

# The Abbey National

Group

## Abbey National plc

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

### **£100,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes** (the "Tranche 1 Notes")

to be consolidated and form a single series with the **£325,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes issued on 28th September, 2000**

Issue price: **107.872 per cent.**  
plus **312 days' interest accrued from (and including) 28th September, 2000 to (but excluding) 10th August, 2001**

### **£100,000,000 Thirty Year Step Up Perpetual Callable Subordinated Notes** (the "Tranche 2 Notes")

to be consolidated and form a single series with the **£175,000,000 Thirty Year Step Up Perpetual Callable Subordinated Notes issued on 28th September, 2000**

Issue price: **109.744 per cent.**  
plus **312 days' interest accrued from (and including) 28th September, 2000 to (but excluding) 10th August, 2001**

(together with the Tranche 1 Notes, the "Notes", and each a "Tranche")

Interest on the Tranche 1 Notes and the Tranche 2 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 and 7.125 per cent. per annum in respect of the Tranche 2 Notes annually in arrear. On each Reset Date the rate of interest for each Tranche of Notes will be recalculated as described herein. 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, 2015 in the case of the Tranche 1 Notes and 30th September, 2030 in the case of the Tranche 2 Notes and, in the case of each such Tranche, thereafter on each fifth anniversary thereof. In addition, subject to the prior consent of the FSA (if then required), the 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, 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 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.

The Tranche 1 Notes will, when and to the extent that they are exchanged for interests in the relevant Permanent Global Note (as defined below) on or after a date not earlier than 19th September, 2001, be consolidated and form a single series with the **£325,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes of the Issuer issued on 28th September, 2000** described in an Offering Circular dated 26th September, 2000 (the "Tranche 1 Original Notes") and admitted to the Official List. The Tranche 2 Notes will, when and to the extent that they are exchanged for interests in the relevant Permanent Global Note on or after a date not earlier than 19th September, 2001, be consolidated and form a single series with the **£175,000,000 Thirty Year Step Up Perpetual Callable Subordinated Notes of the Issuer issued on 28th September, 2000** described in such Offering Circular (the "Tranche 2 Original Notes") and admitted to the Official List.

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 depository for Euroclear Bank S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 10th August, 2001 (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".

**MORGAN STANLEY**

The date of this Offering Circular is 9th August, 2001

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 Manager (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 Manager 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 the 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 the 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 the 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").

**IN CONNECTION WITH THIS ISSUE, MORGAN STANLEY & CO. INTERNATIONAL LIMITED MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE NOTES, THE TRANCHE 1 ORIGINAL NOTES AND/OR THE TRANCHE 2 ORIGINAL NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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## 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 First Supplemental Trust Deed (as defined below).*

The £100,000,000 Fifteen 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 first supplemental trust deed (the "First Supplemental Trust Deed") dated 10th August, 2001 supplemental to a trust deed (together with the First Supplemental Trust Deed, the "Trust Deed") dated 28th September, 2000, each 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 8th August, 2001. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Notes are issued with the benefit of a first supplemental paying agency agreement (the "First Supplemental Paying Agency Agreement") dated 10th August, 2001, supplemental to a paying agency agreement (together with the First Supplemental Paying Agency Agreement, the "Paying Agency Agreement") dated 28th September, 2000, each 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. Copies of the Trust Deed and the Paying Agency Agreement 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 Fifth Floor, 100 Wood Street, London EC2V 7EX, 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 £100,000,000 deposited with a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Not earlier than 19th September, 2001, 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 £100,000,000 (the "Permanent Global Note") which will also be deposited with the Common Depositary. 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 Notes will, when and to the extent that they are exchanged for interests in the Permanent Global Note, be consolidated and form a single series with the £325,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes of the Issuer issued on 28th September, 2000. 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, 2015 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 3.40 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, 2015 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, 2015 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, charges, levies or government or other duties 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 scheduled 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 case of Talons, by or on behalf of the Issuer.
- (c) any amount payable in respect of the Relevant Date or any date thereafter, but the holder thereof would have been entitled to such additional amount to be received in respect of payment to be the net due to such person or persons.

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 15.

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 preceding provisions or any undertakings given in addition thereto or in substitution thereof pursuant to the Trust Deed.

#### 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 Talonholders.

The Trustee may direct, 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 otherwise to do any such thing which may

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 “£100,000,000 Fifteen Year Step Up Perpetual Callable Subordinated Notes” shall be replaced by a reference to “£100,000,000 Thirty Year Step Up Perpetual Callable Subordinated Notes”.
- (B) The reference in Condition 1(b) to “£325,000,000 Fifteen 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”.
- (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 “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, 2015” 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, 2015” shall be replaced by a reference to “the Interest Payment Date falling on 30th September, 2030”.

## USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately £229,041,000, 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 I 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 fifth largest banking group in the United Kingdom in terms of assets at 31st December, 2000 with total assets of £204 billion (1999: £181 billion). During 2000, the Group made pre-tax profits of £1,975 million (1999: £1,783 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 through the following divisions:

Retail Banking – UK Retail Banking, Abbey National Life and General Insurance;

Wholesale Banking – Wholesale Banking;

Business to Consumer – Wealth Management, cahoot and Inscape; and

Business to Business – Finance House, Scottish Mutual and Continental Europe Operations;

These divisions are supported by four infrastructure areas.

### **Retail Banking**

Retail Banking is the largest division of the Group and provides mortgages, savings products, personal bank accounts, travellers' cheques, foreign currency and general insurance. The UK Retail Banking network also offers a financial planning service, which covers Abbey National Life-branded life assurance and investment products. The major areas of activity are:

#### ***Mortgage Lending***

The Group provides an extensive mortgage service and, as at 31st December, 2000, had total UK residential mortgage assets of £67.9 billion (1999: £64.7 billion) net of suspended interest and provisions. During 2000, the Group's market share of the increase in UK mortgages outstanding was an estimated 7.9 per cent. (1999: 6.3 per cent.). As at 31st December, 2000, the Group's market share of the total UK mortgage stock was an estimated 12.7 per cent. compared to 13.1 per cent. as at 31st December, 1999.

#### ***Savings***

The Group provides a range of savings accounts to meet the varied requirements of its customers and, as at 31st December, 2000, UK retail savings of customers with the Group amounted to £50.9 billion (1999: £49.7 billion). As at 31st December, 2000, the Group's market share of the total UK liquid savings stock was an estimated 8.3 per cent. compared to 8.6 per cent. at 31st December, 1999.

Following the launch of its e-banking service in May 2000, Abbey National's customers are able to access their accounts through the internet, telephone, digital television and Wireless Application Protocol mobile phones.

#### ***Abbey National Life***

Abbey National Life underwrites and administers life assurance, pensions and protection, investment and savings, and mortgage-related products, and distributes them through Abbey National's branch network and telephone call centres. Abbey National Life plc's new business premiums from policies sold in 2000 totalled £1,711 million (1999: £1,185 million), a 44 per cent. increase.



### **General Insurance**

The range of general insurance products offered includes property (buildings and contents), payment protection, motor and travel insurance. For the year ended 31st December, 2000 new business volumes increased by 28 per cent., supported by the launch of the motor insurance internet site in November 2000. A full internet service is being developed which will include on-line quotations, on-line applications, policy processing and alterations, and on-line claims handling.

### **Wholesale Banking**

Wholesale Banking participates in five main business areas:

- Wholesale Lending – which includes lending through a range of financing instruments including debt securities, asset swaps, direct loans, and syndicated loans;
- Asset Financing – which comprises operating leasing, finance leasing, project finance, private equity and social housing lending businesses;
- Asset-backed Investments – which includes the management of substantial portfolios of securities backed by assets, including credit card receivables, student loans and collateralised debt obligations;
- Risk Management and Financial Products – which offers integrated derivatives solutions to meet the risk management needs of external counterparties and the Group; and
- Securities Financing – which participates in the sale and repurchase of UK and international securities, securities borrowing and the lending of equity, fixed income and government securities.

A branch of ANTS with a full banking licence was established in Hong Kong in November 2000, and the establishment of a US branch of ANTS is being considered for Autumn 2001.

### **Business to Consumer**

The Business to Consumer division is made up largely by new business ventures including:

- Wealth Management – which focuses on the development of its onshore and offshore retail deposits and pensions business, targeting the UK expatriate market with significant investment potential;
- Inscope – which is a wealth management business targeting individuals with at least £50,000 of liquid assets to invest, launched in November 2000; and
- Cahoot – which is a separately branded self-contained virtual banking service launched on 12th June, 2000 which customers can access via the internet, the telephone and Wireless Application Protocol mobile phones and, it is expected, by late 2001 via digital television; since launch, over 332,000 applications have been received and over 203,000 accounts have been accepted. A range of new products is being developed.

### **Business to Business**

This division aims to develop the Group's business to business relationships with intermediaries and to exploit the Group's growing international perspective. Areas within this division include First National, ANFIS (Abbey National Financial & Investment Services), Scottish Mutual Assurance plc, Scottish Mutual International and European Operations (which includes Abbey National France and Abbey National Italy). Following completion of the Scottish Provident transfer, Scottish Provident UK, Scottish Provident Ireland and Scottish Provident, Isle of Man will also form part of this division.

## **Interim Results for the six months to 30th June, 2001**

Total profit before tax increased by 15 per cent. to £1,062 million (30th June, 2000: £922 million) with 55 per cent. of profit before tax being generated by businesses other than mortgages and savings.

UK Retail Banking profit before tax increased by 13 per cent. to £683 million (30th June, 2000: £603 million) as a result of continued growth in income from sources other than the mortgage and savings market and containment of costs and was also boosted by the sale of the credit card asset to MBNA.

Wholesale Banking increased profit before tax by 17 per cent. to £307 million (30th June, 2000: £263 million). Whilst the slowdown in global markets affected certain business areas and increased provisioning levels, it also generated significant opportunities to acquire good quality, investment grade assets. The increased profit also reflected an increased contribution from PorteroBank.

Pre-tax loss for the Business to Consumer division was £27 million (30th June, 2000: £22 million loss) as a result of the set up and initial running costs of the new business ventures. In July 2001 the Business to Consumer division completed the acquisition of Fleming Premier Banking which has increased the size and growth potential of the division.

The Business to Business division increased profit before tax by 4 per cent. to £120 million (30th June, 2000: £121 million). Although First National's profit before tax decreased by 7 per cent. due to strong growth in Scottish Mutual resulting in increased profit before tax of 18 per cent. to £68 million.

The total loan loss provision charge increased slightly to £135 million (30th June, 2000: £130 million). This reflects continued strong credit quality in Retail Banking, although amounts written off other asset investments increased to £64 million, reflecting the slowdown in the U.S. economy, and therefore had an adverse impact on the Wholesale Bank's lending portfolio.

Total Group assets have increased by 2 per cent. since 31st December, 2000 to £209 billion (31st December, 2000: £204 billion). The equity tier one capital ratio was 7.8 per cent. as at 30th June, 2001 (31st December, 2000: 7.5 per cent.).

## **Recent Developments**

### *Scottish Provident*

On 6th September, 2000, Abbey National entered into an agreement with The Scottish Provident Institution ("Scottish Provident") under which the business of Scottish Provident would be transferred to the Group for approximately £1.8 billion (subject to adjustment), of which approximately £1.6 billion would be payable by Abbey National to compensate members for loss of membership rights and approximately £0.2 billion would be paid into Scottish Provident's with profit fund (all these figures being subject to calculation of the value of the business as at the effective date of the transfer).

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 division and increase the Group's presence in the life protection market.

The Scheme for the transfer of Scottish Provident's business, having been approved by Scottish Provident's members and the relevant regulatory authorities and sanctioned by the Court of Session in Scotland, took effect on 1st August, 2001. It is expected that the compensation for loss of membership rights will be paid early next year.

### *Lloyds TSB Group plc*

During December 2000 Abbey National received proposals from Lloyds TSB Group plc ("Lloyds TSB") for a takeover of Abbey National by Lloyds TSB. These proposals were rejected by Abbey National as being inadequate and uncertain. On 31st January, 2001 Lloyds TSB announced its firm intention, subject to pre-conditions, to make an offer to acquire Abbey National. The offer and the posting of the offer documentation was subject to satisfaction or waiver of the pre-conditions that the proposed transaction would not be referred to the Competition Commission and that the Board of Abbey National would agree to recommend the offer.

The terms of Lloyds TSB's pre-conditional offer were the same as those put to Abbey National in December 2000 and, on 7th February, 2001, Abbey National announced that its Board had "concluded that the proposed offer terms remain inadequate and subject to material uncertainties".

Following the submission by Lloyds TSB of a Merger Notice to the Office of Fair Trading under Section 75A of the Fair Trading Act 1973, the Secretary of State for Trade and Industry announced on 23rd February, 2001 that Lloyds TSB's proposed takeover had been referred to the Competition Commission.

The Competition Commission delivered its report to the Secretary of State for Trade and Industry on 12th June, 2001 and, on 10th July, 2001, the Secretary of State announced that she had decided not to permit the proposed takeover. Accordingly, Lloyds TSB cannot now proceed with an offer for Abbey National.

#### 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:

Position	Name	Other principal activities
Chairman	The Lord Tugendhat	Non-Executive Director, Eurotunnel plc Non-Executive Director, Rio Tinto PLC
Deputy Chairman	Keith Woodley, FCA	
Chief Executive	Ian Harley, FCA, FCIB	Non-Executive Director, Rentokil Initial plc
Executive Directors	Tim Ingram, FCIB Yasmin Jetha, FCMA Gareth Jones, FCA, FCT John King Malcolm Millington Mark Pain, FCA Andrew Pople Ian Treacy, FCA	Non-Executive Director, Somerfield plc
Non-Executive Directors	Leon Allen Mair Barnes The Lord Currie, FRICS Richard Hayden Sir Terence Heiser, GCB Peter Ogden The Lord Shuttleworth, FRICS	Non-Executive Chairman Braes Group Limited Non-Executive Director, Scottish Power Plc Non-Executive Director, Joseph Rowntree, Reform Trust Limited Executive Chairman, GSC Partners Europe Limited 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, 2000 and as at 30th June, 2001<sup>(8)(9)</sup>:

	As at 31st December, 2000 (audited)	As at 30th June, 2001 (unaudited)
(in £ million)		
<b>ISSUER</b>		
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.....	7	7
Issued and fully paid comprising ordinary shares of 10p each.....	142	144
Issued and fully paid comprising sterling preference shares of £1 each.....	325	325
<b>GROUP SHAREHOLDERS' FUNDS</b>		
<b>Equity</b>		
Issued and fully paid share capital.....	143	144
Share premium.....	1,484	1,588
Reserves.....	618	604 <sup>(1)</sup>
Profit and loss account.....	4,134	4,568 <sup>(1)</sup>
<b>Non-Equity</b>		
Issued and fully paid preference share capital.....	325	325
Trust Preferred Securities eligible as Tier 1 Capital <sup>(2)</sup> .....	672	710
Share premium <sup>(2)</sup> .....	125	125
<b>Total Shareholders' Funds</b> .....	<b>7,501</b>	<b>8,064</b>
<b>GROUP INDEBTEDNESS<sup>(3)</sup></b>		
<b>Subordinated Bonds/Notes<sup>(2)(4)</sup></b>		
Due within one year.....	134	113
Due after more than one year and less than five years.....	1,371	1,311
Due after five years.....	4,303	4,660
Exchangeable capital securities <sup>(5)</sup> .....	200	200
	<b>6,008</b>	<b>6,284</b>
<b>Medium-Term Note Programme<sup>(4)</sup></b>		
Due within one year.....	5,919	4,223
Due after more than one year and less than five years.....	3,142	3,770
Due after five years.....	1,459	1,302
	<b>10,520</b>	<b>9,295</b>
<b>Other Loan Capital<sup>(4)</sup></b>		
Floating/Variable Rate Bonds/Notes		
Due within one year.....	722	1,312
Due after more than one year and less than five years.....	1,348	--
Due after five years.....	368	355
	<b>2,438</b>	<b>1,667</b>
<b>Fixed Rate Bonds/Notes<sup>(4)</sup></b>		
Due within one year.....	1,812	2,189
Due after more than one year and less than five years.....	9,739	9,869
Due after five years.....	1,481	1,187
	<b>13,032</b>	<b>13,245</b>
<b>Total Indebtedness<sup>(6)</sup></b> .....	<b>31,998</b>	<b>30,491</b>
<b>Total Capitalisation and Indebtedness<sup>(7)</sup></b> .....	<b>39,499</b>	<b>38,555</b>

## Notes:

- (1) As at 30th June, 2001.
- (2) The preference share premium and subordinated bonds/notes are stated after the deduction of issue costs of £8 million and £43 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 £5,406 million at 31st December, 2000 and £5,608 million at 30th June, 2001 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, 2000, 30th June, 2001 and 6th August, 2001 detailed below:

Currency	31st		
	December, 2000	30th June, 2001	6th August, 2001
U.S. Dollar	1,4891	1,4077	1,4184
United Arab Emirate Dirham	5,4803	5,1655	5,2088
Austrian Schilling	22,0509	22,8532	22,1660
Australian Dollar	2,6908	2,7611	2,7453
Belgian franc	64,6447	66,9967	64,9931
Canadian Dollar	2,2350	2,1353	2,1680
Swiss Franc	2,4397	2,5290	2,4280
Czech Krona	56,1645	56,2095	54,6785
Deutschmark	3,1342	3,2486	3,1505
Danish Krone	11,9595	12,3605	11,9955
Spanish Peseta	266,6336	276,3385	268,0682
Euro	1,6025	1,6609	1,6109
Finnish Markka	9,5281	9,8774	9,5807
French Franc	10,5117	10,8972	10,5666
Greek Drachma	546,0525	566,2300	548,9002
Hong Kong Dollar	11,6375	10,9755	11,0603
Irish Punt	1,2621	1,3088	1,2697
Japanese Yen	171,3400	175,5400	175,5400
Italian Lire	3102,8727	3216,5000	3119,0600
Luxembourg Franc	64,6447	66,9967	64,9931
Netherlands Guilder	3,5315	3,6625	3,5527
Norwegian Krone	13,2511	13,1265	12,8346
New Zealand Dollar	3,3799	3,4823	3,3897
Polish Zloty	6,1631	5,6373	6,0213
Portuguese Escudo	321,2725	333,1700	323,2000
Swedish Krona	14,1694	15,3116	14,7642
Singapore Dollar	2,5928	2,5647	2,5293
European Currency Unit	1,6026	1,6609	1,6109

- (5) 200 million 10<sup>1</sup>/<sub>16</sub> per cent. Exchangeable Capital Securities, exchangeable into 200 million 10<sup>3</sup>/<sub>8</sub> 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 H.S.E. NO. 1 PLC are quasi subsidiaries of the Group, pursuant to FRS5, Reporting the Substance of Transactions, and have issued £8,320 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 increased by £449 million between 30th June, 2001 and 9th August, 2001 as a result of issues and repayments of loan capital amounting to £803 million and £601 million, respectively, and a £247 million increase due to foreign exchange movements and will increase by approximately £200 million as a result of this issue.
- (8) As at 9th August, 2001, 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 30th June, 2001.

## 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.

The Notes will constitute "quoted Eurobonds" within the meaning of section 349 of the Income and Corporation Taxes Act 1988 ("ICTA") while the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the ICTA (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.

In all other cases tax may, 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.).

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, a Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments, and subject to the proposals not being required to be applied to Notes issued before 1st March, 2001 or Notes issued after 1st March, 2001 but before 1st March, 2002 and which are fungible with Notes outstanding on 1st March, 2001. The proposals are not yet final, and they may be subject to further amendment and/or clarification.

**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

Morgan Stanley & Co. International Limited (the "Manager") has, pursuant to Subscription Agreements dated 9th August, 2001 (each a "Subscription Agreement"), agreed with the Issuer to subscribe and pay for the Notes at an issue price of 107.872 per cent. of the principal amount of the Tranche 1 Notes and an issue price of 109.744 per cent. of the principal amount of the Tranche 2 Notes, together in each case with 312 days' interest accrued from (and including) 28th September, 2000 to (but excluding) 10th August, 2001. The Issuer will pay to the Manager a combined selling, management and underwriting commission of 0.625 per cent. of the principal amount of the Notes. The Issuer has also agreed to reimburse the Manager in connection with certain expenses of the issue. The Manager is 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, both 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.

The Manager has agreed that, except as permitted by the relevant Subscription Agreement, it 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.

The 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 the 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 the 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 12th September, 1988 with registered number 2294747.
2. The admission of each Tranche of the Notes to the Official List will be expressed as a percentage of their principal amount. It is expected that admission of the Notes to the Official List and admission to trading on the London Stock Exchange's market for listed securities will be granted on or around 14th August, 2001. 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 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, 2001 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31st December, 2000.
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, 2000, additional interest in relation to the demand could amount to approximately £18 million (1999: £13 million).
6. 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 years ended 31st December, 1999 and 2000 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 8th August, 2001.
8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.  
For so long as the Notes are represented by the relevant Temporary Global Note, the ISINs and Common Codes for the Notes are as follows:

	ISIN	Common Code
<b>Tranche 1</b>	XS0133902238	013390223
<b>Tranche 2</b>	XS0133903392	013390339

Thereafter the ISINs and Common Codes for the Notes are as follows:

	ISIN	Common Code
<b>Tranche 1</b>	XS0117972967 PERP NC 15	11797296
<b>Tranche 2</b>	XS0117973429 PERP NC 30	11797342

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, 1999 and 31st December, 2000;

- (iii) the interim consolidated financial statements of the Issuer for the six months ended 30th June, 2001;
- (iv) the Subscription Agreements; and
- (v) the Trust Deed, the Paying Agency Agreement, the First Supplemental Trust Deed and the First Supplemental Paying Agency Agreement relating to each Tranche.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

**Abbey National plc**  
Abbey House  
Baker Street  
London NW1 6XL  
United Kingdom

**TRUSTEE**

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

**PRINCIPAL PAYING AGENT AND AGENT BANK**

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

**PAYING AGENT**

**Dexia Banque Internationale à Luxembourg**  
69 route d'Esch  
L-2953  
Luxembourg

**LEGAL ADVISERS**

*To the Manager 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**

**Morgan Stanley & Co. International Limited**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom



# Abbey National

Treasury Services plc

**Abbey National Treasury Services plc**  
acting through its Hong Kong Branch

*as Issuer*

**Abbey National plc**

*as Guarantor*

**HK\$5,000,000,000**  
**Certificate of Deposit Programme**

*Arranger*

**HSBC**

*Dealers*

**BOCI Capital Limited**  
**Dah Sing Bank, Limited**  
**Hang Seng Bank Limited**  
**HSBC**

*Issuing Agent, Paying Agent and Reference Agent*

**HSBC**

## IMPORTANT NOTICE

This Information Memorandum has been prepared solely for the information of persons to whom it is transmitted by the Dealers named in the Programme Deposit Agreement dated 3rd November, 2000. This Information Memorandum shall not be reproduced in any form, in whole or in part, for any purpose whatsoever nor shall it be transmitted to any other person.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Dealers to subscribe or purchase any of the certificates of deposit (the “**Certificates**”) or any interests therein to be issued by Abbey National Treasury Services plc (the “**Issuer**”), acting through its Hong Kong Branch. The distribution of this Information Memorandum and the offering of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, Abbey National plc (the “**Guarantor**”) and the Dealers to inform themselves about and to observe any such restrictions. No persons to whom Certificates are offered or this Information Memorandum is sent shall make any offer or sale, directly or indirectly, of any Certificates, or shall distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction, except in such manner and in such circumstances as will result in compliance with any applicable laws or regulations of such country or jurisdiction.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the Programme and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Certificate shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true and correct subsequent to the date hereof.

No representation or warranty, express or implied, is made by the Dealers with respect to the completeness or accuracy of any information in this Information Memorandum relating to the Issuer or to the Guarantor and no responsibility is accepted by any of the Dealers as to the adequacy, accuracy, completeness or reasonableness of the information contained in this Information Memorandum. Each investor purchasing Certificates, including the Dealers, should determine for themselves the relevance of the information contained in this Information Memorandum and the necessity for additional credit review, and their interest in purchasing Certificates should be based upon such independent credit investigations and evaluations of the Issuer and, where appropriate, the Guarantor as they deem necessary.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to United States tax law requirements. Subject to certain exceptions, neither the Certificates nor any interests therein may be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

*In this Information Memorandum, references to “U.S. dollars” and “U.S.\$” are to United States dollars, references to “HK\$” are to Hong Kong dollars and, references to “EUR” or “euro” are to the single currency 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 as amended by the Treaty of Amsterdam.*

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## SUMMARY OF THE PROGRAMME

- Issuer** : Abbey National Treasury Services plc, acting through its Hong Kong Branch (incorporated in England and Wales with limited liability, registered number 2338548).
- Guarantor** : Abbey National plc (incorporated in England and Wales with limited liability, registered number 2294747).
- Form** : Negotiable Certificates of Deposit ("**Certificates**") will be issued by the Issuer in respect of deposits ("**Deposits**") accepted by the Issuer, in each case, pursuant to a programme deposit agreement dated 3rd November, 2000 (the "**Programme Deposit Agreement**"), as the same may be amended from time to time, between the Issuer, the Guarantor, the Dealers and the other parties named therein.

Such Certificates will be in bearer form. In relation to Certificates evidencing any series of Deposits maturing in one year or more, such Certificates will initially be represented by a temporary global certificate (a "**Temporary Global Certificate**") interests in which will be exchangeable, upon the expiry of forty days after the relevant Deposit Date (as defined below) and upon customary certification of non-U.S. beneficial ownership, for interests in a permanent global certificate (a "**Permanent Global Certificate**"). In relation to Certificates evidencing any series of Deposits maturing in less than one year, such Certificates will be represented by a Permanent Global Certificate.

A Permanent Global Certificate will not be exchangeable for Certificates in definitive form ("**Definitive Certificates**") except in the limited circumstances specified therein.

- Type** : Each Certificate will evidence the deposit of a stated sum for a fixed term and will be a Fixed Rate Certificate, a Floating Rate Certificate or a Discounted Certificate.
- Guarantee** : The obligations evidenced by any series of Certificates shall have the benefit of the guarantee of the Guarantor pursuant to a deed of guarantee dated 3rd November, 2000 (the "**Deed of Guarantee**").

The obligations of the Guarantor in respect of such guarantee will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by mandatory provisions of applicable law.

Subject to the provisions set out in "Tax Call" below, all payments in respect of any such guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed or levied against, collected, withheld, deducted or assessed by or on behalf of Hong Kong or the United Kingdom, or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event that such withholding or deduction is required by law, the Guarantor, subject to customary exceptions will pay such additional amounts as will result in the receipt by any beneficiary under such guarantee of such amounts as would have been received by him or her had no such withholding or deduction been so required.

The Guarantor will have no obligation to make any payments under any such guarantee for so long as and to the extent that the Issuer cannot make the corresponding payment in respect of the relevant Deposit due to (a) an act of war, insurrection or civil strife or (b) an action by the government or any instrumentality of or in Hong Kong (whether *de jure* or *de facto*), preventing such payment or otherwise having the effect of rendering the Issuer unable to make such payment.



- Interest Bearing Certificates** : Fixed Rate and Floating Rate Certificates will bear interest payable in arrear on the date(s) specified in the Certificates. Interest Periods may be 1, 3, 6 or 12 months or as otherwise provided.
- Discounted Certificates** : Discounted Certificates may be issued at a discount to their face amount and will not bear interest.
- Programme Size** : The aggregate nominal amount of the Certificates outstanding at the time of any issue will not exceed HK\$5,000,000,000. The programme size may be increased by the Issuer with the consent of the Arranger in accordance with the provisions of the Programme Deposit Agreement.
- Arranger** : The Hongkong and Shanghai Banking Corporation Limited.
- Dealers** : The Dealers stated as such on the front of this Information Memorandum will be the initial Dealers for the Programme. The Issuer may from time to time terminate the appointment of any Dealer under the Programme by giving not less than 30 days' prior notice in writing or appoint additional dealers either in respect of one or more Series (as defined below) or in respect of the whole Programme.
- Programme Reference Agent and Paying Agent** : The Hongkong and Shanghai Banking Corporation Limited.
- Currencies** : Certificates may be denominated in U.S. dollars, Hong Kong dollars or euro or in any other currency or currencies, subject to compliance with all applicable legal, regulatory and/or central bank requirements.
- Method of Issue** : The Certificates will be issued on a syndicated or non-syndicated basis. The Certificates will be issued in series (each a **"Series"**) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest). The Certificates of each Series are intended to be interchangeable with all other Certificates of that Series.
- Issue Price** : Certificates may be issued at their principal amount, at a discount or at a premium to their principal amount.
- Tenor of Certificates** : Certificates may only be issued for a tenor of more than 7 days, or such other minimum tenor as may be permitted from time to time by the Banking Ordinance of Hong Kong.
- Interest Payment Dates** : To be determined for each issue of Fixed Rate Certificates and Floating Rate Certificates.
- Interest Rate** : To be determined for each issue of Fixed Rate Certificates. Interest Rates for Floating Rate Certificates will be determined by reference to ISDA Determination or Screen Rate Determination (both as defined in Condition 1.2) or as otherwise agreed for a particular issue and as set out in the relevant Certificate.
- Denomination Per Certificate** : HK\$500,000, US\$100,000 or euro 100,000 (or their equivalent in other currencies) or such other minimum denomination as may be permitted from time to time by the Banking Ordinance of Hong Kong, subject to compliance with all applicable legal, regulatory and/or central bank requirements.
- Repayment** : Unless previously redeemed pursuant to any of the early repayment options described at "Repayment at the option of the Bearer", "Issuer Call Option", and "Tax Call" below, the Certificates will be redeemed on the maturity dates specified thereon.

**Repayment at The Option of The Bearer** : The holders may be granted an option to require the Issuer to redeem Certificates, prior to their stated maturity dates, on certain dates. The availability of this option and the exercise dates will be determined and set out in the Certificates for each Series. This option is not available to holders of Discounted Certificates.

**Issuer Call Option** : The Issuer may have the option to redeem all but not part of the Certificates in the same Series, prior to their stated maturity date, on certain dates. The availability of this option and the exercise dates will be determined and set out in the Certificates for each Series. This option does not apply to Discounted Certificates.

**Taxes** : Subject to the provisions set out in "Tax Call" below, all payments of principal and interest pursuant to each Certificate and all payments by the Issuer under the Programme Deposit Agreement, the Deed of Covenant (as defined in "Provisions Relating to the Global Certificates" below) and the Agency Agreement (as defined in Condition 1) shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the United Kingdom or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In the event that such withholding or deduction is required by law, the Issuer shall, subject to customary exceptions, pay such additional amounts as will result in the receipt by the holder of the relevant Certificate of such amounts as would have been received by it if no such withholding or deduction had been required.

**Tax Call** : The Issuer may redeem all but not part of the Certificates in the same Series on the next succeeding Interest Payment Date by giving not less than 30 days nor more than 60 days' notice to the holders of Certificates if:

(i) the Issuer has or will become obliged to pay any additional amounts as described in the paragraph "Taxes" above as the result of any change in, or amendment to, the laws or regulations of Hong Kong or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the applicable Deposit Date; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

or

(i) the Guarantor has or (if a demand was made under the guarantee of the Certificates) would become obliged to pay additional amounts as described in the Conditions and the paragraph "Guarantee" above or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in the Conditions and the paragraph "Guarantee" above from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Certificates, in either case as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the applicable Deposit Date; and

(ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it.

**Redenomination** : In respect of any series of Deposits, if the country of the currency in which the Deposits are denominated becomes, or announces its intention to become, a Participating Member State (as defined in Condition 6.5), the Certificates may be redenominated in euro in accordance with Condition 6 if so specified in the Certificates for such series.

**Stamp Duty** : The Issuer will be responsible for payment of any stamp duty which may become payable in Hong Kong or the United Kingdom on the issue of any series. Under present Hong Kong and English law, no stamp duty will be payable on the issue or any subsequent transfer by delivery of the Certificates.

**Status of Certificates** : The deposits represented by the Certificates will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank at least *pari passu* with all other present and future deposits of the Issuer and all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provision of applicable law.

**Clearance System** : Global Certificates (as defined in “Provisions Relating to the Global Certificates” below) will be deposited with The Hongkong and Shanghai Banking Corporation Limited as sub-custodian for the Central Moneymarkets Unit Service (the “**CMU Service**”) of the Hong Kong Monetary Authority, or will be held by a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system or Clearstream Banking, société anonyme (together, the “**Clearing Systems**”) and together with the CMU Service, the “**relevant clearing systems**”). Dealings in the Certificates in the secondary market will take place through the CMU Service or the Clearing Systems.

**Custody of Definitive Certificates** : Immediately following the issue of Definitive Certificates which are not to be lodged with any of the relevant clearing systems, the relevant Certificates shall be held in safe custody by the Paying Agent.

**Payments** : On each relevant Interest Payment Date and Maturity Date, the Issuer shall pay or procure that there is paid interest (in respect of the interest bearing Certificates) and, if applicable, principal,

- (i) if the Certificate is held by the CMU Service via the Lodging Agent, to the person(s) for whose account(s) interests in the Certificate are credited as being held by the CMU Service in accordance with the CMU Rules; or
- (ii) if the Certificate is not held by the CMU Service, to bearer against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Certificate at the principal office for the time being in Hong Kong of the Paying Agent; and

which shall be effective to satisfy and discharge the corresponding liabilities of the Lodging or Paying Agent in respect of the Deposits. On each occasion on which a payment of interest or principal is made in respect of the Global Certificate, the Lodging or Paying Agent shall procure that the same is noted in the relevant grid endorsed thereon.

**Governing Law** : Hong Kong law.

The Issuer has agreed that the courts of Hong Kong shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Deposits and, for such purposes, irrevocably submits to the jurisdiction of such courts.

**Use of Proceeds** : General funding requirements of the Issuer.

## **ABBEY NATIONAL TREASURY SERVICES plc** **acting through its Hong Kong Branch**

Abbey National Treasury Services plc (“ANTS”) is a wholly-owned subsidiary of Abbey National plc and is an authorised institution under the Banking Act 1987 of the United Kingdom. ANTS was incorporated in England and Wales on 24th January, 1989 with registered number 2338548.

ANTS’ purpose is to maximise contribution to Abbey National plc and its subsidiaries (the “Group”) through its activities as a leading wholesale bank, and as the Group’s treasury function.

ANTS’ objectives are to extend ANTS’ presence in markets which deliver profit growth and attractive returns, maximise return on equity; and maximise efficiency and economies of scale.

As the Group’s treasury function, ANTS provides liquidity, funding, capital management and risk management services to the Group.

The principal activities of ANTS currently are:

- (1) *Wholesale Lending*: lending to highly rated banks, other financial institutions, corporates and governments and providing finance for leveraged buyouts, mergers and acquisitions.
- (2) *Asset Financing*: investment in, and supply of, big ticket and operating leases, UK social housing, project finance and investment in private equity funds.
- (3) *Asset-backed Investment*: investment in highly rated asset-backed securities, including mortgage-backed securities - with a favourable risk return profile over the life of the investment.
- (4) *Risk Management and Financial Products*: its branch, Abbey National Financial Products, provides a wide range of high value, customised derivative product solutions to ANTS and its counterparties.
- (5) *Securities Lending*: Cater Allen International Limited, the Group’s securities lending business participates in a range of markets including the sale and repurchase of international securities, securities borrowing and lending, and money markets.

As at the date hereof, the following are the members of the Board of Directors of ANTS:

<i><b>Position</b></i>	<i><b>Name</b></i>	<i><b>Other principal activities</b></i>
Chairman	Ian Harley, FCA, FCIB	Chief Executive of the Guarantor
Executive Directors	Gwen Batchelor, FCCA, FCT Alex Braun, ACA, MCT Robin Garratt, ACA, MCT John Hasson Tony Hibbitt Gareth Jones, FCA, FCT Anna Merrick Brian Morrison Steve Warr, ACA, MCT	Finance Director Director, Funding and Asset Management Director, Credit and Corporate Development Director, IT and Treasury Operations Chief Executive, Cater Allen International Limited Managing Director, Wholesale Banking Director, Special Finance Director, Treasury Services and International Director, Abbey National Financial Products
Non-Executive Directors	Antony Elliott, FCIB Mark Pain, FCA	Group Risk Director of the Guarantor Finance Director of the Guarantor
Independent Non-Executive Directors	Dr. Jeremy Fairbrother, FCIB, FCT Rodney Galpin, FCIB Raphael Hodgson Keith Woodley, FCA	Senior Bursar, Trinity College, Cambridge   Non-Executive Director of the Guarantor

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

## ABBEY NATIONAL plc

Abbey National plc (“**Abbey National**”) 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.

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:

1. *UK Retail Banking:* This is the largest business of the Group providing an extensive mortgage service and a range of savings accounts to meeting the varied requirements of its customers.
2. *Wholesale Banking:* The activities of Wholesale Banking are conducted primarily through ANTS. Wholesale Banking focuses on five major markets: wholesale lending, asset-backed investments, asset financing, the provision of risk management and financial products and securities lending.
3. *Life Assurance Operations:* The group is active in the three principal areas of the U.K. life assurance industry: life and ill-health protection assurance, pensions and investments and savings.
4. *Finance House:* Finance House provides unsecured personal loans. It also provides secured loans, motor finance and vehicle contract hire, leasing, factoring and commercial mortgages.
5. *General Insurance:* The range of general insurance products offered includes property, building and contents, payments protection, private medical, motor and travel insurance.
6. *Wealth Management:* This division comprises offshore businesses and onshore retail businesses targeted primarily at high net worth individuals and expatriate clients.
7. *Continental Europe:* The Group has operations in France and Italy, the main activity of which is the provision of residential mortgage loans.

As at the date hereof, the following are the members of the Board of Directors of Abbey National:

<b><i>Position</i></b>	<b><i>Name</i></b>	<b><i>Other principal activities</i></b>
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  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 and Computasoft Limited Non-Executive Director, The Rank Foundation Limited

## TERMS AND CONDITIONS OF THE DEPOSITS

*The following is the text, subject to amendment of the Terms and Conditions on which the Deposits are to be accepted, which will be shown on the face or endorsed on the reverse of the Certificates.*

### 1. INTEREST

[The Deposits bear interest from the Deposit Date specified on the face hereof at the Rate of Interest specified on the face hereof, payable in arrear on each Interest Payment Date specified on the face hereof unless any such day is not a Business Day in which case the bearer of this Certificate shall not be entitled to payment until the next following Business Day (and shall not be entitled to any further interest in respect of such delay) unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. In this paragraph, “**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in [United States dollars in Hong Kong and New York City]<sup>1</sup> [Hong Kong dollars in Hong Kong]<sup>2</sup> [[currency] in [financial centres.]]<sup>6</sup>

[Each Deposit will cease to bear interest on and from the Maturity Date unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgement) until whichever is the earlier of (a) the day on which all sums due in respect of such Deposit up to that day are received by or on behalf of the bearer of the relevant Certificate and (b) the day which is seven days after the Paying Agent has given notice that it has received all sums due in respect of the Deposits up to such seventh day (except to the extent that there is any subsequent default in payment).]<sup>3</sup>

[If the Deposits are not repaid on the Maturity Date (or on such other date as may be specified or determined in accordance with the Conditions), interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Discounted Bid Rate specified on the face hereof until whichever is the earlier of (a) the day on which all sums due in respect of such Deposit up to that day are received by or on behalf of the bearer of the relevant Certificates and (b) the day which is seven days after the Paying Agent has given notice that it has received all sums due in respect of the Deposits up to such seventh day (except to the extent that there is any subsequent default in payment).]<sup>4</sup>

[For the purpose of providing for repayment of the Deposits and for payment of interest (if applicable) thereon, Abbey National Treasury Services plc (the “**Issuer**”), acting through its Hong Kong Branch and Abbey National plc (the “**Guarantor**”) have entered into a programme reference and paying agency agreement (the “**Agency Agreement**”) dated 3rd November, 2000 with The Hongkong and Shanghai Banking Corporation Limited (the “**Paying Agent**”, which expression shall include any successor paying agent appointed by the Issuer and the Guarantor in connection with the Deposits). A copy of the Agency Agreement is available for inspection at the principal office for the time being in Hong Kong of the Paying Agent.

If interest is required to be calculated for any period of less than a year, it will be calculated on the basis of the relevant Day Count Fraction.<sup>5</sup>

#### [1.1 *Accrual of interest*<sup>5</sup>

The Deposits bear interest from the Deposit Date specified on the face hereof, payable on each Interest Payment Date; *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. Each period beginning on (and including) the Deposit Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

For the purpose of providing for repayment of the Deposits and for payment of interest thereon, Abbey National Treasury Services plc (the “**Issuer**”), acting through its Hong Kong Branch and Abbey National

<sup>1</sup> For U.S.\$ denominated Certificates

<sup>2</sup> For HK\$ denominated Certificates

<sup>3</sup> For Fixed Rate Certificates

<sup>4</sup> For Discounted Certificates

<sup>5</sup> For Floating Rate Certificates

<sup>6</sup> For Certificates denominated in a currency other than U.S.\$ or HK\$

plc (the “**Guarantor**”) have entered into a programme reference and paying agency agreement (the “**Agency Agreement**”) dated 3rd November, 2000 with The Hongkong and Shanghai Banking Corporation Limited (the “**Paying Agent**”, which expression shall include any successor paying agent appointed by the Issuer and the Guarantor in connection with the Deposits). A copy of the Agency Agreement is available for inspection at the principal office for the time being in Hong Kong of the Paying Agent.

Each Deposit will cease to bear interest from the Maturity Date unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgement) until whichever is the earlier of (i) the day on which all sums due in respect of such Deposit up to that day are received by or on behalf of the bearer of the relevant Certificate and (ii) the day which is seven days after the Paying Agent has given notice that it has received all sums due in respect of the Deposits up to such seventh day (except to the extent that there is any subsequent default in payment).<sup>5</sup>

#### [1.2 *Rate of interest*]

- (i) *Basis for determination*: The rate of interest applicable to the Deposits (the “**Rate of Interest**”) for each Interest Period will be determined by reference to:
  - (A) the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”) and as amended from time to time (“**ISDA Determination**”); or
  - (B) the page, section or other part of a particular information service (including, without limitation, the Reuters Monitor Money Rates Service and the Associated Press-Dow Jones Telerate Service) (“**Screen Rate Determination**”).
- (ii) *ISDA Determination*: Where the Rate of Interest is to be determined by an ISDA Determination, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus the Margin specified on the face hereof (if any) and/or multiplied by the Multiplier specified on the face hereof (if any). For the purposes of this sub-paragraph (ii), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by The Hongkong and Shanghai Banking Corporation Limited (the “**Reference Agent**”, which expression shall include any successor reference agent appointed by the Issuer and the Guarantor in connection with the Deposits) under an interest rate swap transaction if the Reference Agent was acting as Calculation Agent (as defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified on the face hereof;
  - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified on the face hereof; and
  - (C) the relevant Reset Date (as defined in the ISDA Definitions) is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified on the face hereof.

When this sub-paragraph (ii) applies, in respect of each relevant Interest Period the Reference Agent will be deemed to have discharged its obligations under Conditions 1.2 and 1.3 in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (ii).

- (iii) *Screen Rate Determination*: Where the Rate of Interest is to be determined by a Screen Rate Determination, the Rate of Interest will be either:

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<sup>5</sup> For Floating Rate Certificates

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded, if necessary, to the nearest fifth decimal place of a percentage point, 0.000005 being rounded upwards) of the offered quotations;

as determined by the Reference Agent on the following basis:

- (A) the Reference Agent will determine the rate or rates for deposits in [U.S. dollars]<sup>1</sup> [Hong Kong dollars]<sup>2</sup> [currency]<sup>6</sup> for a period equal to the relevant Interest Period which appears or appear on the display page designated [screen page] on the [information service] (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) (the “**Relevant Screen Page**”) as of 11.00 a.m. [(London time)]<sup>1</sup> [(Hong Kong time)]<sup>2</sup> [(Brussels time)]<sup>7</sup> [(*financial centre*] time)]<sup>6</sup> on the [second London Banking Day before the first day of the relevant Interest Period]<sup>8</sup> [first day of the relevant Interest Period]<sup>9</sup> [two TARGET Business Days prior to the first day of the relevant Interest Period]<sup>7</sup> (the “**Interest Determination Date**”); if five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, only one of such quotations) and the lowest (or, if there is more than one such lowest quotation, only one of such quotations) shall be disregarded by the Reference Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations;
- (B) if such rate does not appear on that page or, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three of such offered quotations appear, the Reference Agent will:
  - (1) request the principal [London]<sup>1</sup> [Hong Kong]<sup>2</sup> [*financial centre*]<sup>6</sup> office of each of four major banks in the [London]<sup>1</sup> [Hong Kong]<sup>2</sup> [*financial centre*]<sup>6</sup> interbank market to provide a quotation of the rate at which deposits in [U.S. dollars]<sup>1</sup> [Hong Kong dollars]<sup>2</sup> [currency]<sup>6</sup> are offered by it in the [London]<sup>1</sup> [Hong Kong]<sup>2</sup> [*financial centre*]<sup>6</sup> interbank market at approximately 11.00 a.m. [(London)]<sup>1</sup> [(Hong Kong time)]<sup>2</sup> [(Brussels time)]<sup>7</sup> [(*financial centre*] time)]<sup>6</sup> on the Interest Determination Date to prime banks in the [London]<sup>1</sup> [Hong Kong]<sup>2</sup> [*financial centre*]<sup>6</sup> interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean of such quotations (rounded, if necessary, to the nearest fifth decimal place of a percentage point, 0.000005 being rounded upwards); and
- (C) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean of the rates quoted by major banks in [London]<sup>1</sup> [Hong Kong]<sup>2</sup> [*financial centre*]<sup>6</sup>, selected by the Reference Agent, at approximately 11.00 a.m. [(London time)]<sup>1</sup> [(Hong Kong time)]<sup>2</sup> [(Brussels time)]<sup>7</sup> [(*financial centre*] time)]<sup>6</sup> on the Interest Determination Date for loans in [U.S. dollars]<sup>1</sup> [Hong Kong dollars]<sup>2</sup> [currency]<sup>6</sup> to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time (rounded, if necessary, to the nearest fifth decimal place of a percentage point, 0.000005 being rounded upwards),

and the Rate of Interest for such Interest Period shall be the sum of the rate or arithmetic mean so determined plus or minus the Margin specified on the face hereof (if any) and/or multiplied by the Multiplier specified on the face hereof (if any); *provided that* if the Reference Agent is unable to determine an arithmetic mean in accordance with the above provisions in relation to any Interest

<sup>1</sup> For U.S.\$ denominated Certificates

<sup>2</sup> For HK\$ denominated Certificates

<sup>6</sup> For Certificates denominated in a currency other than U.S.\$ or HK\$

<sup>7</sup> Usually for Certificates denominated in euro

<sup>8</sup> Usually for Certificates denominated in a currency other than HK\$ or sterling

<sup>9</sup> Usually for Certificates denominated in HK\$ or sterling



Period, the Rate of Interest applicable to the Deposits during such Interest Period will be the sum of the rate or arithmetic mean last determined in relation to the Deposits in respect of a preceding Interest Period plus or minus the Margin specified on the face hereof (if any) and/or multiplied by the Multiplier specified on the face hereof (if any).]<sup>5</sup>

### [1.3 *Calculation of Interest Amount*<sup>5</sup>

The Reference Agent will, as soon as practicable after the determination of the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the “**Interest Amount**”) payable in respect of each Deposit for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Deposit, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the currency specified on the face hereof (half of such sub-unit being rounded upwards or otherwise in accordance with applicable market convention).]<sup>5</sup>

### [1.4 *Publication*<sup>5</sup>

The Reference Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Issuer and the Guarantor, and will cause such notice to be available for inspection during normal business hours at its principal office for the time being in Hong Kong and to be published in accordance with Condition 5 as soon as practicable after such determination. The Reference Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.]<sup>5</sup>

### [1.5 *Notifications etc.*<sup>5</sup>

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Conditions by the Reference Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Paying Agent and the bearer of any Certificate and (subject as aforesaid) no liability to any such person will attach to the Reference Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.]<sup>5</sup>

### [1.6 *Interpretation*<sup>5</sup>

In this Condition,

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in [United States dollars]<sup>1</sup> [Hong Kong dollars]<sup>2</sup> [currency]<sup>6</sup> in [Hong Kong and New York City]<sup>1</sup> [Hong Kong]<sup>2</sup> [financial centres]<sup>6</sup>;

[“**London Banking Day**” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;]<sup>1</sup>

[“**TARGET Business Day**” means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System is operating;]<sup>2</sup>]<sup>5</sup>

“**Day Count Fraction**” means, with respect to the calculation of an amount for any period of time (the “**Calculation Period**”),

[“**Actual/365**” or “**Actual/Actual**” - the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual

<sup>1</sup> For U.S.\$ denominated Certificates

<sup>2</sup> For HK\$ denominated Certificates

<sup>3</sup> For Floating Rate Certificates

<sup>6</sup> For Certificates denominated in a currency other than U.S.\$ or HK\$

<sup>5</sup> Usually for Certificates denominated in euro

number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).]<sup>9</sup>

[“**Actual/365 (Fixed)**” - the actual number of days in the Calculation Period divided by 365.]<sup>9</sup>

[“**Actual/360**” - the actual number of days in the Calculation Period divided by 360.]<sup>8</sup>

[“**30/360**” - the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).]

[“**30E/360**” or “**Eurobond Basis**” - the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).]

“**Sub-unit**” means, with respect to any currency other than the euro, the lowest amount of such currency that is available as legal tender in the country of such currency and means, with respect to euro, one cent.]<sup>14,5</sup>

## 2. EARLY REPAYMENT OF THE DEPOSITS

### 2.1 *Repayment for tax reasons*

The Deposits may be repaid at the option of the Issuer in whole, but not in part, [on the next succeeding Interest Payment Date]<sup>15</sup> [at any time]<sup>1</sup>, on giving not less than 30 nor more than 60 days’ notice in accordance with these Conditions (which notice shall be irrevocable) at the [principal amount thereof, together with interest accrued to the date fixed for repayment]<sup>15</sup> [Discounted Face Amount thereof]<sup>1</sup>, if

- (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 4 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the United Kingdom or, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Deposit Date; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) (A) the Guarantor has or (if a demand was made under the guarantee of the Certificates) would become obliged to pay additional amounts as described in Condition 4 or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 4 from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Certificates, in either case as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the applicable Deposit Date; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

<sup>1</sup> For Fixed Rate Certificates

<sup>1</sup> For Discounted Certificates

<sup>2</sup> For Floating Rate Certificates

<sup>8</sup> Usually for Certificates denominated in a currency other than HK\$ or sterling

<sup>9</sup> Usually for Certificates denominated in HK\$ or sterling

<sup>15</sup> For Interest bearing Certificates

*provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Deposits were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Redemption pursuant to this Condition 2.1 shall be subject to the prior written permission of the Hong Kong Monetary Authority if the date fixed for repayment is less than 3 months from the Deposit Date of the Deposits.

#### **2.2 *Repayment at the option of the Issuer***

The Deposits may be repaid at the option of the Issuer in whole, but not in part, [at any time [on or after [•]]/on any Interest Payment Date [in or after [•]]], on giving not less than 30 nor more than 60 days' notice in accordance with these Conditions (which notice shall be irrevocable) [at the principal amount thereof, together with interest accrued to the date fixed for redemption.]<sup>15</sup>

#### **2.3 *Repayment at the option of the bearer***

The Issuer will, at the option of the bearer of any Certificate, repay the relevant Deposit [at any time [on or after [•]]/on any Interest Payment Date [in or after [•]]] at the principal amount thereof, together with interest accrued to the date fixed for redemption. To exercise such option, the bearer must deposit the relevant Certificate with the Paying Agent at its principal office for the time being in Hong Kong, together with a duly completed redemption notice in the form obtainable from the Paying Agent, not less than 30 nor more than 60 days prior to such date. No Certificate so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.]<sup>15</sup>

#### **2.4 *Repayment at the option of the bearer upon an Early Repayment Event***

If any of the following shall occur:

- (i) Non-Payment: the Issuer fails to pay any interest on any of this Certificate when due and such failure continues for a period of 17 days; or
- (ii) Insolvency: the Issuer is insolvent or bankrupt or unable to pay its debts as they fall due within the meaning of Section 123 of the Insolvency Act 1986 of England and Wales, stops, or suspends payment or admits its inability to pay its debts as they fall due; or
- (iii) Winding-up: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations except for the purpose of and followed by a solvent reconstruction, amalgamation, reorganisation, merger or consolidation,

then any Certificate may, by notice in writing given to the [Paying Agent/Issuer] at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such early repayment event shall have been remedied or be no longer continuing prior to the receipt of such notice by the [Paying Agent/Issuer].

#### **2.5 *Interpretation***

In this Condition, the “**Discounted Face Amount**” means in relation to any Discounted Certificate the sum of the Initial Deposit Amount and the product of the Discounted Bid Rate specified on the face hereof (compounded annually), being applied to the Initial Deposit Amount thereof from (and including) the

<sup>15</sup> For Interest bearing Certificates

Deposit Date to (but excluding) the date set for redemption. Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of a year of the relevant Day Count Fraction.]<sup>4</sup>

### 3. STATUS

The Certificates are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank at least *pari passu* with all other present and future deposits of the Issuer and all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of applicable law.

### 4. TAXATION

All payments of principal and interest in respect of the Deposits shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the bearer of the relevant Certificate of such amounts as would have been received by it if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Certificate presented for payment:

- (i) by or on behalf of a bearer which is liable to such taxes, duties, assessments or governmental charges in respect of the relevant Deposit by reason of its having some connection with Hong Kong or the United Kingdom other than the mere holding of such Certificate; or
- (ii) more than 30 days after the Relevant Date except to the extent that the relevant bearer would have been entitled to such additional amounts if it had presented such Certificate for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given in accordance with these Conditions.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition.

### 5. NOTICES

Notices to be given by the Issuer, the Guarantor or the Paying Agent shall be valid if published in a leading English language daily newspaper published in Hong Kong (which is expected to be the *South China Morning Post*). Any such notice shall be deemed to have been given on the date of first publication.

### [6. REDENOMINATION, RENOMINALISATION AND RECONVENTIONING]<sup>10</sup>

#### [6.1 *Notice of Redenomination*

If the country of the currency in which the Deposits are denominated becomes or, announces its intention to become, a Participating Member State, the Issuer may, on giving at least 30 days’ prior notice to the holder of any Certificate and the Paying Agent, designate a date (the “**Redenomination Date**”), being an Interest Payment Date falling on or after the date on which such country becomes a Participating Member State.]<sup>10</sup>

<sup>4</sup> For Discounted Certificates

<sup>10</sup> For Certificates denominated in currencies capable of being redenominated into euro

## [6.2 *Redenomination*

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Certificates shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Certificate equal to the principal amount of that Certificate in the currency in which the Deposits are denominated, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Paying Agent that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the holder of any Certificate and the Paying Agent of such deemed amendments;
- (ii) if Certificates have been issued in definitive form:
  - (A) the payment obligations contained in all Certificates denominated in the currency in which the Deposits are denominated will become void on the date on which the Issuer gives notice (the **“Euro Exchange Notice”**) to the holders of any Certificate that replacement Certificates denominated in euro are available for exchange (provided that such Certificates are available) and no payments will be made in respect thereof but all other obligations of the Issuer thereunder (including the obligation to exchange such Certificates in accordance with this Condition 6) shall remain in full force and effect; and
  - (B) new Certificates denominated in euro will be issued in exchange for Certificates denominated in the currency in which the Deposits are denominated in such manner as the Paying Agent may specify and as shall be notified to the holder of any Certificate in the Euro Exchange Notice; and
- (iii) all payments in respect of the Certificates (other than, unless the Redenomination Date is on or after such date as the currency in which the Deposits are denominated ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any Member State of the European Communities.]<sup>10</sup>

## [6.3 *Interest*

Following redenomination of the Certificates pursuant to this Condition 6, where Certificates have been issued in definitive form, the amount of interest due in respect of the Certificates will be calculated by reference to the aggregate principal amount of the Certificates presented for payment by the relevant holder.]<sup>5</sup>

## [6.4 [*Interest Determination Date*

With effect from the Redenomination Date the Interest Determination Date shall be deemed to be two TARGET Business Days before the first day of the relevant Interest Period.]<sup>10</sup>

## [6.5 *Interpretation*

In these Conditions,

**“Participating Member State”** means Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty; and

**“Treaty”** means the Treaty establishing the European Communities, as amended by the Treaty on European Union.]<sup>10</sup>

<sup>5</sup> For Floating Rate Certificates

<sup>10</sup> For Certificates denominated in currencies capable of being redenominated into euro

## 7. GOVERNING LAW AND JURISDICTION

- 7.1 *Governing Law:* The Deposits, the Certificates and the deed of guarantee dated 3rd November, 2000 and executed and delivered by the Guarantor (the “**Deed of Guarantee**”) are governed by, and shall be construed in accordance with, Hong Kong law.
- 7.2 *Jurisdiction:* The Issuer agrees, and the Guarantor has agreed in the Deed of Guarantee, that the courts of Hong Kong shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Deposits (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, each irrevocably submits to the jurisdiction of such courts.
- 7.3 *Appropriate Forum:* The Issuer irrevocably waives, and the Guarantor has irrevocably waived in the Deed of Guarantee, any objection which it might now or hereafter have to the courts of Hong Kong being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- 7.4 *Service of Process:* The Issuer agrees, and the Guarantor has agreed in the Deed of Guarantee, that the process by which any Proceedings in Hong Kong are begun may be served on it by being delivered to Abbey National Treasury Services plc, Hong Kong Branch (for the attention of Treasurer, Asia) at 3201 Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong or, if different, its registered office for the time being. If the appointment of the person mentioned in this paragraph ceases to be effective, the Issuer or, as the case may be, the Guarantor shall forthwith appoint a further person in Hong Kong to accept service of process on its behalf and give notice of such appointment in accordance with these Conditions. If the Issuer or, as the case may be, the Guarantor fails to appoint such further person within 15 days, the bearer of any Certificate shall be entitled to appoint such a person by written notice to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor. Nothing in this paragraph shall affect the right of the bearer of any Certificate to serve process in any other manner permitted by law.
- 7.5 *Non-Exclusivity:* The submission to the jurisdiction of the courts of Hong Kong shall not (and shall not be construed so as to) limit the right of the bearer of any Certificate to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## PROVISIONS RELATING TO THE GLOBAL CERTIFICATES

Each of the persons (each an “**acountholder**”) shown in the records of any of the relevant clearing systems other than the CMU Service as the holder of a Certificate represented by interests in a Temporary Global Certificate or a Permanent Global Certificate (each a “**Global Certificate**”) must look solely to such relevant clearing system for such person’s share of each payment made by the Issuer to the bearer of such Global Certificate and in relation to all other rights arising under such Global Certificate subject to and in accordance with the respective rules and procedures of such relevant clearing system. Such persons shall have no claim directly against the Issuer in respect of payments due on any Deposits for so long as the related Certificates are represented by any Global Certificate.

The Temporary Global Certificate and the Permanent Global Certificate contain provisions which apply to the related Deposits while they are evidenced by Certificates in global form, some of which modify the effect of the terms and conditions of the Deposits set out in this document. The following is a summary of certain of those provisions:

1. **Payments:** Subject as described in paragraph 3 below, all payments in respect of Deposits represented by any Global Certificate shall be made:
  - (i) if such Global Certificate is held by the CMU Service, to the relevant accountholders in respect of such Global Certificate in accordance with the rules and operating procedures of the CMU Service; or
  - (ii) if such Global Certificate is not held by the CMU Service, to the bearer thereof against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of such Global Certificate at the principal office for the time being in Hong Kong of the Paying Agent;

and shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the related Deposits. On each occasion on which a payment of interest or principal is made in respect of such Global Certificate, the Issuer shall procure that the same is noted in the appropriate schedule thereto.

2. **Exchange for Permanent Global Certificates:** Each Temporary Global Certificate will be exchangeable in whole or in part for interests in the related Permanent Global Certificate on or after the first day following the expiry of 40 days after the date of issue of such Temporary Global Certificate upon certification in the customary form as to non-U.S. beneficial ownership *provided that* if the Temporary Global Certificate is held by the CMU Service, the Temporary Global Certificate will not be exchanged in part for a Permanent Global Certificate without the prior consent of the CMU Service.
3. **Payments on Temporary Global Certificates:** Notwithstanding paragraph 1 above, in relation to any series of Deposits represented initially by a Temporary Global Certificate, no payment falling due in respect of such Deposits more than 40 days after the date of issue of such Temporary Global Certificate will be made on such Temporary Global Certificate unless exchange for an interest in the related Permanent Global Certificate is improperly withheld or refused. Payments of interest on such Deposits during the period up to 40 days after the date of issue of such Temporary Global Certificate will only be made against presentation of the aforementioned certification as to non-U.S. beneficial ownership.
4. **Exercise of Early Repayment Option and other rights of the bearer:** For so long as the relevant Certificates are represented by a Global Certificate deposited with any of the relevant clearing systems, the option of a bearer of such a Certificate to require the Issuer to repay the relevant Deposit prior to its stated maturity as described under “Terms and Conditions of the Deposits - Early Repayment of the Deposits - Repayment at the option of the bearer” and any other rights of such bearer other than to receipt of payments can be exercised by an accountholder only in accordance with the rules of such relevant clearing system.
5. **Notices:** For so long as the relevant Certificates are represented by a Global Certificate deposited with any of the relevant clearing systems, notices to bearers of such Certificates may be given to the persons shown as holding interests in such Global Certificate rather than by publication in accordance with Condition 5.
6. **Definitive Certificates:** As more fully described in each Permanent Global Certificate, such Permanent Global Certificate shall become exchangeable for Certificates in definitive form if any payments due in respect of the relevant Deposits is not made within fourteen days of its due date. The Permanent Global Certificate shall also become so exchangeable if the relevant clearing system with which such Permanent Global Certificate is lodged is closed for business for a continuous period of fourteen days (other than by reason of legal holidays) or

announces an intention permanently to cease business or does in fact do so. The Permanent Global Certificate will be exchangeable at the option of the Issuer if by reason of any change in, or amendment to, applicable laws, the Issuer would suffer a material disadvantage in relation to the Certificates which would not be suffered were the related Certificates in definitive form.

7. **Deed of Covenant:** If default is made by the Issuer in the required delivery of any Certificates in definitive form and such default is continuing on the thirtieth day after the day (or, in the case of non-payment, on the fourteenth day) on which the obligation to deliver Certificates in definitive form arose, then the relevant Permanent Global Certificate will become void and the bearer will have no further rights thereunder, but without prejudice to the rights which the bearer or others may have under the deed of covenant (the “**Deed of Covenant**”) dated 3rd November, 2000 and executed and delivered by the Issuer, a copy of which is available for inspection at the specified office of the Paying Agent. The Deed of Covenant provides that if any Permanent Global Certificate becomes void in accordance with its terms, each of the accountholders with any of the relevant clearing systems to whose accounts are credited Certificates represented by such Permanent Global Certificate immediately prior to the time at which it becomes void shall acquire against the Issuer all those rights which such accountholder would have acquired had, prior to such Permanent Global Certificate becoming void, Certificates in definitive form been issued in its favour by the Issuer in exchange for its interest in such Permanent Global Certificate including, without limitation, rights to receive principal and interest in respect of the related Deposits.



INITIAL FORMS OF DEFINITIVE CERTIFICATES

FORM OF DEFINITIVE CERTIFICATE APPLICABLE TO DEPOSITS  
IN WHICH INTEREST ACCRUES AT A FIXED RATE

Certificate No.: [serial number]

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

**ABBEY NATIONAL TREASURY SERVICES plc,**  
acting through its Hong Kong Branch  
(incorporated in the United Kingdom)

and guaranteed by

**ABBEY NATIONAL plc**  
(incorporated in the United Kingdom)

**FIXED RATE CERTIFICATE OF DEPOSIT**

Nominal Amount : [currency] [amount]<sup>14</sup> Rate of Interest : • per cent. per annum  
Deposit Date : • Maturity Date : Interest Payment Date  
falling on or about •<sup>15</sup>

Interest Payment Dates : •, •, and • in each year (commencing with •)

THIS IS TO CERTIFY that there has been deposited with Abbey National Treasury Services plc (the “**Issuer**”), acting through its Hong Kong Branch at 3201 Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong the sum of [•]<sup>14</sup> [currency] (the “**Deposit**”) upon the conditions (the “**Conditions**”) endorsed hereon.

This Deposit is one of a series of deposits (the “**Deposits**”) evidenced by certificates of deposit (the “**Certificates**”) and is repayable to the bearer of this Certificate upon its surrender to the Paying Agent (as defined in the Conditions) at its principal office for the time being in Hong Kong on or after the Maturity Date specified above or such other date as may be specified in or determined in accordance with the Conditions. Interest on the Deposit will accrue in accordance with the Conditions and will be payable in arrear to the bearer of this Certificate upon its presentation to the Paying Agent at its principal office for the time being in Hong Kong on or after the relevant Interest Payment Date. On each occasion on which a payment of interest is made in respect of this Certificate, the Issuer shall procure that the same is noted in the grid endorsed thereon.

The obligations of the Issuer in respect of the Deposits are unconditionally and irrevocably guaranteed by Abbey National plc (the “**Guarantor**”) under the terms of a deed of guarantee dated 3rd November, 2000 and executed and delivered by the Guarantor in relation to the Deposits.

AS WITNESS the [manual/facsimile] signature of a duly authorised officer of the Issuer.

**ABBEY NATIONAL TREASURY SERVICES plc,**  
acting through its Hong Kong Branch

By:

.....  
Authorised Signatory

This Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of the Paying Agent.

**CERTIFICATE OF AUTHENTICATION**

Authenticated for and on behalf of The Hongkong and Shanghai Banking Corporation Limited as paying agent without recourse, warranty or liability.

By:

.....  
Authorised Signatory

<sup>14</sup> The minimum tenor of the Deposits under the Programme is 7 days

<sup>15</sup> The minimum denomination of the Deposits under the Programme is HK\$500,000 or US\$100,000 or EUR100,000 or their equivalent in other currencies

[On the reverse of each Certificate in definitive form the Conditions of the Deposits as set out in "Terms and Conditions of the Deposits" above]

<b>Interest Payment Date on or about</b>	<b>Date Paid</b>	<b>Amount paid [<i>currency</i>], including any tax withheld or deducted</b>	<b>Authorised signature</b>

**FORM OF DEFINITIVE CERTIFICATE APPLICABLE TO DEPOSITS  
IN WHICH INTEREST ACCRUES AT A FLOATING RATE  
BY REFERENCE TO A REFERENCE RATE**

Certificate No.: [serial number]

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

**ABBEY NATIONAL TREASURY SERVICES plc,  
acting through its Hong Kong Branch  
(incorporated in the United Kingdom)**

and guaranteed by

**ABBEY NATIONAL plc  
(incorporated in the United Kingdom)**

**FLOATING RATE CERTIFICATE OF DEPOSIT**

Nominal Amount	: [currency] [amount] <sup>11</sup>	Margin	: • per cent. per annum [above/below] •-month [LIBOR] [HIBOR] [ISDA Rate] [reference rate]
Deposit Date	: •	Multiplier	: •
Floating Rate Option	: •	Maturity Date	: Interest Payment Date falling on or about • <sup>12</sup>
Interest Payment Dates	: •, •, •, and • in each year (commencing with •)	Designated Maturity	: •

THIS IS TO CERTIFY that there has been deposited with Abbey National Treasury Services plc (the “**Issuer**”), acting through its Hong Kong Branch at 3201 Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong the sum of [•]<sup>13</sup> [currency] (the “**Deposit**”) upon the conditions (the “**Conditions**”) endorsed hereon.

This Deposit is one of a series of deposits (the “**Deposits**”) evidenced by certificates of deposit (the “**Certificates**”) and is repayable to the bearer of this Certificate upon its surrender to the Paying Agent at its principal office for the time being in Hong Kong on or after the Maturity Date specified above or such other date as may be specified in or determined in accordance with the Conditions. Interest on the Deposit will accrue in accordance with the Conditions and will be payable in arrear to the bearer of this Certificate upon its presentation to the Paying Agent at its principal office for the time being in Hong Kong on or after the relevant Interest Payment Date. On each occasion on which a payment of interest is made in respect of this Certificate, the Issuer shall procure that the same is noted in the grid endorsed thereon.

The obligations of the Issuer in respect of the Deposits are unconditionally and irrevocably guaranteed by Abbey National plc (the “**Guarantor**”) under the terms of a deed of guarantee dated 3rd November, 2000 and executed and delivered by the Guarantor in relation to the Deposits.

**AS WITNESS** the [manual/facsimile] signatures of a duly authorised officer of the Issuer.

**ABBEY NATIONAL TREASURY SERVICES plc,  
acting through its Hong Kong Branch**

By:

.....  
*Authorised Signatory*

This Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of the Paying Agent.

**CERTIFICATE OF AUTHENTICATION**

Authenticated for and on behalf of The Hongkong and Shanghai Banking Corporation Limited as paying agent without recourse, warranty or liability.

By:

.....  
*Authorised Signatory*

<sup>11</sup> The minimum tenor of the Deposits under the Programme is 7 days

<sup>12</sup> The minimum denomination of the Deposits under the Programme is HK\$500,000 or US\$100,000 or EUR100,000 or their equivalent in other currencies

*[On the reverse of each Certificate in definitive form the Conditions of the Deposits as set out in "Terms and Conditions of the Deposits" above]*

<b>Interest Payment Date on or about</b>	<b>Date Paid</b>	<b>Amount paid [currency], including any tax withheld or deducted</b>	<b>Authorised signature</b>

**FORM OF DEFINITIVE CERTIFICATE APPLICABLE TO DEPOSITS  
IN WHICH NO INTEREST ACCRUES**

Certificate No.: [serial number]

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

**ABBEY NATIONAL TREASURY SERVICES plc,**  
**acting through its Hong Kong Branch**  
*(incorporated in the United Kingdom)*

and guaranteed by

**ABBEY NATIONAL plc**  
*(incorporated in the United Kingdom)*

**DISCOUNTED CERTIFICATE OF DEPOSIT**

Nominal Amount	: [currency] [amount] <sup>1</sup>	Discounted Bid Rate	: •
Initial Deposit Amount	: [currency] [amount] <sup>1</sup>		
Deposit Date	: •	Maturity Date	: • <sup>2</sup>

THIS IS TO CERTIFY that there has been deposited with Abbey National Treasury Services plc, (the “**Issuer**”) acting through its Hong Kong Branch at 3201 Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong a sum amounting to the Initial Deposit Amount (the “**Deposit**”), which is one of a series of deposits (the “**Deposits**”) evidenced by certificates of deposit (the “**Certificates**”), upon the conditions (the “**Conditions**”) endorsed hereon and upon the terms that the principal sum of [•]<sup>3</sup> [currency] is payable to the bearer of this Certificate upon its surrender to the Paying Agent (as defined in the Conditions) at its principal office for the time being in Hong Kong on or after the Maturity Date specified above (or such other date as may be specified in or determined in accordance with the Conditions) or, if that is not a Business Day, the next following Business Day, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. In this paragraph, “**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in [United States dollars in Hong Kong and New York City] [Hong Kong dollars in Hong Kong] [currency] in [financial centre]<sup>4</sup>.

The obligations of the Issuer in respect of the Deposits are unconditionally and irrevocably guaranteed by Abbey National plc (the “**Guarantor**”) under the terms of a deed of guarantee dated 3rd November, 2000 and executed and delivered by the Guarantor in relation to the Deposits.

**AS WITNESS** the [manual/faecsimile] signature of a duly authorised officer of the Issuer.

**ABBEY NATIONAL TREASURY SERVICES plc,**  
**acting through its Hong Kong Branch**

By:

.....  
*Authorised Signatory*

This Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of the Paying Agent.

**CERTIFICATE OF AUTHENTICATION**

Authenticated for and on behalf of The Hongkong and Shanghai Banking Corporation Limited as paying agent without recourse, warranty or liability.

By:

.....  
*Authorised Signatory*

[On the reverse of each Certificate in definitive form the Conditions of the Deposits as set out in “Terms and Conditions of the Deposits” above]

<sup>1</sup> For U.S.\$ denominated Certificates

<sup>2</sup> For HK\$ denominated Certificates

<sup>3</sup> For Certificates denominated in a currency other than U.S.\$ or HK\$

<sup>4</sup> The minimum tenor of the Deposits under the Programme is 7 days

<sup>5</sup> The minimum denomination of the Deposits under the Programme is HK\$500,000 or US\$100,000 or EUR100,000 or their equivalent in other currencies

## THE SELLING RESTRICTIONS

1. **No action to permit public offering:** Each Dealer has acknowledged that no action has been or will be taken in any jurisdiction by the Issuer or the Guarantor that would permit a public solicitation of the Deposits or a public offering of the Certificates, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.
2. **Dealers' compliance with applicable law:** Each Dealer has undertaken to the Issuer and the Guarantor that it will comply with all applicable laws and regulations in each country or jurisdiction in which it solicits Deposits, purchases, offers, sells or delivers Certificates or has in its possession or distributes such offering material, in all cases at its own expense.
3. **Compliance with United States securities laws:** The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

The Certificates 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 U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder. Each Dealer:

- (a) **Offers/sales only in accordance with Regulation S:** has represented, warranted and undertaken that it has offered and sold the Certificates, and will offer and sell the Certificates:
  - (i) **Original distribution:** as part of their distribution, at any time; and
  - (ii) **Outside original distribution:** otherwise, until 40 days after the Deposit Date,  
only in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that:
    - (A) **No directed selling efforts:** neither it nor any of its affiliates (including any person acting on behalf of such Dealer or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Certificates; and
    - (B) **Offering restrictions:** such Dealer and its affiliates (including any person acting on behalf of such Dealer or any of its affiliates) have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act;
- (b) **Prescribed form of confirmation:** has undertaken that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchases Certificates from it or through it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the United States Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (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 closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in paragraphs (a) and (b) above have the meanings given to them by Regulation S under the Securities Act.

4. **Compliance with United States Treasury regulations:** Each Dealer has represented, warranted and undertaken that:
- (a) **Restrictions on offers etc.:** except to the extent permitted under United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “D Rules”):
    - (i) **No offers etc. to United States or United States persons:** it has not offered or sold, and during the restricted period will not offer or sell, any Certificates to a person who is within the United States or its possessions or to a United States person; and
    - (ii) **No delivery of definitive Certificates in United States:** it has not delivered and will not deliver in definitive form within the United States or its possessions any Certificates sold during the restricted period;
  - (b) **Internal procedures:** it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Certificates are aware that the Certificates may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; and
  - (c) **Additional provision if United States person:** if it is a United States person, it is acquiring the Certificates for the purposes of resale in connection with their original issuance and, if it retains Certificates for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and
  - (d) **Affiliates:** with respect to each affiliate of such Dealer that acquires Certificates from such Dealer for the purpose of offering or selling such Certificates during the restricted period, it will obtain from such affiliate for the benefit of the Issuer the representations, warranties and undertakings contained in subparagraphs (a), (b) and (c) above.

Terms used in paragraphs (a) to (d) above have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the D Rules.

5. **United Kingdom:** Each Dealer has further represented and agreed that:
- (a) with respect to Deposits with a maturity of one year or more, it has not offered or sold and will not offer or sell any Certificates to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
  - (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom; and
  - (c) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom, any document received by it in connection with the issue of the Certificates 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 such document may otherwise lawfully be issued or passed on.

## **ISSUER**

### **Abbey National Treasury Services plc, acting through its Hong Kong Branch**

3201 Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai  
Hong Kong  
Tel: (852) 3120 9388/(852) 3120 9000  
Fax: (852) 3120 9112

## **GUARANTOR**

### **Abbey National plc**

Abbey House  
Baker Street  
London NW1 6XL  
United Kingdom  
Tel: (44) 20 7612 4000  
Fax: (44) 20 7612 4581

## **ARRANGER AND DEALER**

### **The Hongkong and Shanghai Banking Corporation Limited**

Level 16  
1 Queen's Road Central  
Hong Kong  
Tel: (852) 2822 3070  
Fax: (852) 2845 3703

## **PROGRAMME, REFERENCE AND PAYING AGENT**

### **The Hongkong and Shanghai Banking Corporation Limited**

36th Floor, Sun Hung Kai Centre  
30 Harbour Road, Wanchai  
Hong Kong  
Tel: (852) 2500 3192  
Fax: (852) 2801 5586

## **OTHER DEALERS**

### **BOCI Capital Limited**

35th Floor  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong  
Tel: (852) 2230 8888  
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### **Hang Seng Bank Limited**

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