:<sup>4</sup> \_\_%  
Calculation Agent:<sup>5</sup> \_\_\_\_\_ Interest Payment Dates:<sup>6</sup> \_\_\_\_\_  
(*Interest*)  
Interest Commencement Date:<sup>7</sup> \_\_\_\_\_

1. For value received, **Yorkshire Building Society** (the **Issuer**) promises to pay to the bearer of this Definitive Note on the above-mentioned Maturity Date the above-mentioned Nominal Amount, together with interest thereon at the rate and at the times (if any) specified herein.

All such payments shall be made in accordance with an issue and paying agency agreement dated 28 January 2009 between the Issuer, the Issue Agent and the Principal Paying Agent referred to therein (the **Paying Agent**), a copy of which is available for inspection at the offices of the Paying Agent at The Bank of New York Mellon at One Canada Square, London E14 5AL and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Definitive Note at the offices of the Paying Agent referred to above by transfer to an account denominated in the above-mentioned Specified Currency maintained by the bearer with a bank in the principal financial centre in the country of that currency or, in the case of a Definitive Note denominated or payable in euro, by euro cheque drawn on, or by transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union. The Issuer will ensure that it maintains a paying agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notwithstanding the foregoing, presentation and surrender of this Definitive Note shall be made outside the United States and no amount shall be paid by transfer to an account in the United States, or

1 Not to be more than 364 days from (and including) the Issue Date.  
2 Delete as appropriate. The reference rate will be LIBOR unless this Note is denominated in euro and the Issuer and the relevant Dealer agree that the reference rate should be EURIBOR.  
3 Complete for fixed rate interest bearing Notes only.  
4 Complete for floating rate interest bearing Notes only.  
5 Complete for floating rate interest bearing Notes only.  
6 Complete for interest bearing Notes.  
7 Complete for interest bearing Yen-denominated Notes only.

mailed to an address in the United States. In the case of a Definitive Note denominated in US Dollars, payments shall be made by transfer to an account denominated in US Dollars in the principal financial centre of any country outside of the United States that the Issuer or Paying Agent so chooses.

[[The Commissioners of Her Majesty's Treasury (**HM Treasury**) has issued an Eligibility Certificate (as defined in the Guarantee) in respect of this Definitive Note.]/[An Eligibility Certificate (as defined in the Guarantee) in respect of this Definitive Note is pending.]] Accordingly, [once the Eligibility Certificate has been received] HM Treasury will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the Issuer under this Definitive Note pursuant to a deed of guarantee dated 13 October 2008, as supplemented on 20 October 2008 (the **Guarantee**). The form of the Guarantee is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

The Issuer agrees that it will not modify, vary, amend, waive, release, novate, supplement, extend or restate in any respect the terms and conditions of this Definitive Note without obtaining the prior written consent of HM Treasury.

2. To the extent possible, this Definitive Note is issued in respect of a deposit of the aggregate above mentioned Issue Amount.

3. All payments in respect of this Definitive Note by or on behalf of the Issuer shall be made without set off, counterclaim, fees, liabilities or similar deductions and free and clear of, and without deduction or withholding for or on account of, taxes, levies, duties, assessments or charges of any nature now or hereafter imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision or taxing authority of or in the foregoing (**Taxes**). If the Issuer or any agent thereof is required by law or regulation to make any deduction or withholding for or on account of Taxes, the Issuer shall, to the extent permitted by applicable law or regulation, pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Definitive Note after such deduction or withholding shall equal the amount which would have been receivable hereunder in the absence of such deduction or withholding, except that no such additional amounts shall be payable where this Definitive Note is presented for payment:

- (a) by or on behalf of a holder which is liable to such Taxes by reason of its having some connection with the jurisdiction imposing the Taxes other than the mere holding of this Definitive Note; or
- (b) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting this Definitive Note to another Paying Agent in a Member State of the European Union; or
- (d) more than 15 days after the Maturity Date or, if applicable, the relevant Interest Payment Date or (in either case) the date on which payment hereof is duly provided for, whichever occurs later, except to the extent that the holder would have been entitled to such additional amounts if it had presented this Definitive Note on the last day of such period of 15 days.

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

4. If the Maturity Date or, if applicable, the relevant Interest Payment Date is not a Payment Business Day (as defined herein) payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day (unless that date falls more than 364 days after the Issue Date, in which case payment shall be made on the immediately preceding

Payment Business Day) and the bearer of this Definitive Note shall not be entitled to any interest or other sums in respect of such postponed payment.

As used in this Definitive Note:

- (a) **Payment Business Day** means any day other than a Saturday or Sunday which is both (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation, and (B) either (i) if the abovementioned Specified Currency is any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both London and the principal financial centre of the country of the relevant Specified Currency or (ii) if the above-mentioned Specified Currency is euro, a day which is a TARGET2 Business Day; and
- (b) **TARGET2 Business Day** means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System, or any successor thereto, is operating credit or transfer instructions in respect of payments in euro,

provided that if the Paying Agent determines with the agreement of the Issuer that the market practice in respect of euro denominated internationally offered securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Paying Agent shall procure that a notice of such amendment is published not less than 15 days prior to the date on which any payment in euro falls due to be made in such manner as the Paying Agent may determine.

5. The payment obligation of the Issuer represented by this Definitive Note constitutes and at all times shall constitute a direct and unsecured obligation of the Issuer ranking at least pari passu with all present and future unsecured and unsubordinated indebtedness of the Issuer other than obligations preferred by mandatory provisions of law applying to building societies generally.

6. This Definitive Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof free and clear of any equity, set-off or counterclaim on the part of the Issuer against any previous bearer hereof.

7. If this is an interest bearing Definitive Note, then:

- (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Definitive Note falling due for payment prior to the above-mentioned Maturity Date remains unpaid on the 15th day after falling so due, the amount referred to in part (a) or (b) (as the case may be) of paragraph 1 shall be payable on such 15th day;
- (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Definitive Note, the Schedule hereto shall be duly completed by the Paying Agent to reflect such payment; and
- (c) if no Interest Payment Dates are specified on the face of the Definitive Note, the Interest Payment Date shall be the Maturity Date.

8. If this is a fixed rate interest bearing Definitive Note, interest shall be calculated on the Nominal Amount as follows:

- (a) interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date or the Interest Commencement Date (as the case may be) to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Definitive Note is denominated in Sterling, 365 days at the abovementioned Interest Rate with the resulting figure being rounded to the nearest amount of the above-mentioned Specified Currency which

is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards); and

- (b) the period beginning on (and including) the Issue Date or the Interest Commencement Date (as the case may be) and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an **Interest Period** for the purposes of this paragraph.

9. If this is a floating rate interest bearing Definitive Note, interest shall be calculated on the Nominal Amount as follows:

- (a) if this Definitive Note specifies LIBOR as the Reference Rate on its face, the Rate of Interest will be the aggregate of LIBOR and the above-mentioned Margin (if any) above or below LIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date or the Interest Commencement Date (as the case may be) to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Definitive Note is denominated in Sterling, 365 days.

As used in this Definitive Note:

**LIBOR** shall be equal to the rate defined as “LIBOR-BBA” in respect of the above mentioned Specified Currency (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Definitive Note (the **ISDA Definitions**)) as at 11.00 a.m. (London time) or as near thereto as practicable on the second London Banking Day before the first day of the relevant Interest Period or, if this Definitive Note is denominated in Sterling, on the first day thereof (a **LIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified on the face of this Definitive Note in relation to the Reference Rate; and

**London Banking Day** shall mean a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

- (b) if this Definitive Note specifies EURIBOR as the Reference Rate on its face, the Rate of Interest will be the aggregate of EURIBOR and the above-mentioned Margin (if any) above or below EURIBOR. Interest shall be payable on the Nominal Amount in respect of each successive Interest Period (as defined below) from the Issue Date or the Interest Commencement Date (as the case may be) to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days.

As used in this Definitive Note, **EURIBOR** shall be equal to “EUR-EURIBOR-Reuters” (as defined in the ISDA Definitions) as at 11.00 a.m. (Brussels time) or as near thereto as practicable on the second TARGET2 Business Day before the first day of the relevant Interest Period (a **EURIBOR Interest Determination Date**), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions) were the number of months specified on the face of this Note in relation to the Reference Rate;

- (c) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date or 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date (as the case may be), determine the Rate of Interest and calculate the amount of interest payable (the **Amount of Interest**) for the relevant Interest Period. **Rate of Interest** means (A) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 9(b), and (B) in any other case, the rate which is

determined in accordance with the provisions of paragraph 9(a). The Amount of Interest shall be calculated by applying the Rate of Interest to the Nominal Amount of this Definitive Note, multiplying such product by the actual number of days in the Interest Period concerned divided by 360 or, if this Definitive Note is denominated in Sterling, by 365 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent named above shall (in the absence of manifest error) be final and binding upon all parties;

- (d) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall be conclusive and binding as between the Issuer and the bearer hereof;
- (e) the period beginning on (and including) the Issue Date or the Interest Commencement Date (as the case may be) and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **Interest Period** for the purposes of this paragraph; and
- (f) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*).

10. The Nominal Amount shall be not less than £50,000 (or the equivalent, as at the Issue Date, in any other currency).

11. Instructions for payment must be received at the offices of the Paying Agent referred to above together with this Definitive Note as follows:

- (a) if this Definitive Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Business Days prior to the relevant payment date;
- (b) if this Definitive Note is denominated in United States dollars, Canadian dollars or Sterling, on or prior to the relevant payment date; and
- (c) in all other cases, at least one Business Day prior to the relevant payment date.

As used in this paragraph, **Business Day** means:

- (i) a day other than a Saturday or Sunday on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London; and
- (ii) in the case of payments in euro, a TARGET2 Business Day and, in all other cases, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the above-mentioned Specified Currency.

12. This Definitive Note shall not be validly issued unless manually authenticated by the Paying Agent.

13. This Definitive Note and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Definitive Note (including a dispute regarding the existence, validity or termination of this Definitive Note and in relation to any non-contractual obligations arising out of or in connection with this

Definitive Note). The parties to this Definitive Note agree that the English courts are the most appropriate and convenient courts to settle any such dispute and accordingly no such party will argue to the contrary.

14. The Issuer irrevocably and unconditionally, agrees not to claim any immunity from proceedings brought by the bearer against it in relation to this Definitive Note and to ensure that no such claim is made on its behalf, consents generally to the giving of any relief or the issue of any process in connection with those proceedings, and waives all rights of immunity in respect of it or its assets.

15. No person shall have any right to enforce any provision of this Definitive Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**AUTHENTICATED** by  
**THE BANK OF NEW YORK MELLON**  
without recourse, warranty or  
liability and for authentication  
purposes only

Signed on behalf of:  
**YORKSHIRE BUILDING SOCIETY**

By: \_\_\_\_\_  
(*Authorised Signatory*)

By: \_\_\_\_\_  
(*Authorised Signatory*)



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied solely to refinance liabilities of the Issuer (or of a directly or indirectly wholly owned subsidiary of the Issuer incorporated in the United Kingdom).

## **YORKSHIRE BUILDING SOCIETY**

### **Introduction**

Yorkshire Building Society's Principal Office is Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ (telephone number: 01274 740740).

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 31 December 1992. On 31 December 2001 the Gainsborough Building Society merged with the Society.

The engagements of Barnsley Building Society were transferred to the Society on 31 December 2008.

Yorkshire Building Society has been granted an institution certificate by The Commissioners of Her Majesty's Treasury pursuant to the Rules of the Scheme.

## 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 and persons connected with the Issuer) 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. Payments of interest on the Notes

#### 1. *Payments of interest on Ordinary Notes or Deposit Notes that are listed on a "recognised stock exchange"*

*References in this Paragraph 1 to "Notes" are references to Ordinary Notes and Deposit Notes that are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the Act).*

Payments of interest on the Ordinary Notes or the Deposit Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that such Notes continue to be listed on a "recognised stock exchange" within the meaning of the Act. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on 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.

#### 2. *Payments of interest on unlisted Ordinary Notes*

*References in this Paragraph 2 to "Notes" are references to Ordinary Notes that are not listed on a "recognised stock exchange".*

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on such Notes is paid by a company and the Issuer reasonably believes (and any person by or through whom interest on such 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 HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available 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 other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If Notes are issued at a discount to their principal amount, any such discount element should not constitute interest and so should not be subject to any United Kingdom withholding tax. If Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such a premium may constitute a payment of interest for United Kingdom tax purposes and hence, subject to the exemptions described above, be subject to United Kingdom withholding tax. In these circumstances an amount must generally be withheld from payments of interest on the Notes at the basic rate (currently 20 per cent.).

**3. *Payments of interest on Deposit Notes that are not listed on a “recognised stock exchange”, Commercial Paper Notes and Certificates of Deposit.***

*References in this Paragraph 3 to “Notes” are references to Deposit Notes not listed on a “recognised stock exchange” and to Commercial Paper Notes.*

In the case of:

- (i) Deposit Notes not listed on a “recognised stock exchange”;
- (ii) Commercial Paper Notes; and
- (iii) Certificates of Deposit

interest may be paid without withholding or deduction on account of United Kingdom income tax if the Notes or Certificates of Deposit constitute “qualifying certificates of deposit” or “qualifying uncertificated eligible debt security units”, as applicable, within the meaning of sections 985 and 986 of the Act.

Notes will be “qualifying certificates of deposit” within the meaning of section 985 of the Act provided they relate to a deposit of money, they are and continue to be in bearer form and they satisfy the following conditions:

- (a) they recognise an obligation to pay the holder a stated principal amount;
- (b) the amount payable by the Issuer thereunder, exclusive of interest, is not less than £50,000 (or for a deposit denominated in foreign currency, not less than the equivalent of £50,000 at the time when the deposit was made); and
- (c) the obligation of the Issuer to pay that amount arises after a period of not more than five years beginning with the date on which the deposit was made.

Certificates of Deposit will be “qualifying uncertificated eligible debt security units” within the meaning of section 986 of the Income Tax Act if:

- (i) they are “uncertificated” eligible debt security units (within the meaning of regulation 3(1) of the Uncertificated Securities Regulations 2001); and
- (ii) the issue of the units corresponds to the issue of a certificate of deposit in bearer form satisfying the conditions in (a) to (c) above.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on such Notes is paid by a company and the Issuer reasonably believes (and any person by or through whom interest on such 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 HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available 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 other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

If Notes are issued at a discount to their principal amount, any such discount element should not constitute interest and so should not be subject to any United Kingdom withholding tax. If Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending

on the circumstances, such a premium may constitute a payment of interest for United Kingdom tax purposes and hence, subject to the exemptions described above, be subject to United Kingdom withholding tax. In these circumstances an amount must generally be withheld from payments of interest on the Notes at the basic rate (currently 20 per cent.).

#### **B. Information reporting provisions**

Noteholders holding Notes (other than Deposit Notes, as long as they constitute “certificates of deposit” within the meaning of Section 56(5) of the Income and Corporation Taxes Act) who are individuals may wish to note that HMRC 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 or credits interest to or receives interest for the benefit of a holder of Notes. HMRC also has power to obtain information from any person in the United Kingdom who pays amounts payable on redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of an individual, although HMRC published practice indicates that it will not exercise its power to require this information where such amounts are paid on or before 5 April 2009. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

#### **C. 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 or deduction.

However, interest with a United Kingdom source received without deduction or withholding for or 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.

#### **D. Withholding tax on Guarantee Payments**

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

Subject to the availability of any relief, payments under the Guarantee may be subject to United Kingdom withholding tax at a minimum rate of 20 per cent. Investors should note that in the event that any payment made by HM Treasury in respect of the Guarantee is made subject to deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of any nature, neither HM Treasury, the Issuer, any Paying Agent, the Trustee nor any other person may be required to pay any additional amounts in respect of such deduction or withholding.

## **EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead 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). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

*References in this Section to “Notes” are references to Ordinary Notes, Deposit Notes and Commercial Paper Notes.*

The Arranger and the Dealers have in a Programme Agreement (the **Programme Agreement**) dated 28 January 2009, (as amended and/or supplemented and/or restated from time to time, 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. The Issuer may pay the Dealers commissions from time to time in connection with the sale of any Notes. In the Programme Agreement the Issuer has agreed to reimburse and indemnify the Arranger and the Dealers for certain of their expenses and liabilities in connection with the establishment of the Programme and the issue of the Notes (as the case may be). The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Notes under the 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 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.

### (b) 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) 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
- (b) 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.

**(c) Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the **FIEL**) 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, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws and regulations of Japan.

**(d) 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 Information Memorandum 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, in the case of Ordinary Notes and Deposit Notes, 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 Regulated 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.

### Authorisation

The application to apply to participate in the Scheme was authorised by a resolution of the Board of Directors of the Issuer passed on 29 October 2008. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 26 January 2009.

### 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, in the case of Ordinary Notes and Deposit Notes, 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 SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, société anonyme, 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.

### 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 (in respect of Ordinary Notes and Deposit Notes), Issue and the Paying Agent (in respect of Commercial Paper Notes) and the Issue and Paying Agent (in respect of Certificates of Deposit):

- (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 31 December 2006 and 2007, 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 Talons and the Coupons), the Agency Agreement (which contains the form of the Final Terms), the issue and paying agency agreement in respect of Commercial Paper Notes, the Deed of Covenant, the CD Agency

Agreement in respect of Certificates of Deposit and all amendments and supplements thereto and restatements thereof;

- (v) this Information Memorandum;
- (vi) any future prospectuses, offering circulars, information memoranda and supplements (including Final Terms) to this Information Memorandum and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Notes admitted to trading on the London Stock Exchange's Regulated Market subscribed pursuant to a syndication agreement, the syndication 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.

#### **Guarantee**

The Trustee has not received a legal opinion in respect of the Guarantee.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

Yorkshire House  
Yorkshire Drive  
Bradford BD5 8LJ

**ARRANGER**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**TRUSTEE IN RESPECT OF ORDINARY NOTES AND DEPOSIT NOTES**

**BNY Corporate Trustee Services Limited**  
One Canada Square, London E14 5AL

**PAYING AGENT IN RESPECT OF ORDINARY NOTES AND DEPOSIT NOTES**

**The Bank of New York Mellon**  
One Canada Square, London E14 5AL

**ISSUE AND PAYING AGENT IN RESPECT OF COMMERCIAL PAPER NOTES**

**The Bank of New York Mellon**  
One Canada Square, London E14 5AL

**ISSUE AND PAYING AGENT IN RESPECT OF CERTIFICATES OF DEPOSIT**

**The Bank of New York Mellon**  
One Canada Square, London E14 5AL

**LEGAL ADVISERS**

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*To the Arranger and Trustee*  
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**AUDITORS OF THE ISSUER**

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