

The Abbey National Group

Abbey National plc

(Incorporated in England with limited liability, registered number 2294747)

£325,000,000 Ten Year Step Up Perpetual Callable Subordinated Notes (the "Tranche 1 Notes")

Issue Price: 98.83 per cent.

£325,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes (the "Tranche 2 Notes")

Issue Price: 98.446 per cent.

£175,000,000 Twenty Year Step Up Perpetual Callable Subordinated Notes (the "Tranche 3 Notes")

Issue Price: 99.277 per cent.

£175,000,000 Thirty Year Step Up Perpetual Callable Subordinated Notes (the "Tranche 4 Notes")

Issue Price: 97.712 per cent.

euro 400,000,000 Fixed to Floating Rate Perpetual Callable Subordinated Notes (the "Tranche 5 Notes" and together with the Tranche 1 Notes, the Tranche 2 Notes, the Tranche 3 Notes and the

Tranche 4 Notes, each a "Tranche" and together the "Notes")

Issue Price: 99.495 per cent.

Interest on the Tranche 1 Notes, the Tranche 2 Notes, the Tranche 3 Notes, the Tranche 4 Notes and the Tranche 5 Notes of Abbey National plc (the "Issuer") is payable from and including 28th September, 2000 to but excluding the first Reset Date (as defined under the Terms and Conditions of the relevant Tranche of Notes) at the rate of 7.50 per cent. per annum in respect of the Tranche 1 Notes, 7.50 per cent. per annum in respect of the Tranche 2 Notes, 7.375 per cent. per annum in respect of the Tranche 3 Notes, 7.125 per cent. per annum in respect of the Tranche 4 Notes and 7.125 per cent. per annum in respect of the Tranche 5 Notes annually in arrear. On each Reset Date the rate of interest for each Tranche of Notes will be recalculated as described herein. After the first Reset Date the interest on the Tranche 5 Notes will be payable quarterly in arrear. Payments in respect of the Notes will be made without deduction for or on account of taxes of the United Kingdom as described under "Terms and Conditions of the Tranche 1 Notes — 8 Taxation".

Subject to the prior consent of the Financial Services Authority (the "FSA") (if then required), the Notes are redeemable in whole (but not in part), at the option of the Issuer, at the principal amount thereof on the Interest Payment Date (as defined under the Terms and Conditions of the relevant Tranche of Notes) falling on 28th September, 2010 in the case of the Tranche 1 Notes, 28th September, 2015 in the case of the Tranche 2 Notes, 28th September, 2020 in the case of the Tranche 3 Notes, 30th September, 2030 in the case of the Tranche 4 Notes and, in the case of each such Tranche, thereafter on each fifth anniversary thereof, and on 28th September, 2010 and on each Interest Payment Date thereafter in the case of the Tranche 5 Notes. In addition, subject to the prior consent of the FSA (if then required), the Notes (other than the Tranche 5 Notes) are redeemable in whole (but not in part), at the option of the Issuer, at any time in the event of certain changes affecting taxes of the United Kingdom, at their principal amount together with any accrued interest and, in the case of the Tranche 5 Notes, are redeemable at such amount in such circumstances at any time prior to 28th September, 2010 and thereafter on any Interest Payment Date, as described under paragraph (c) of "Terms and Conditions of the Tranche 1 Notes — 5 Redemption and Purchase".

The Notes constitute subordinated obligations of the Issuer, as described under "Terms and Conditions of the Tranche 1 Notes — 2 Status and Subordination".

Application has been made to the FSA in its capacity as competent authority under the Financial Services Act 1986, as amended, (the "UK Listing Authority") for the Notes to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on a recognised investment exchange. Copies of this Offering Circular, which comprises listing particulars which have been approved by the UK Listing Authority, have been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986, as amended.

Each Tranche of Notes will initially be represented by a temporary global note (each a "Temporary Global Note"), without interest coupons or talons, which will be deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 28th September, 2000 (the "Closing Date"). Each Temporary Global Note will be exchangeable for interests in a permanent global note (each a "Permanent Global Note"), without interest coupons or talons, not earlier than 40 days after the Closing Date upon certification of non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable for Definitive Notes only in certain limited circumstances, as described under "Terms and Conditions of the Tranche 1 Notes — 1 Form, Denomination and Transfer".

LEHMAN BROTHERS

UBS WARBURG

The date of this Offering Circular is 26th September, 2000

This document comprises listing particulars given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986, as amended, by the UK Listing Authority. The Issuer accepts responsibility for all the information contained in this Offering Circular. To the best of the Issuer's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

In this Offering Circular, references to "Abbey National" and the "Issuer" are to Abbey National plc, and references to "Abbey National Group" or the "Group" are to Abbey National plc and its subsidiaries.

No dealer, salesman or other person is authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Lead Managers (as defined under "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Group since the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Lead Managers to subscribe for or purchase, any of the Notes.

The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Neither the Issuer nor either Lead Manager represents that this Offering Circular 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 assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Offering Circular as listing particulars by the UK Listing Authority and delivery of copies of this Offering Circular to the Registrar of Companies in England and Wales, no action has been taken by the Issuer or either Lead Manager which would permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and each Lead Manager has represented that all offers and sales by it will be made on such terms.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to United States persons. For a more complete description of certain restrictions on the offering, sale and delivery of the Notes and on the distribution of this Offering Circular, see "Subscription and Sale" below.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "pounds", "sterling" and "£" are to the currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom") and all references to "€" and "euro" are to the single currency which was introduced at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Communities (as amended by the Treaty on European Union and the Treaty of Amsterdam).

IN CONNECTION WITH THIS ISSUE, LEHMAN BROTHERS INTERNATIONAL (EUROPE) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

| | <i>Page</i> |
|---|-------------|
| TERMS AND CONDITIONS OF THE TRANCHE 1 NOTES | 4 |
| TERMS AND CONDITIONS OF THE TRANCHE 2 NOTES | 13 |
| TERMS AND CONDITIONS OF THE TRANCHE 3 NOTES | 14 |
| TERMS AND CONDITIONS OF THE TRANCHE 4 NOTES | 15 |
| TERMS AND CONDITIONS OF THE TRANCHE 5 NOTES | 16 |
| USE OF PROCEEDS | 20 |
| SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM | 21 |
| THE ABBEY NATIONAL GROUP | 22 |
| CAPITALISATION AND INDEBTEDNESS OF THE GROUP | 25 |
| UNITED KINGDOM TAXATION | 26 |
| SUBSCRIPTION AND SALE | 28 |
| GENERAL INFORMATION | 30 |

TERMS AND CONDITIONS OF THE TRANCHE 1 NOTES

The following, subject to alteration, are the terms and conditions of the Tranche 1 Notes in the form in which they will appear in the relevant Trust Deed (as defined below).

The £325,000,000 Ten Year Step Up Perpetual Callable Subordinated Notes (the "Notes", which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) are constituted by a trust deed (the "Trust Deed") dated 28th September, 2000 between Abbey National plc (the "Issuer") and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders"). The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 15th December, 1998 and by an approval and authorisation passed on 21st September, 2000. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the paying agency agreement (the "Paying Agency Agreement") dated 28th September, 2000 made between the Issuer, Citibank, N.A. as principal paying agent (the "Principal Paying Agent") and as agent bank (the "Agent Bank"), the other paying agent named therein (together with the Principal Paying Agent, the "Paying Agents") and the Trustee are available for inspection during normal business hours by the Noteholders and the holders of the interest coupons (the "Coupons") and talons for further Coupons (the "Talons") appertaining to Notes in definitive form (the "Couponholders") at the registered office of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them.

1. Form, Denomination and Transfer

- (a) The Notes are in bearer form in the denominations of £1,000, £10,000 and £100,000, each serially numbered.
- (b) The Notes are initially represented by a temporary global note (the "Temporary Global Note") in bearer form, without Coupons or Talons attached, in the principal amount of £325,000,000 deposited with a common depository (the "Common Depository") for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Not earlier than 8th November, 2000, the Temporary Global Note is exchangeable for interests in a further global note in bearer form, without Coupons or Talons attached, in the principal amount of up to £325,000,000 (the "Permanent Global Note") which will also be deposited with the Common Depository. Exchanges of interests in the Temporary Global Note for interests in the Permanent Global Note will be effected only upon certification as to non-U.S. beneficial ownership. A beneficial owner must exchange his interest in the Temporary Global Note for an interest in the Permanent Global Note before payments of principal or interest on the Notes can be collected. The Temporary Global Note and the Permanent Global Note are together referred to as the "Global Notes". The Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances described in paragraph (e) below. Title to each Global Note will pass by delivery (without prejudice to paragraphs (c) and (d) below). The Issuer and the Trustee may (to the fullest extent permitted by applicable laws but without prejudice to paragraph (d) below) deem and treat the bearer of a Global Note as the absolute owner for all purposes (whether or not such Global Note shall be overdue and notwithstanding any notice of ownership or writing on such Global Note or any notice of previous loss or theft of such Global Note).
- (c) For so long as the Notes are represented by a Global Note, Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. Title to the definitive Notes, Coupons and Talons issued in the limited circumstances described below will pass by delivery.
- (d) For so long as the Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee and the bearer of the relevant Global Note as a holder of such principal amount of Notes (and the expression

“Noteholder” and references to “holding of Notes” and to “holders of Notes” shall be construed accordingly) for all purposes other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Trustee.

- (e) If (i) any event described in Condition 7 occurs and is continuing or an order is made or an effective resolution is passed for the winding-up of the Issuer (except for the purposes of a reconstruction or amalgamation the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders), (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available or (iii) the Trustee is satisfied that on the occasion of the next payment in respect of the Notes the Issuer or any Paying Agent would be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will issue definitive Notes, serially numbered, in the denominations of £1,000, £10,000 and £100,000 each with Coupons and a Talon attached on issue (in exchange for the entire Permanent Global Note) within 45 days of the occurrence of the relevant event in (i), (ii) or (iii) above.

2. Status and Subordination

(a) Status

The Notes constitute direct, unsecured, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

(b) Condition of Payment

The rights and claims of the Noteholders and the Couponholders are subordinated to the claims of Senior Creditors (as defined below), in that payments of principal and interest in respect of the Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no principal or interest shall be payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 2(b), the Issuer shall be considered to be solvent if (i) it is able to pay its debts to Senior Creditors as they fall due and (ii) its Assets (as defined below) exceed its Liabilities (as defined below) to Senior Creditors. A report as to the solvency of the Issuer by an Authorised Signatory (as defined below) of the Issuer or the Auditors of the Issuer or, if the Issuer is being wound up, its liquidator shall, unless the contrary is proved, be treated and accepted by the Issuer, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence thereof. Amounts representing interest in respect of which the condition referred to in this paragraph is not satisfied on the date upon which the same would otherwise be due and payable shall, so long as the same remain unpaid, constitute “Arrears of Interest” for the purposes of these Terms and Conditions (otherwise than for the purposes of Condition 4(c)).

Arrears of Interest under this Condition 2(b) shall not bear interest.

For the purposes of these Terms and Conditions, “Senior Creditors” means creditors of the Issuer (a) who are unsubordinated creditors of the Issuer or (b) whose claims are, or are expressed to be, subordinated to the claims of depositors and/or other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the Noteholders, “Assets” means the non-consolidated gross assets of the Issuer, “Liabilities” means the non-consolidated gross liabilities of the Issuer, in each case as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events in such manner and to such extent as the Directors of the Issuer, Auditors of the Issuer or, as the case may be, its liquidator may determine to be appropriate, and “Authorised Signatory” means in relation to the Issuer, a person who is duly empowered to bind the Issuer in relation to the relevant document(s) and, if necessary under the law of the country of incorporation of the Issuer to ensure that such person is duly authorised, whose authority is evidenced by a resolution or approval and authorisation of the Directors of the Issuer.

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or Coupons and each Noteholder and Couponholder shall, by virtue of being the holder of any Note or, as the case may be, Coupon, be deemed to have waived all such rights of set-off, counter-claim or retention.

NB. If the Issuer would not otherwise be solvent for the purposes of the above Condition 2(b), the amount of the principal and sums which would otherwise be payable as interest on the Notes will be available to meet the losses of the Issuer.

3. Winding-up

If at any time an order is made or an effective resolution is passed for the winding-up in England of the Issuer (except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders), there shall be payable by the Issuer in respect of each Note and Coupon (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding-up and thereafter, such Noteholder were the holder of one of a class of preference shares in the capital of the Issuer having a preferential right to a return of assets in such winding-up over the holders of all other classes of issued shares for the time being in the capital of the Issuer on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of the Note together with Arrears of Interest, if any, and any other accrued interest as provided in the Trust Deed.

4. Interest

(a) Rate of Interest

The Notes bear interest at the rate of 7.50 per cent. per annum from and including 28th September, 2000 to but excluding 28th September, 2010 and thereafter at an applicable rate of interest determined in accordance with paragraph (d) below (the "Reset Rate of Interest"). Interest on the Notes will be payable, subject as provided below, in arrear on 28th September in each year (each an "Interest Payment Date"), the first Interest Payment Date being 28th September, 2001. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

(b) Interest Payments

Interest will cease to accrue on the Notes on the first due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or is not made by reason of Condition 2(b) above, as the case may be. In such event interest will continue to accrue (as well after as before any judgment) as provided in the Trust Deed.

(c) Optional Payment of Interest

Without prejudice to the provisions of Conditions 2(b) and 3, the Issuer shall not be obliged to make payment of any interest accrued on the Notes if, during the period of six months immediately prior to the date on which payment of such interest would otherwise be due, no dividend shall have been declared, paid or made on any class of the stock or share capital of the Issuer, and all interest not so paid shall, so long as the same remains unpaid, constitute "Arrears of Interest". The Issuer may at its option (upon the expiry of not less than seven days' notice to the Noteholders given in accordance with Condition 13 and subject to Conditions 2(b) and 3) at any time pay all or part of the Arrears of Interest (being, if part only, the whole of the interest that would have been due on all the Notes on any due date for the payment of interest) but so that, in the case of any such partial payment, the interest that would have been due on any date shall not be paid prior to that accrued in respect of any earlier date. If notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to Conditions 2(b) and 3) to do so upon the expiry of such notice.

All Arrears of Interest shall (subject to Conditions 2(b) and 3) become due in full on the date on which any dividend is next declared, paid or made on any class of stock or share capital of the Issuer or, if earlier, the date set for any redemption under Condition 5(b) or (c) or the commencement of a winding-up of the Issuer.

Arrears of Interest under this Condition 4(c) shall not bear interest.

(d) *The Reset Rate of Interest*

- (i) The Reset Rate of Interest for any Reset Period (as defined below) shall be the rate per annum determined by the Agent Bank or such other person as may be appointed from time to time pursuant to Condition 4(d)(iv) on the following basis. On the Determination Date (as defined below) relating to such Reset Period the Agent Bank shall determine the gross redemption yield (calculated by the Agent Bank on the basis set out by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries vol. 105, part 1, 1978, page 18 (as amended or updated from time to time) on a semi-annual compounding basis) on the basis of the Benchmark Five-Year Gilt (as defined below) in respect of that Reset Period (converted to an annualised payment and expressed as a percentage rounded up (if necessary) to four decimal places) (the "Yield") with the price of the Benchmark Five-Year Gilt for this purpose being the arithmetic mean of the offered and bid quotations for the sale or purchase on a spot delivery basis of such Benchmark Five-Year Gilt as at 3.00 p.m. (London time) on the relevant Determination Date (quoted by the Reference Dealers (as defined below)). The Reset Rate of Interest for such Reset Period shall be the aggregate of the Yield, as so determined by the Agent Bank, and the Margin (as defined below).

In these Terms and Conditions:

"Benchmark Five-Year Gilt" means, in respect of a Reset Period, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Agent Bank, with the agreement of the Reference Dealers, may determine to be appropriate;

"Business Day" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place;

"Determination Date" means, in relation to any Reset Period, the fifth day prior to the first day of such Reset Period, provided that if such fifth day is not a Business Day in London, it shall be postponed to the next day which is a Business Day in London provided that such day occurs before the first day of such Reset Period. If such day falls on or after the first day of such Reset Period, the Determination Date shall instead be the Business Day in London preceding the first day of such Reset Period which is nearest to the first day of such Reset Period and upon which the Agent Bank determines that it is possible to determine the Yield;

"Margin" means 3.20 per cent. per annum;

"Reference Dealers" means three brokers of gilts and/or gilt-edged market makers or such other three persons operating in the United Kingdom gilt-edged market (approved by the Trustee) as the Agent Bank may select, each of which (A) is acting through its principal London office, (B) agrees with the Agent Bank's nomination of the relevant Benchmark Five-Year Gilt and (C) is willing to provide the quotations referred to above;

"Reset Date" means 28th September, 2010 and every fifth successive 28th September thereafter; and

"Reset Period" means the period beginning on a Reset Date and ending on the day immediately preceding the next succeeding Reset Date.

- (ii) The Issuer shall cause such Reset Rate of Interest to be notified to the Trustee, each of the Paying Agents and any relevant listing authority as soon as practicable after the determination of such Reset Rate of Interest and shall procure that the Principal Paying Agent gives notice to the Noteholders thereof in accordance with Condition 13.
- (iii) If the Agent Bank for any reason defaults in its obligation to determine the Reset Rate of Interest for any Reset Period in accordance with this Condition 4(d), the Trustee shall determine such Reset Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition 4(d)), it shall deem fair and reasonable in all the circumstances, and such determination shall be deemed to be a determination thereof by the Agent Bank.
- (iv) So long as any Notes remain outstanding the Issuer will maintain an Agent Bank.

The Issuer may from time to time appoint another leading bank or investment banking firm in London as Agent Bank as may be approved in writing by the Trustee. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank, the Issuer shall forthwith appoint

such other leading bank or investment banking firm in London as may be approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed and approved as aforesaid.

- (v) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(d), whether by the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders or Couponholders or the Issuer shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions.

5. Redemption and Purchase

(a) *No Fixed Maturity*

There is no fixed redemption date for the Notes and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 7) only have the obligation to repay them in accordance with the following provisions of this Condition 5. In these Terms and Conditions all references to redemption or purchase of the Notes shall be read subject to the requirement that any such redemption or purchase shall be subject to the prior consent of the Financial Services Authority (so long as the Issuer is required by the Financial Services Authority to obtain such consent).

(b) *Optional Redemption*

The Issuer may, by giving not less than 10 London business days' notice to the Noteholders in accordance with Condition 13 and to Euroclear, Clearstream, Luxembourg and the Trustee (which notice shall be irrevocable), elect to redeem all, but not some only, of the Notes on the Interest Payment Date falling on 28th September, 2010 or thereafter on every fifth anniversary of such Interest Payment Date at their principal amount plus accrued interest and all Arrears of Interest (if any). In this Condition 5(b), "London business day" means, in relation to any place, any day (not being a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London.

(c) *Redemption for taxation purposes*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for the payment of interest:

- (i) (a) as a result of any actual change in, or amendment to, the laws of the United Kingdom or any political subdivision or authority thereof having power to tax, or any change in the application of official or generally accepted interpretation of such laws, which change or amendment becomes effective on or after 26th September, 2000, the Issuer will, for reasons outside its control, be required to pay additional amounts as provided in Condition 8 and such requirement cannot be avoided by the Issuer taking such steps as the Trustee may consider reasonable, or (b) the Issuer will for reasons outside its control with respect to all but not some only of the Notes be required to account to any taxing authority in the United Kingdom for any amounts (other than any tax withheld or deducted from interest payable on the Notes) calculated by reference to any amount payable in respect of the Notes and that requirement cannot be avoided by the Issuer taking such steps as the Trustee may consider reasonable; or
- (ii) payments of amounts in respect of interest on all but not some only of the Notes will, for reasons outside the control of the Issuer, be treated as "distributions" within the meaning of the Taxes Acts for the time being of the United Kingdom,

then the Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable) redeem all, but not some only of, the Notes at their principal amount together with interest accrued to the date fixed for redemption and Arrears of Interest (if any) at any time. Upon expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

(d) *Purchases*

The Issuer or any of the Subsidiaries (as defined in the Trust Deed) for the time being may at any time purchase Notes in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto.

(e) Cancellation

All Notes purchased pursuant to paragraph *(d)* above will be surrendered for cancellation to any Paying Agent and will be cancelled forthwith (together with all unmatured Coupons and Talons surrendered therewith) and may not be reissued or resold.

6. Payments

- (a)* Payments of principal and interest in respect of the Notes will be made against surrender of Notes or, in the case of payments of interest on an Interest Payment Date, against surrender of the relevant Coupons, at the specified office of any of the Paying Agents. Such payments will be made (subject to paragraph *(b)* below), at the option of the holder by a sterling cheque, or by transfer to a sterling account specified by the holder, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 8.
- (b)* Payments of interest in respect of Notes may only be made at the specified offices of any Paying Agent outside the United States of America in the manner described in paragraph *(a)* above.
- (c)* Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such Note (whether or not attached) shall also become void and no payment shall be made in respect of them.
- (d)* On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet).
- (e)* If the date for payment of any amount of principal or interest in respect of any Note or any later date on which any Note or Coupon is presented for payment is not at the relevant place of presentation and at the place where the holder's sterling account is located (in the latter case, where payment is to be made by transfer to a sterling account specified by the holder) a business day, then the holder thereof shall not be entitled to payment at that place of presentation or, if applicable, payment of the amount payable until the next following business day at that place of presentation and, if applicable, payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6*(e)*, "business day" means, in relation to any place, any day (not being a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and in that place.
- (f)* The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain a Paying Agent having a specified office in London and a Paying Agent having a specified office in continental Europe.
- (g)* Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 13.
- (h)* If definitive Notes are required to be issued, the amount of interest in respect of such Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest £0.01.

7. Events of Default and Enforcement

- (a)* If the Issuer shall not make payment in respect of the Notes (in the case of payment of principal) for a period of 14 days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after any date upon which the payment of interest is compulsory, the Issuer shall be considered to be in default under the Trust Deed, the Notes and the Coupons and the Trustee may, notwithstanding the provisions of paragraph *(b)* of this Condition 7, institute proceedings in England (but not elsewhere) for the winding-up of the Issuer. For the purposes of this paragraph a payment otherwise due (in the case of principal) or compulsory (in the case of interest) shall be deemed so due or compulsory notwithstanding that the condition set out in Condition 2*(b)* is not satisfied, provided that any payment of interest not made pursuant to Condition 4*(c)* shall not be deemed so due.

- (b) The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above to enforce the obligations of the Issuer under the Trust Deed, the Notes or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to prove in the winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.
- (e) No remedy against the Issuer, other than as referred to in this Condition 7, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.
- (f) No rights are conferred on any person by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes.

8. Taxation

All payments by the Issuer of principal and interest (including Arrears of Interest) in respect of the Notes 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 or on behalf of the United Kingdom or any political subdivision 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 Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Note or Coupon presented for payment:

- (i) by or on behalf of a holder who 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 other than the mere holding of such Note or Coupon; or
- (ii) by or on behalf of a holder who would be able to avoid such withholding or deduction by satisfying any statutory requirements (provided such statutory requirements do not involve the holder in incurring a material cost) and/or by making a declaration of non-residence or other similar claim for exemption but, in either case, fails to do so; or
- (iii) in the United Kingdom; or
- (iv) 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.

For this purpose, the "Relevant Date" in respect of any payment means the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the "Relevant Date" means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders by or on behalf of the Issuer in accordance with Condition 13.

References herein, and in the Trust Deed, to principal and/or interest shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9. Prescription

Notes and Coupons (which, for this purpose, shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date (as defined in Condition 8) relating thereto.

10. Meetings of Noteholders, Modification, Waiver and Substitution

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 other 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 in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due date for payment of principal or interest in respect of the Notes and principal amount of any Note) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal 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 Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any provisions of the Trust Deed, or determine, without any such consent, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) should not be treated as such, which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error.

No modification to these Terms and Conditions or any other provisions of the Trust Deed shall become effective unless the prior consent thereto of the Financial Services Authority shall have been obtained (so long as there is a requirement to obtain such consent).

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 or Couponholders, may agree with the Issuer, without the consent of the Noteholders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 and 3 of any person or persons incorporated in any country in the world (other than the United States) (the "Substitute Obligor") in place of the Issuer (or any previous Substitute Obligor under this Condition) as a new principal debtor under the Trust Deed, the Notes and the Coupons.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution for individual Noteholders or Couponholders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with any substitution or such exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substitute Obligor or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution upon any individual Noteholders or Couponholders except to the extent already provided in Condition 8 and/or undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

11. Replacement of the Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 13) upon payment by the claimant of the expenses incurred in

connection 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 any replacement Notes, Coupons or Talons will be issued.

12. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any other Subsidiary without accounting for any profit resulting therefrom.

13. Notices

All notices regarding the Notes will be valid if published in one leading London daily newspaper. Any notice published in a newspaper as aforesaid 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.

14. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes so as to be consolidated and form a single series with the Notes upon such terms as the Issuer may, in its absolute discretion, at the time of the issue thereof determine. Any such notes shall be constituted by a deed supplemental to the Trust Deed.

15. Governing Law

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

TERMS AND CONDITIONS OF THE TRANCHE 2 NOTES

The terms and conditions of the Tranche 2 Notes will be identical to those described under “Terms and Conditions of the Tranche 1 Notes” above, with the following alternative or supplemental provisions, references to the “Notes” in the terms and conditions of the Tranche 1 Notes being construed as references to the Tranche 2 Notes:

- (A) The reference in the introductory paragraph to “£325,000,000 Ten Year Step Up Perpetual Callable Subordinated Notes” shall be replaced by a reference to “£325,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes”.
- (B) The reference in Condition 4(a) to the Notes bearing interest “from and including 28th September, 2000 to but excluding 28th September, 2010” shall be replaced by a reference to “from and including 28th September, 2000 to but excluding 28th September, 2015”.
- (C) The definition of “Margin” in Condition 4(d)(i) shall be replaced by ““Margin” means 3.40 per cent. per annum;”.
- (D) The definition of “Reset Date” in Condition 4(d)(i) shall be replaced by ““Reset Date” means 28th September, 2015 and every fifth successive 28th September thereafter; and”.
- (E) The reference in Condition 5(b) to “the Interest Payment Date falling on 28th September, 2010” shall be replaced by a reference to “the Interest Payment Date falling on 28th September, 2015”.

TERMS AND CONDITIONS OF THE TRANCHE 3 NOTES

The terms and conditions of the Tranche 3 Notes will be identical to those described under “Terms and Conditions of the Tranche 1 Notes” above, with the following alternative or supplemental provisions, references to the “Notes” in the terms and conditions of the Tranche 1 Notes being construed as references to the Tranche 3 Notes:

- (A) The reference in the introductory paragraph to “£325,000,000 Ten Year Step Up Perpetual Callable Subordinated Notes” shall be replaced by a reference to “£175,000,000 Twenty Year Step Up Perpetual Callable Subordinated Notes”.
- (B) The references in Condition 1(b) to “£325,000,000” shall be replaced by references to “£175,000,000”.
- (C) The reference in Condition 4(a) to the Notes bearing “interest at a rate of 7.50 per cent. per annum” shall be replaced by a reference to “interest at a rate of 7.375 per cent. per annum”.
- (D) The reference in Condition 4(a) to the Notes bearing interest “from and including 28th September, 2000 to but excluding 28th September, 2010” shall be replaced by a reference to “from and including 28th September, 2000 to but excluding 28th September, 2020”.
- (E) The definition of “Margin” in Condition 4(d)(i) shall be replaced by ““Margin” means 3.42 per cent. per annum;”.
- (F) The definition of “Reset Date” in Condition 4(d)(i) shall be replaced by ““Reset Date” means 28th September, 2020 and every fifth successive 28th September thereafter; and”.
- (G) The reference in Condition 5(b) to “the Interest Payment Date falling on 28th September, 2010” shall be replaced by a reference to “the Interest Payment Date falling on 28th September, 2020”.

TERMS AND CONDITIONS OF THE TRANCHE 4 NOTES

The terms and conditions of the Tranche 4 Notes will be identical to those described under "Terms and Conditions of the Tranche 1 Notes" above, with the following alternative or supplemental provisions, references to the "Notes" in the terms and conditions of the Tranche 1 Notes being construed as references to the Tranche 4 Notes:

- (A) The reference in the introductory paragraph to "£325,000,000 Ten Year Step Up Perpetual Callable Subordinated Notes" shall be replaced by a reference to "£175,000,000 Thirty Year Step Up Perpetual Callable Subordinated Notes".
- (B) The references in Condition 1(b) to "£325,000,000" shall be replaced by references to "£175,000,000".
- (C) The reference in Condition 4(a) to the Notes bearing "interest at a rate of 7.50 per cent. per annum" shall be replaced by a reference to "interest at a rate of 7.125 per cent. per annum".
- (D) The reference in Condition 4(a) to the Notes bearing interest "from and including 28th September, 2000 to but excluding 28th September, 2010" shall be replaced by a reference to "from and including 28th September, 2000 to but excluding 30th September, 2030".
- (E) The reference in Condition 4(a) to interest on the Notes being payable "in arrear on 28th September in each year (each an "Interest Payment Date"), the first Interest Payment Date being 28th September, 2001" shall be replaced by a reference to "in arrear on 30th September in each year (each an "Interest Payment Date"), the first Interest Payment Date being 30th September, 2001 in respect of the period from and including 28th September, 2000 to but excluding 30th September, 2001, the amount of such first payment to be £71.65 per £1,000 in principal amount of the Notes".
- (F) The definition of "Margin" in Condition 4(d)(i) shall be replaced by "'Margin" means 3.50 per cent. per annum;".
- (G) The definition of "Reset Date" in Condition 4(d)(i) shall be replaced by "'Reset Date" means 30th September, 2030 and every fifth successive 30th September thereafter; and".
- (H) The reference in Condition 5(b) to "the Interest Payment Date falling on 28th September, 2010" shall be replaced by a reference to "the Interest Payment Date falling on 30th September, 2030".

TERMS AND CONDITIONS OF THE TRANCHE 5 NOTES

The terms and conditions of the Tranche 5 Notes will be identical to those described under "Terms and Conditions of the Tranche 1 Notes" above, with the following alternative or supplemental provisions, references to the "Notes" in the terms and conditions of the Tranche 1 Notes being construed as references to the Tranche 5 Notes:

- (A) The reference in the introductory paragraph to "£325,000,000 Ten Year Step-Up Perpetual-Callable Subordinated Notes" shall be replaced by a reference to "euro 400,000,000 Fixed to Floating Rate Perpetual Callable Subordinated Notes".
- (B) The references in Conditions 1(a) and 1(e) to "denominations of £1,000, £10,000 and £100,000" shall be replaced by references to "denominations of euro 1,000, euro 10,000 and euro 100,000".
- (C) The references in Condition 1(b) to "£325,000,000" shall be replaced by references to "euro 400,000,000".
- (D) Condition 4(a) shall be replaced by the following:
 - (a) *Rate of Interest before 28th September, 2010*

The Notes bear interest at the rate of 7.125 per cent. per annum from and including 28th September, 2000 to but excluding 28th September, 2010 and thereafter at the applicable rate of interest calculated in accordance with paragraph (d) below. To but excluding 28th September, 2010, interest on the Notes will be payable, subject as provided below, in arrear on 28th September in each year, the first payment of interest to be made on 28th September, 2001.

Before 28th September, 2010, if interest is required to be calculated for a period ending other than on 28th September in any year, it shall be calculated on the basis of the actual number of days from and including the most recent 28th September to but excluding the relevant payment date divided by the actual number of days in the period from and including the most recent 28th September to but excluding the next 28th September.

- (E) Condition 4(d) shall be replaced by the following:

- (d) *Rate of interest after 28th September, 2010*

From and including 28th September, 2010, the Notes bear interest in accordance with the following provisions of this Condition 4(d).

Subject to Condition 4(c), interest shall be payable on the Notes quarterly in arrear on each Interest Payment Date (as defined below), in each case as provided in this Condition 4(d), the first Interest Payment Date being 28th December, 2010.

Interest shall accrue on the Notes in respect of each Interest Period (as defined below) and any other period in respect of which interest may fall to be calculated on the basis of the actual number of days elapsed in the relevant period divided by 360 and, if necessary, rounding the resultant figure to the nearest euro 0.01 (euro 0.005 being rounded upwards).

The rate of interest on the Notes in respect of each Interest Period (the "Rate of Interest") will be determined by the Agent Bank on the basis of the following provisions:

- (i) On each Interest Determination Date (as defined below) the Agent Bank will determine the offered rate (expressed as a rate per annum) for three-month euro deposits as at 11.00 a.m. (Central European time) on such Interest Determination Date, as displayed on the display designated as page "248" on the Bridge/Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information). The Rate of Interest on the Notes for the Interest Period immediately succeeding each Interest Determination Date shall be such offered rate as so determined by the Agent Bank plus the Margin (as defined below).
 - (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Agent Bank will, on such date, request the principal Euro-zone (as defined below) office of each Reference Bank (as defined below) to provide the Agent Bank with its offered quotation to leading banks in the Euro-zone inter-bank market for three-month euro deposits as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. If at least two of the Reference Banks provide the Agent Bank with such offered quotations, the Rate of Interest on the Notes for the Interest Period immediately succeeding the relevant Interest Determination Date

shall be the rate determined by the Agent Bank to be the arithmetic mean (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point) of such offered quotations plus the Margin.

- (iii) If on any Interest Determination Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Agent Bank with such a quotation, the Rate of Interest on the Notes for the Interest Period immediately succeeding such Interest Determination Date shall be the rate which the Agent Bank determines to be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point) of the euro lending rates which leading banks in the Euro-zone selected by the Agent Bank are quoting, on the relevant Interest Determination Date, to leading European banks for a period of three months, except that, if the banks so selected by the Agent Bank are not quoting as mentioned above, the Rate of Interest on the Notes for such Interest Period shall be the Rate of Interest on the Notes in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this Condition 4(d) shall have applied or, if no such Rate of Interest has been in effect, the Rate of Interest on the Notes for such Interest Period shall be the rate which the Agent Bank determines to be the aggregate of the Margin and such arithmetic mean of such euro lending rates so quoted on the first TARGET Business Day preceding the relevant Interest Determination Date on which such rates are so quoted.

(e) *Determination of Rate of Interest and Calculation of Coupon Amounts*

The Agent Bank will, as soon as practicable after 11.00 a.m. (Central European Time) on each Interest Determination Date, determine the Rate of Interest in respect of the relevant Interest Period and calculate the amount of interest payable on presentation of a Coupon appertaining to Notes of each denomination on the Interest Payment Date for such Interest Period (the "Coupon Amounts") by applying the Rate of Interest for such Interest Period to the principal amount of a Note of the relevant denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and, if necessary, rounding the resultant figure to the nearest euro 0.01 (euro 0.005 being rounded upwards).

(f) *Publication of Rate of Interest and Coupon Amounts*

The Issuer shall cause notice of each Rate of Interest applicable after 28th September, 2010 and of the Coupon Amounts and the relevant Interest Payment Date to be given to the Trustee, the Paying Agents, any applicable listing authority and, in accordance with Condition 13, the Noteholders as soon as practicable after their determination and calculation but in any event not later than the fourth business day thereafter. As used in this paragraph (f), "business day" means a day (not being a Saturday or Sunday) on which banks are open for business in London.

The Coupon Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period or in the event of proven or manifest error.

(g) *Determination or Calculation by Trustee*

The Trustee shall, if the Agent Bank does not at any relevant time for any reason determine the Rate of Interest on the Notes or calculate any Coupon Amount in accordance with this Condition 4, determine the Rate of Interest in respect of the relevant Interest Period or calculate such Coupon Amount at such rate or in such amount as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition 4), it shall deem fair and reasonable in all the circumstances, and such determination and calculation shall be deemed to be a determination thereof by the Agent Bank.

(h) *Agent Bank*

So long as any Notes remain outstanding the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of these Terms and Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank by another leading investment, merchant or commercial bank in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to paragraph (g)) fails duly to determine the Rate of Interest or calculate the Coupon Amount on the Notes in respect of any Interest Period as provided in this Condition 4, the Issuer shall forthwith appoint another leading investment, merchant or commercial bank in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed and approved as aforesaid.

(i) *Determinations Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders and Couponholders or the Issuer shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions.

(j) *Definitions*

In these Conditions:

“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;

“Interest Determination Date” means the second TARGET Business Day prior to the first day of the first Interest Period and thereafter the second TARGET Business Day prior to the first day of each subsequent Interest Period;

“Interest Payment Date” means 28th March, 28th June, 28th September and 28th December in each year, commencing 28th December, 2010 or if any such day is not a TARGET Business Day, the next following TARGET Business Day;

“Interest Period” means the period commencing on (and including) 28th September, 2010 and ending on (but excluding) the first Interest Payment Date and thereafter each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next following Interest Payment Date;

“Margin” means 2.30 per cent. per annum;

“Reference Banks” means four major banks in Euro-zone inter-bank market as selected by the Agent Bank;

“relevant date” means in respect of any payment on the Notes or Coupons, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 13;

“TARGET” means the Trans European Real Time Gross Settlement Express Transfer (TARGET) System;

“TARGET Business Day” means a day on which TARGET is operating; and

“Treaty” means the Treaty establishing the European Communities (signed in Rome on 25th March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2nd October, 1997).

- (F) The reference in Condition 5(b) to “the Interest Payment Date falling on 28th September, 2010 or thereafter on every fifth anniversary of such Interest Payment Date” shall be replaced by a reference to “28th September, 2010 or thereafter on any Interest Payment Date”.
- (G) The reference in the last paragraph of Condition 5(c) to “at any time” shall be replaced by a reference to “at any time on or prior to 28th September, 2010 and thereafter on any Interest Payment Date”.
- (H) The reference in Condition 6(a) to “an Interest Payment Date” shall be replaced by a reference to “a due date for the payment of interest or, as the case may be, an Interest Payment Date”.
- (I) The references in Condition 6(a) to a “sterling cheque” and a “sterling account” shall be replaced by a reference to an “euro cheque” and an “euro account” respectively.
- (J) Condition 6(e) shall be replaced by the following:
 - “(e) If the date for payment of any amount of principal or interest in respect of any Note or any later date on which any Note or Coupon is presented for payment is not at the relevant place of presentation a business day, then the holder thereof shall not be entitled to payment at that place of presentation of the amount payable until the next following business day at that place of presentation and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6(e), “business day” means in respect of any place of presentation any day on which banks are open for presentation and payment of bearer debt securities and for dealing in foreign currencies in such place of presentation and in the case of payment by transfer to a euro account as referred to above, a TARGET Business Day.”
- (K) The reference in Condition 6(h) to “the nearest £0.01” shall be replaced by a reference to “the nearest euro 0.01”.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately £1,221,425,390 (where applicable, converted from euro into sterling at the rate of € 1.63525 to £1.00), will be used to strengthen the Group's capital base.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Temporary Global Note and Permanent Global Note contains provisions which apply to the Notes of the relevant Tranche while they are in global form, some of which modify the effect of the terms and conditions of such Notes as set out in this document. The following is a summary of certain of those provisions (references to the Notes, the Noteholders, the Global Notes, the Temporary Global Note, the Permanent Global Note and the Terms and Conditions being to the Notes, the Noteholders, the Global Notes, the Temporary Global Note, the Permanent Global Note and the Terms and Conditions, respectively, of each Tranche):

1. Exchange

Each of the Temporary Global Note and the Permanent Global Note is exchangeable as described under the Terms and Conditions of the Tranche 1 Notes set out in this Offering Circular.

2. Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on a Global Note will only be made upon certification as to non-US beneficial ownership.

3. Notices

So long as the Notes are represented by one or both of the Global Notes and such Global Note(s) is/ are held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

4. Prescription

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

5. Purchase and Cancellation

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by a reduction in the principal amount of the relevant Global Note.

THE ABBEY NATIONAL GROUP

Abbey National plc was incorporated in England and Wales on 12th September, 1988 with registered number 2294747 and is the successor company to which the Abbey National Building Society transferred its business in July 1989. Abbey National is the parent company of the Group.

Introduction

The Abbey National Group was the fourth largest banking group in the United Kingdom in terms of assets at 31st December, 1999 with total assets of £181 billion (1998: £163 billion). During 1999, the Group made pre-tax profits of £1,783 million (1998: £1,520 million).

The Business of the Group

Abbey National and its subsidiaries comprise a major personal financial services group in the United Kingdom, providing a wide range of financial products and services. The Group operates principally in the following business segments:

U.K. Retail Banking

U.K. Retail Banking is the largest business of the Group and the major areas of activity are:

Mortgage Lending

The Group provides an extensive mortgage service and, as at 31st December, 1999, had total U.K. residential mortgage assets of £64.7 billion (1998: £62.3 billion) net of suspended interest and provisions. During 1999, the Group's market share of the increase in U.K. mortgages outstanding was an estimated 6.3 per cent. (1998: 5.9 per cent.). As at 31st December, 1999, the Group's market share of the total U.K. mortgage stock was an estimated 13.1 per cent. compared to 13.6 per cent. as at 31st December, 1998.

Savings

The Group provides a range of savings accounts to meet the varied requirements of its customers and, at 31st December, 1999, U.K. retail savings of customers with the Group amounted to £49.7 billion (1998: £49.3 billion). As at 31st December, 1999, the Group's market share of the total U.K. liquid savings stock was an estimated 8.6 per cent. compared to 8.9 per cent. at 31st December, 1998.

Wholesale Banking

The activities of Wholesale Banking are conducted primarily through ANTS. The assets of Wholesale Banking were £82 billion at 31st December, 1999 (1998: £70 billion). This includes assets of £19 billion at 31st December, 1999 in its specialist repo and stocklending subsidiary, Cater Allen International Limited (1998: £16 billion). Wholesale Banking raised total funds of approximately £13 billion in the international capital markets during 1999 and arranged on behalf of the Group the issue of mortgage-backed notes in the UK securitisation market in 1999 and perpetual securities via the internet in February, 2000. ANTS has a representative office in Hong Kong and a branch in Paris.

Life Assurance Operations

The Group is active in each of the three principal areas of the U.K. life assurance industry: life and ill-health protection assurance, pensions and investments and savings. Scottish Mutual Assurance plc offers a broad range of products through independent financial advisers, and diversified internationally during 1999 by entering markets in mainland Europe. Abbey National Life plc offers products through the Group's distribution network and during 1999 its entire product range was re-launched with even more customer-focused features. Scottish Mutual Assurance plc's new business premiums income arising from policies sold in 1999 increased by 41 per cent. to £2,352 million (1998: £1,672 million). Abbey National Life plc's new business premiums from policies sold in 1999 totalled £1,194 million (1998: £851 million), a 40 per cent. increase.

Finance House

Finance House provides unsecured personal loans under the Abbey National and First National brands. It also provides secured loans, motor finance and vehicle contract hire, leasing, factoring and commercial mortgages. In 1999, First National Bank's assets increased by 8 per cent. to £3.87 billion (1998: £3.57 billion).

General Insurance

The range of general insurance products offered includes property, buildings and contents, payment protection, private medical, motor and travel insurance.

For the year ended 31st December, 1999 new business volumes have increased by 9 per cent. with motor new business volumes in particular growing strongly by 141 per cent. to 59,000 and creditor volumes increasing 42 per cent.

Wealth Management

The Wealth Management Division comprises the offshore businesses of Abbey National and Cater Allen, the onshore retail businesses of Cater Allen, the Abbey National Independent Consulting Group and City Deal Services Limited. Wealth Management division targets these specialist businesses primarily at high net worth individuals and expatriate clients.

Continental Europe

The Group has operations in France and Italy, the main activity of which is the provision of residential mortgage loans. These businesses have been refocused and are now concentrating on profitable niche markets.

Interim Results for the six months to 30th June, 2000

Underlying profit before tax increased by 19 per cent. to £1,018 million (30th June, 1999: £852 million). This excludes significant investment of £96 million (30th June, 1999: £17 million) to transform the Group and profits from material asset disposals (£60 million in 1999 relating to the disposal of the Group's equity stake in Irish Permanent).

Total profit before tax increased by 5 per cent. to £922 million (30th June, 1999: £875 million) representing a strong performance given the substantial levels of investment. Total charges for bad debts fell by 23 per cent. to £132 million (30th June, 1999: £171 million).

Total Group assets have increased by 7 per cent. since 31st December, 1999 to £194 billion (31st December, 1999: £181 billion). The equity tier one capital ratio was 7.3 per cent. (31st December, 1999: 7.1 per cent.).

U.K. Retail Banking profit before tax has increased by 7 per cent. to £507 million on an underlying basis (30th June, 1999: £472 million). This excludes £8 million costs invested in e-commerce and £20 million redundancy costs relating to the removal of a layer of management in the branch network. In total profit before tax increased by 2 per cent. to £479 million.

Wholesale Banking increased profit before tax by 30 per cent. to £263 million (30th June, 1999: £202 million) reflecting the excellent performance of the wholesale lending and asset financing businesses, which include fast growing newer income streams such as acquisition finance and project finance.

Life Assurance increased profit before tax by 22 per cent. to £128 million (30th June, 1999: £105 million) with total new business premiums increasing by 24 per cent. to £2,010 million (30th June, 1999: £1,619 million) with funds under management increasing by 22 per cent. since 30th June, 1999 to £19.1 billion.

Finance House underlying profit before tax increased by 20 per cent. to £90 million (30th June, 1999: £75 million). This excludes costs of £21 million (30th June, 1999: £7 million) relating to a major programme to integrate and transform acquired businesses. In total profit before tax was slightly higher at £69 million (30th June, 1999: £68 million).

General Insurance profit before tax increased by 6 per cent. to £51 million (30th June, 1999: £48 million) resulting from a focus on operating cost containment and increased customer retention. This was offset in part by narrower margins due to higher claim costs.

Wealth Management profit before tax increased by 32 per cent. to £25 million (30th June, 1999: £19 million) excluding the £16 million (30th June, 1999: £5 million) cost of new business development.

Continental Europe made a pre-tax loss of £1 million (30th June, 1999: £0.1 million loss).

Cahoot is a separately branded self contained virtual banking service launched on 12th June, 2000. £31 million was invested in building the business in the first half of 2000.

Recent Developments

On 6th September, 2000 Abbey National entered into an agreement with The Scottish Provident Institution ("Scottish Provident") under which the business of Scottish Provident will be transferred to the Group for £1.8 billion (subject to adjustment), of which £1.6 billion will be payable by Abbey National to compensate members for loss of membership rights and £0.2 billion will be paid into Scottish Provident's with profit fund.

Scottish Provident is a mutual insurance group, based in Edinburgh, whose main activity is the provision of life products in the United Kingdom. It also has significant international operations based in the Isle of Man (distributing products internationally) and in the Republic of Ireland. Scottish Provident will form part of the Group's business to business banking division and increase the Group's presence in the life protection market.

The acquisition is subject to, amongst other things, approval by Scottish Provident's members and by certain regulatory authorities and the sanction of the Court. It is currently anticipated that completion of the acquisition will take place in the summer of 2001.

Ratings

The Issuer's outstanding long-term senior debt is rated Aa2 by Moody's Investors Service, Inc. ("Moody's") and AA by Standard & Poor's Ratings Services ("S&P") and Fitch Ratings Ltd ("Fitch"). The Issuer expects that the Notes will be rated Aa3 by Moody's, A+ by S&P and AA- by Fitch.

Directors of Abbey National

The following are the members of the Board of Directors of Abbey National:

| <i>Position</i> | <i>Name</i> | <i>Other principal activities</i> |
|-------------------------|--|---|
| Chairman | The Lord Tugendhat | Non-Executive Director, Eurotunnel plc Chairman, Blue Circle Industries PLC Non-Executive Director, Rio Tinto PLC |
| Deputy Chairmen | Charles Villiers, FCA Keith Woodley, FCA | Non-Executive Director, DTZ Holdings plc |
| Chief Executive | Ian Harley, FCA, FCIB | Non-Executive Director, Rentokil Initial plc |
| Executive Directors | Tim Ingram, MBA, FCIB Gareth Jones, FCA, FCT John King Malcolm Millington Mark Pain, FCA Andrew Pople, MBA Ian Treacy, FCA | Non-Executive Director, Somerfield plc |
| Non-Executive Directors | Leon Allen Mair Barnes Richard Hayden Sir Terence Heiser, GCB Peter Ogden James Tuckey, FRICS The Lord Shuttleworth, FRICS | Non-Executive Chairman Braes Group Limited Non-Executive Director, Scottish Power Plc Executive Chairman, GSC Partners Europe Limited Non-Executive Director, J. Sainsbury plc Director, Personal Investment Authority Director, Computacenter plc Chairman, Omnia Limited Computasoft Limited Non-Executive Director, The Rank Foundation Limited |

The business address of each of the above is Abbey House, Baker Street, London NW1 6XL.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the authorised and issued share capital of the Issuer and the Group shareholders' funds and indebtedness as at 31st December, 1999 and as at 31st August, 2000⁽⁸⁾⁽⁹⁾:

| | <i>As at 31st December, 1999 (audited)</i> | <i>As at 31st August, 2000 (unaudited)</i> |
|--|--|--|
| | (in £ million) | |
| ISSUER | | |
| Authorised share capital: | | |
| Sterling Ordinary shares of 10p each | 175 | 175 |
| Sterling Preference shares of £1 each | 1,000 | 1,000 |
| USD Preference shares of \$0.01 | 6 | 7 |
| Issued and fully paid comprising ordinary shares of 10p each | 142 | 142 |
| Issued and fully paid comprising sterling preference shares of £1 each | 325 | 325 |
| GROUP SHAREHOLDERS' FUNDS | | |
| Equity | | |
| Issued and fully paid share capital | 142 | 142 |
| Share premium | 1,411 | 1,415 |
| Reserves | 449 | 449 ⁽¹⁾ |
| Profit and loss account | 3,626 | 4,017 ⁽¹⁾ |
| Non-Equity | | |
| Issued and fully paid preference share capital | 325 | 325 |
| Trust Preferred Securities eligible as Tier 1 Capital ⁽²⁾ | — | 688 |
| Share premium ⁽²⁾ | 125 | 125 |
| Total Shareholders' Funds | 6,078 | 7,161 |
| GROUP INDEBTEDNESS⁽³⁾ | | |
| Subordinated Bonds/Notes⁽²⁾⁽⁴⁾ | | |
| Due within one year | 203 | 189 |
| Due after more than one year and less than five years | 832 | 881 |
| Due after five years | 3,406 | 3,634 |
| Exchangeable capital securities ⁽⁵⁾ | 200 | 200 |
| | 4,641 | 4,904 |
| Medium-Term Note Programme⁽⁴⁾ | | |
| Due within one year | 6,761 | 3,728 |
| Due after more than one year and less than five years | 2,348 | 3,619 |
| Due after five years | 1,300 | 1,684 |
| | 10,409 | 9,031 |
| Other Loan Capital⁽⁴⁾ | | |
| Floating/Variable Rate Bonds/Notes | | |
| Due within one year | 2,368 | 2,245 |
| Due after more than one year and less than five years | 2,052 | 1,327 |
| Due after five years | 40 | 362 |
| | 4,460 | 3,934 |
| Fixed Rate Bonds/Notes⁽⁴⁾ | | |
| Due within one year | 1,774 | 1,986 |
| Due after more than one year and less than five years | 8,969 | 10,013 |
| Due after five years | 1,743 | 1,459 |
| | 12,486 | 13,458 |
| Total Indebtedness⁽⁶⁾ | 31,996 | 31,327 |
| Total Capitalisation and Indebtedness⁽⁷⁾ | 38,074 | 38,488 |

Notes:

- (1) As at 30th June, 2000.
- (2) The preference share premium and subordinated bonds/notes are stated after the deduction of issue costs of £8 million and £32 million respectively and the trust preferred securities are stated after the deduction of issue costs of £7 million.
- (3) All of the bonds and notes are unsecured indebtedness guaranteed by Abbey National, apart from £3,571 million at 31st December, 1999 and £4,256 million at 31st August, 2000 which is unsecured indebtedness of Abbey National which is not guaranteed by any entity outside the Group.
- (4) Liabilities in foreign currencies are translated into Pounds Sterling at market exchange rates prevailing at 31st December, 1999 and 31st August, 2000 as appropriate.
- (5) 200 million 10³/₁₆ per cent. Exchangeable Capital Securities, exchangeable into 200 million 10³/₁₆ per cent. Non-Cumulative Sterling Preference Shares of £1 each of Abbey National on any Exchange Date at the option of Abbey National.
- (6) Holmes Funding No. 1 PLC, Holmes Funding No. 2 PLC and HLSE NO. 1 PLC are quasi subsidiaries of the Group, pursuant to FRSS, Reporting the Substance of Transactions, and have issued £3,965 million of notes. This amount has not been included in the indebtedness of the Group on the basis that the Group is under no obligation to support any loss that may be incurred by the companies.
- (7) The total capitalisation and indebtedness of the Group has decreased by £1,387 million between 31st August, 2000 and 26th September, 2000 as a result of issues and repayments of loan capital amounting to £226 million and £1,940 million, respectively, and a £327 million increase due to foreign exchange movements and will increase by approximately £325 million as a result of the issue of the Tranche 1 Notes, £325 million as a result of the issue of the Tranche 2 Notes, £175 million as a result of the issue of the Tranche 3 Notes, £175 million as a result of the issue of the Tranche 4 Notes and £245 million as a result of the issue of the Tranche 5 Notes.
- (8) As at 26th September, 2000, no undertaking within the Group either individually or collectively, had any contingent liabilities or guarantees outside of the Group, which were material in the context of the Issuer.
- (9) Save for the information disclosed above, there has been no material change in the authorised and issued share capital of the Issuer and no material change in the indebtedness of the Issuer or the Group since 31st August, 2000.

UNITED KINGDOM TAXATION

The comments below are of a general nature based on the Issuer's understanding of current United Kingdom law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of taxpayer (such as dealers). They deal only with the question of whether payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax and do not deal with other United Kingdom tax consequences that might arise from holding Notes.

United Kingdom withholding tax (including withholding or deduction for tax by issuers, paying and collecting agents) will be abolished in relation to interest payments on the Notes made on or after 1st April, 2001 provided that, so far as concerns deduction by the Issuer or its paying agents, the Notes are listed on a recognised stock exchange, as defined in Section 841 of the Income and Corporation Taxes Act 1988 (the "Act"). Therefore, the rules described in paragraphs 1 and 2 below will not apply to payments of interest made on or after that date. Instead the Inland Revenue will be able to obtain information about persons to whom or, in certain circumstances, for whose benefit, interest is paid.

1. The Notes will constitute "quoted Eurobonds" within the meaning of section 124 of the Act while the Notes remain in bearer form and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Act (the London Stock Exchange is recognised for these purposes). Accordingly, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax:

- (i) where payment is made by or through an overseas paying agent; or
- (ii) if payment is made by or through a paying agent at its specified office located in the United Kingdom, where the Notes are held in a "recognised clearing system" within the meaning of Section 841A of the Act (Euroclear and Clearstream, Luxembourg are recognised for these purposes) or where the person who is the beneficial owner of the Notes and the related Coupons is not resident in the United Kingdom, and in each case the person by or through whom the payment is made receives a declaration in the form required by law that one of those conditions is satisfied.

In all other cases tax would, subject to any relief available under any applicable double taxation convention, have to be withheld at the lower rate of income tax (currently 20 per cent.).

2. So long as the Notes remain in bearer form and are listed on a recognised stock exchange, any person in the United Kingdom who, in the course of a trade or profession:

- (a) acts as a custodian of the Notes and receives interest or has it paid at its direction or with its consent to another person; or
- (b) collects or secures (or arranges to collect or secure) payment of or receives interest on the Notes for another person (other than merely by clearing, or arranging to clear, a cheque),

may be required to account for (and therefore may withhold) United Kingdom income tax at the lower rate (currently 20 per cent.) from such interest unless certain exceptions apply, such exceptions including that:

- (i) the Notes are held in a recognised clearing system (as described above) and the collecting agent pays or accounts for the interest directly or indirectly to the recognised clearing system; or
- (ii) the Notes are held in a recognised clearing system and the collecting agent is acting as depositary for the recognised clearing system; or
- (iii) the person beneficially entitled to the interest is not resident in the United Kingdom and beneficially owns the Notes,

and in cases (i) and (iii) a declaration has been made in the form required by law that one of those conditions is satisfied and the Inland Revenue has not issued an appropriate direction to the effect that the exception does not apply.

There are also other exemptions for certain types of Noteholder in certain circumstances (e.g. pension funds, charities, non-resident trusts, local authorities, health service bodies, etc.).

3. In June 2000, the European Council agreed to amend earlier proposals published in May 1998 regarding the taxation of savings income. The Council no longer intends to require member states to implement a withholding tax regime in relation to payments of interest subject to the entitlement of certain

member states (but not the United Kingdom) to impose withholding for a transitional period. Instead the Council intends, provided that a number of important conditions are met, to require member states to introduce a system to exchange information regarding interest and similar income.

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 independent advice.

SUBSCRIPTION AND SALE

Lehman Brothers International (Europe) and UBS AG, acting through its business group UBS Warburg (the "Lead Managers") have, pursuant to Subscription Agreements dated 26th September, 2000 (each a "Subscription Agreement"), agreed with the Issuer to subscribe and pay for the Notes at 98.83 per cent. of their principal amount in respect of the Tranche 1 Notes, 98.446 per cent. of their principal amount in respect of the Tranche 2 Notes, 99.277 per cent. of their principal amount in respect of the Tranche 3 Notes, 97.712 per cent. of their principal amount in respect of the Tranche 4 Notes and 99.495 per cent. of their principal amount in respect of the Tranche 5 Notes, less in each case a selling commission of 0.425 per cent. of the principal amount of the Notes. The Issuer will pay to the Lead Managers a combined management and underwriting commission of 0.2 per cent. of the principal amount of the Notes. The Issuer has also agreed to reimburse the Lead Managers in connection with certain expenses of the issue. The Lead Managers are entitled to terminate the Subscription Agreements in certain circumstances prior to payment to the Issuer. If one of the Subscription Agreements is terminated in such circumstances, all of the Subscription Agreements will so terminate.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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 and regulations thereunder.

Each Lead Manager has agreed that, except as permitted by the relevant Subscription Agreement, they will not offer, sell or deliver the Notes, (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Each Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986, as amended (the "FSA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended or the FSA;
- (ii) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom the document may otherwise lawfully be issued or passed on.

Save for obtaining the approval of this Offering Circular as listing particulars by the UK Listing Authority and delivery of copies of this Offering Circular to the Registrar of Companies in England and Wales, no action has been taken by the Issuer or either Lead Manager which would permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and each Lead Manager has represented that all offers and sales by it will be made on such terms.

GENERAL INFORMATION

1. The Issuer was incorporated in England and Wales on 12 September, 1988 with registered number 2294747.
2. The listing of each Tranche of the Notes on the Official List will be expressed as a percentage of their principal amount. It is expected that listing of the Notes on the Official List and admission to trading by the London Stock Exchange will be granted on or around 27th September, 2000 subject only to the issue of the Temporary Global Note in respect of the relevant Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling or (in the case of the Tranche 5 Notes) in euro and for delivery on the third working day after the date of the transaction.
3. Save as disclosed herein, there has been no significant change in the financial or trading position of the Issuer or the Group since 30th June, 2000 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31st December, 1999.
4. Neither the Issuer nor the Group is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the previous twelve months, a significant effect upon the financial position of the Issuer or the Group.
5. In 1996, the directors of the Issuer received a demand against its subsidiary, Abbey National Treasury Services plc ("ANTS"), from an overseas tax authority in an amount of approximately £100 million relating to the repayments of certain tax credits received and related charges. ANTS has been advised that it has strong grounds to challenge the validity of the demand. As at 31st December 1999, additional interest in relation to the demand could amount to approximately £13 million (1998: £10 million).
6. The consolidated accounts of the Issuer for the year ended 31st December, 1997 were audited by Coopers & Lybrand, Chartered Accountants, in accordance with auditing standards and have been reported on without qualification. The address of Coopers & Lybrand is Southwark Towers, 32 London Bridge, London SE1 9SY. The consolidated accounts of the Issuer for the year ended 31st December, 1998 were audited by PricewaterhouseCoopers, Chartered Accountants, in accordance with auditing standards and have been reported on without qualification. The address of PricewaterhouseCoopers is Southwark Towers, 32 London Bridge, London SE1 9SY. The consolidated accounts of the Issuer for the year ended 31st December, 1999 were audited by Deloitte & Touche, Chartered Accountants, in accordance with auditing standards and have been reported on without qualification. The address of Deloitte & Touche is Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.
7. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 15th December, 1998 and by an approval and authorisation made on 21st September, 2000.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISINs and Common Codes for the Notes are as follows:

| | ISIN | Common Code |
|------------------|-----------------------------|-------------|
| Tranche 1 | XS0117972702 PERP NC 10 | 11797270 |
| Tranche 2 | XS0117972967 PERP NC 15 | 11797296 |
| Tranche 3 | XS0117973262 PERP NC 20 | 11797326 |
| Tranche 4 | XS0117973429 PERP NC 30 | 11797342 |
| Tranche 5 | XS0117974740 – EURO TRANCHE | 11797474 |

9. Copies of the following documents may be inspected at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB, during usual business hours, on any weekday (Saturdays, Sundays and public holidays excepted) for 14 days from the date of this Offering Circular:
 - (i) the Memorandum and Articles of Association of the Issuer;
 - (ii) the Annual Report and Accounts of the Issuer (consolidated Group accounts) for the years ended 31st December, 1998 and 31st December, 1999;
 - (iii) the interim consolidated financial statements of the Issuer for the six months ended 30th June, 2000;
 - (iv) the Subscription Agreements; and
 - (v) the Trust Deeds and the Paying Agency Agreement relating to each Tranche.

REGISTERED AND HEAD OFFICE OF THE ISSUER

Abbey House
Baker Street
London NW1 6XL
United Kingdom

TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Princes House
95 Gresham Street
London EC2V 7LY
United Kingdom

PRINCIPAL PAYING AGENT AND AGENT BANK

Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA
United Kingdom

PAYING AGENT

Banque Internationale à Luxembourg S.A.
69 route d'Esch
L-2953
Luxembourg

LEGAL ADVISERS

To the Managers and the Trustee

Allen & Overy
One New Change
London EC4M 9QQ
United Kingdom

To the Issuer

Slaughter and May
35 Basinghall Street
London EC2V 5DB
United Kingdom

REGISTERED AUDITORS OF THE ISSUER

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
United Kingdom

LISTING AGENT

Lehman Brothers International (Europe)
One Broadgate
London EC2M 7HA
United Kingdom