

OFFERING CIRCULAR



**Abbey National Sterling Capital plc**

*(Incorporated in England with limited liability with number 2588224)*

Placing of

**£150,000,000**

**11½ per cent. Subordinated Guaranteed Bonds due 2017**

*Unconditionally and irrevocably guaranteed on a subordinated basis by*

**Abbey National plc**

*(Incorporated in England with limited liability with number 2294747)*

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**Issue Price: 101.715 per cent.**

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The £150,000,000 11½ per cent. Subordinated Guaranteed Bonds due 2017 (the "Bonds") of Abbey National Sterling Capital plc will be represented initially by a temporary global bond (the "Global Bond"), without interest coupons, to be deposited with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and CEDEL S.A. on or about 30th December, 1991 (the "Closing Date"). Definitive Bonds in bearer form will be available in exchange for the Global Bond not earlier than 8th February, 1992.

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") for the Bonds to be admitted to the Official List.

A copy of this document, which comprises listing particulars approved by the London Stock Exchange, has been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986.

*Arranged and underwritten by*

**Baring Brothers & Co., Limited**

Dated 15th November, 1991

*In this Offering Circular references to the "Issuer" are references to Abbey National Sterling Capital plc, references to "Abbey National" and the "Guarantor" are references to Abbey National plc, references to the "Society" are references to Abbey National Building Society and references to the "Group" are to Abbey National and its subsidiaries or, where the context so requires, to the Society and its subsidiaries. References to "conversion" are to the transfer of the business of the Society to Abbey National under section 97 of the Building Societies Act 1986 which became effective on 12th July, 1989 on the completion of the offer of shares in Abbey National and the admission of the share capital of Abbey National to the Official List of the London Stock Exchange.*

*The Issuer accepts responsibility for all the information contained in this Offering Circular and Abbey National accepts responsibility for the information contained in this Offering Circular relating to Abbey National and the Group. To the best of their 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.*

*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 Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, Abbey National or Baring Brothers & Co., Limited. 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 Abbey National since the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, Abbey National or Baring Brothers & Co., Limited to subscribe for or purchase, any of the Bonds.*

*The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. None of the Issuer, Abbey National and Baring Brothers & Co., Limited represents that this Offering Circular may be lawfully distributed, or that the Bonds 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 London Stock Exchange 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, Abbey National or Baring Brothers & Co., Limited which would permit a public offering of the Bonds or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Bonds 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 Baring Brothers & Co., Limited has represented that all offers and sales by it will be made on such terms. The Bonds have not been and will not be registered under the United States Securities Act of 1933 and include Bonds that are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons. For a more complete description of certain restrictions on offering, sale and delivery of the Bonds 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 lawful currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom").*

**In connection with this issue, Baring Brothers & Co., Limited may over-allot or effect transactions which stabilise or maintain the market price of the Bonds 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 BONDS

*The following is the text of the Terms and Conditions of the Bonds which (subject to amendment) will be endorsed on each Bond in definitive form:—*

The £150,000,000 11½ per cent. Subordinated Guaranteed Bonds due 2017 (the "Bonds", which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 14 and forming a single series with the Bonds) are constituted by a Trust Deed (the "Trust Deed") dated 30th December, 1991 between Abbey National Sterling Capital plc (the "Issuer"), Abbey National plc (the "Guarantor") and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders"). The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on 13th November, 1991 and the giving of the guarantee in respect of the Bonds (the "Guarantee") was authorised pursuant to a resolution of the Board of Directors of the Guarantor passed on 26th June, 1990 and by an authorisation and approval passed on 13th November, 1991. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 30th December, 1991 (the "Agency Agreement") made between the Issuer, the Guarantor, the initial Paying Agents and the Trustee are available for inspection during normal business hours by the Bondholders and the holders of the interest coupons and the talons for further interest coupons appertaining to the Bonds (the "Couponholders" and the "Coupons" (which expression shall in these Terms and Conditions, unless the context otherwise requires, include the Talons) and the "Talons" respectively) at the principal office of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, and at the specified office of each of the Paying Agents referred to below. The Bondholders 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 Agency Agreement applicable to them.

### 1. Form, Denomination and Title

The Bonds are in bearer form, serially numbered, in the denominations of £10,000 and £100,000 each with 10 Coupons and one Talon attached on issue. Bonds of one denomination may not be exchanged for Bonds of the other denomination.

Title to the Bonds and to the Coupons will pass by delivery. The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Bond and the holder of any Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon).

### 2. Status and Subordination

The Bonds and the Coupons constitute unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and the rights of the Bondholders and Couponholders will, in the event of the winding up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors. "Senior Creditors" means all unsubordinated creditors of the Issuer and all subordinated creditors of the Issuer whose claims against the Issuer rank or are expressed to rank ahead of the claims of the Bondholders and the Couponholders.

### 3. Guarantee and Subordination

The payment of the principal and interest in respect of the Bonds and the Coupons and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed. The obligations of the Guarantor under such guarantee constitute direct, unconditional and unsecured obligations of the Guarantor save that, in the event of the winding up of the Guarantor, the claims of the Bondholders and the Couponholders pursuant thereto will be subordinated in right of payment to the claims of unsubordinated creditors of the Guarantor in the manner and to the extent provided in the Trust Deed.

### 4. Interest

The Bonds bear interest at the rate of 11½ per cent. per annum payable annually in arrear on 4th January (each an "Interest Payment Date"). The first payment of interest will be made on 4th January, 1993 in respect of the period from and including 30th December, 1991 to but excluding 4th January, 1993 and will amount to £1,162.78 in respect of each Bond in the denomination of £10,000 and £11,627.78 in respect of each Bond in the denomination of £100,000.

Interest will be calculated for a period of less than one year on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an uncompleted month, the number of days elapsed.

Bonds will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused in which event interest shall continue to accrue as provided in the Trust Deed.

## **5. Redemption and Purchase**

### *(a) Final redemption*

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 4th January, 2017.

### *(b) Redemption at the Issuer's Option*

The Issuer may (subject to the prior consent of the Bank of England) at any time after 30th December, 1996, having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 13, the Bondholders (which notice shall be irrevocable), redeem all or, from time to time, some only (being £10,000,000 in principal amount or a higher integral multiple of £1,000,000) of the Bonds at the higher of their principal amount and the Adjusted Redemption Price (as defined below) together with interest accrued up to and including the date of redemption. In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected individually by lot in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate and fair not more than 60 days prior to the date fixed for redemption and a list of Bonds called for redemption will be published in accordance with Condition 13 not less than 30 nor more than 60 days prior to such date.

For the purposes of these Conditions, the "Adjusted Redemption Price" shall mean such price as shall be determined by a leading bank and/or broker in London selected by the Trustee as being the price at which the gross redemption yield on the Bonds (if they were to remain outstanding to their original maturity) would be equal to the gross redemption yield in respect of the 12 per cent. Exchequer Stock <sup>2013/17</sup> (or, if such stock is not in existence, such other stock issued by or on behalf of H.M. Government as the Trustee, on the advice of three brokers and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, may agree to be appropriate) on the basis of the arithmetic mean of the offered prices quoted for such stock on a dealing basis by three gilt-edged market makers at or about 3 p.m. (London time) on the Determination Date (as defined below) and on the basis that the gross redemption yield in respect of such stock shall be calculated on the basis indicated 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. For this purpose "Determination Date" means the date falling four business days in London prior to the publication of the notice of redemption referred to in this paragraph (b).

### *(c) Redemption for tax reasons*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next payment due in respect of the Bonds, either the Issuer will be required to pay additional amounts as provided under Condition 8 or to account to any taxing authority in the United Kingdom for any amount (other than any tax withheld or deducted from interest payable on the Bonds) calculated by reference to any amount payable in respect of the Bonds or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making such payment itself would be required to pay additional amounts as aforesaid or to account to any taxing authority in the United Kingdom for any amount (other than tax withheld or deducted from interest payable on the Bonds) calculated by reference to any amount payable in respect of the Bonds, then the Issuer may (subject to the prior consent of the Bank of England), 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 Bondholders (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at their principal amount together with interest accrued to the date of redemption. Upon the expiry of such notice the Issuer shall be bound to redeem the Bonds accordingly.

### *(d) Purchases*

The Issuer, the Guarantor or any other Subsidiary (as defined in the Trust Deed) may (subject to the prior consent of the Bank of England) at any time purchase Bonds in any manner and at any price. In each case purchases will be made together with all unmatured Coupons (if any) appertaining thereto. Bonds purchased by the Issuer, the Guarantor or any other Subsidiary may be held and/or resold or surrendered by the purchaser to any Paying Agent for cancellation.

### *(e) Cancellation*

All Bonds redeemed or surrendered by the purchaser for cancellation pursuant to paragraph (d) above will be cancelled forthwith (together with all unmatured Coupons surrendered therewith) and may not be re-issued or re-sold.

## **6. Payments and Exchange of Talons**

(a) Payments of principal and interest in respect of the Bonds will be made against surrender (or, in the case of partial payment, endorsement) of Bonds or in the case of payments of interest due on an Interest Payment Date, against surrender (or, in the case of partial payment, endorsement) of the relevant Coupons, at the specified office of any of the Paying Agents. Such payments will be made, at the option of the holder, by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London, 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. Notwithstanding the foregoing, the Issuer reserves the right to require Couponholders who are unable to make a declaration of non-residence as to the United Kingdom to present their Coupons at the specified office of a Paying Agent situated outside the United Kingdom if the Issuer or the Guarantor would otherwise be obliged to account to any taxing authority in the United Kingdom for any amount representing income tax (other than any tax withheld or deducted from interest payable on the Bonds) calculated by reference to the interest represented by the relevant Coupon.

(b) Each Bond should be presented for payment together with all unmatured Coupons appertaining thereto. Upon the due date for redemption of any Bond, unmatured Coupons relating to such Bond (whether or not attached or delivered) shall become void and no payment shall be made in respect of them.

(c) If the date for payment of any amount of principal or interest in respect of any Bond is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph (c), "business day" means any day (not being a Saturday) on which banks are open for business in the relevant place of payment and, in the case of a transfer to a sterling account as described above, in London.

(d) On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

(e) The names of the initial Principal Paying Agent and other Paying Agents and their initial specified offices are set out below. The Issuer and the Guarantor reserve the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that they will at all times maintain a Paying Agent having a specified office in either Brussels or Luxembourg and a Paying Agent having a specified office in London. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Bondholders in accordance with Condition 13.

## **7. Events of Default and Enforcement**

(a) If default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Bonds after the due date therefor, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the obligations of the Issuer and/or the Guarantor under the Bonds or the Trust Deed and may institute proceedings in England and/or Wales (but not elsewhere) for the winding up of the Issuer and/or the Guarantor provided that the Issuer or the Guarantor, as the case may be, shall not, by virtue of the institution of any such proceedings other than proceedings for the winding up of the Issuer or the Guarantor, as the case may be, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(b) If, otherwise than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, an order is made or an effective resolution is passed for the winding up of the Issuer or the Guarantor, the Trustee may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject to being indemnified to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount, plus accrued interest.

(c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) above to enforce the obligations of the Issuer or the Guarantor, as the case may be, in respect of the Bonds unless (i) it shall have been so requested by an Extraordinary Resolution of the Bondholders or in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (ii) it shall have been indemnified to its satisfaction.

(d) No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. No Bondholder or Couponholder shall be entitled to institute proceedings in England and/or Wales (or elsewhere) for the winding up of the Issuer or the Guarantor or to submit a claim in such winding up, except that if the Trustee, having become bound so to proceed against the Issuer or the Guarantor as aforesaid, fails to do so, or, being able and bound to submit a claim in such winding up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding up of the Issuer and/or the Guarantor, as the case may be, and/or submit a claim in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## **8. Taxation**

All payments of principal and interest in respect of the Bonds by the Issuer or the Guarantor will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by the United Kingdom or any political 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 or the Guarantor (as the case may be) will pay such additional amounts as may be necessary in order that the net amounts receivable by Bondholders 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 Bonds or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Bond or Coupon presented for payment:—

- (i) by or on behalf of a holder who (a) would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority but fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Bond or Coupon; or
- (ii) more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

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

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

## **9. Prescription**

Bonds and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of ten years in the case of Bonds and five years in the case of Coupons from the relevant date (as defined in Condition 8) relating thereto.

There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or under Condition 6.

## **10. Meetings of Bondholders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of Bondholders 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 Bonds for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds 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 Condition 2 or Condition 3, the terms concerning currency and due date for payment of principal or interest in respect of the Bonds and the principal amount of any Bond) 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 Bonds for the time being outstanding.

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

The Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification (except as aforesaid) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders 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 Bank of England shall have been obtained.

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 Bondholders or Couponholders, may agree, without the consent of the Bondholders or Couponholders, to the substitution (i) on a subordinated basis equivalent to that referred to in Condition 3 in the case of the Guarantor and Condition 2 in any other case of the Guarantor or another Subsidiary or any successor company (as defined in the Trust Deed) of the Issuer in place of the Issuer as principal debtor under the Trust Deed, the Bonds and the Coupons provided that, except in the case of the substitution of the Guarantor, the obligations of such substitute as principal debtor under the Trust Deed, the Bonds and the Coupons shall be guaranteed by the Guarantor on a subordinated basis equivalent to that referred to in Condition 3 or (ii) on a subordinated basis equivalent to that referred to in Condition 3 of any successor company of the Guarantor in place of the Guarantor as guarantor in respect of the Trust Deed, the Bonds and the Coupons. In connection with any proposed substitution as aforesaid the Trustee shall not have regard to the consequences of such substitution for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

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

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

#### **11. Replacement of the Bonds and Coupons**

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or such 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 Bonds or Coupons must be surrendered before any replacement 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 and the Guarantor or any other Subsidiary without accounting for any profit resulting therefrom.

#### **13. Notices**

All notices regarding the Bonds will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable in the opinion of the Trustee, in such other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. 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. If publication is not practicable in any such newspaper as aforesaid, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall approve.

#### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further bonds or notes either (in the case of bonds) so as to be consolidated and form a single series with the Bonds or (in either case) upon such terms as to ranking, interest, conversion,

premium, redemption and otherwise as the Issuer may, in its absolute discretion, at the time of the issue thereof determine. Any such bonds, if they are to form a single series with the Bonds, shall be constituted by a deed supplemental to the Trust Deed and in any other case if the Trustee so agrees any such bonds or notes may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or notes of other series in certain circumstances where the Trustee so decides.

#### **15. Governing Law**

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

#### **USE OF PROCEEDS**

The net proceeds from the issue of the Bonds, which will amount to approximately £148,822,500, will be used to strengthen the capital base and fund the business of the Group.



## **ABBEY NATIONAL STERLING CAPITAL plc**

### **Incorporation and business**

The Issuer was incorporated as a public limited company with limited liability in England and Wales on 4th March, 1991 under the Companies Act 1985 (as amended) and is a wholly-owned subsidiary of the Guarantor.

The authorised share capital of the Issuer is £50,000 divided into 50,000 ordinary shares of £1 each, of which 50,000 have been issued fully paid.

Other than the Bonds to be issued hereunder, the Issuer has no borrowings or indebtedness or contingent liabilities.

The registered address of the Issuer is Abbey House, Baker Street, London NW1 6XL.

### **Management**

The Directors of the Issuer and their principal functions within the Group are as follows:—

James M. Tyrrell, Group Finance Director  
Gwendoline M. Batchelor, Finance Director of Abbey National Treasury Services plc  
Jonathan C. Nicholls, Director of Abbey National Treasury Services plc  
D. Gareth Jones, Group Treasurer, Assistant General Manager and Chief Executive of Abbey National Treasury Services plc  
Norman Wilkes, Joint Company Secretary of the Issuer  
Leena Nagrecha, Joint Company Secretary of the Issuer.

The business address for each of the above in their capacity as Directors of the Issuer is Abbey House, Baker Street, London NW1 6XL.

To The Directors,  
Abbey National Sterling Capital plc,  
Abbey House,  
Baker Street,  
London NW1 6XL

14th November, 1991

Dear Sirs,

Abbey National Sterling Capital plc (the "Company") was incorporated as Glanslade Property PLC on 4th March, 1991 and changed its name to Abbey National Sterling Capital plc on 11th November, 1991. The Company's paid up share capital was 50,000 ordinary shares of £1 each, as of 8th November, 1991.

The Company has not yet commenced to trade and has made up no accounts for presentation to its members and has not declared or paid a dividend.

Yours faithfully,  
Coopers & Lybrand Deloitte  
*Chartered Accountants*

## ABBEY NATIONAL plc

### Introduction

Abbey National plc is the successor company to which the Abbey National Building Society transferred its business under section 97 of the Building Societies Act 1986. Abbey National plc was incorporated in England and Wales on 12th September, 1988 with registered number 2294747. The transfer of the Society's business became effective on 12th July, 1989 and was part of the conversion of that business from a building society into a bank. Abbey National is the parent company of the Group.

At 31st December, 1990 the Group had total assets of £46.5 billion. It ranks as the fourth largest banking group in the United Kingdom in terms of both shareholder funds and stock market capitalisation and within the top 50 banks in the world in terms of shareholders' equity.

### The business of the Group

Abbey National and its subsidiaries comprise a major personal financial services group in the United Kingdom, providing a wide range of financial products and services. The Group's main business is the provision of personal financial services. The Group operates in four major personal finance sectors:

*Personal lending.* The Group provides an extensive and flexible mortgage service and, at 31st December, 1990, had total mortgage assets of £34.0 billion and 1.4 million borrowers. In addition, the Group provides a range of other secured and unsecured loans.

*Savings and investments.* The Group provides a range of savings accounts to meet the varied requirements of its customers. At 31st December, 1990, savings of customers of the Group amounted to £29.7 billion. Abbey National also offers personal pension plans, and independent financial advice is provided through a professional consultancy service.

*Insurance.* The Group is a large distributor of insurance in the United Kingdom, earning significant income from the sale of life policies linked to endowment mortgages and from property insurance. The Group has expanded its insurance operations by increasing the range of policies offered and by marketing insurance products generally to the Group's customers.

*Money transmission.* The Group entered the money transmission market in 1988, when it launched its current account nationally and opened a banking centre in London. By 31st December, 1990, Abbey National's current account had attracted over 1.1 million customers.

The Group also engages in estate agency, through its Cornerstone operation, and housing development. The Cornerstone network has been developed to provide not only a source of future growth, but also a strategic outlet for core business products and services.

In addition to its activities within the United Kingdom, the Group operates in Jersey, Gibraltar, Spain, Italy and France. The principal activity of these operations (with the exception of Jersey) is the provision of mortgage finance. In addition the operations in Jersey and Gibraltar take retail deposits.

Abbey National remains committed to strengthening the Group's position in the savings and mortgage markets, while developing as a more broadly-based provider of personal financial services in the United Kingdom.

### Recent developments

The Group announced on 25th September, 1991 that it was to acquire the business of Scottish Mutual, the Glasgow based life assurance group, for £285,000,000 subject to the approval of the policyholders of Scottish Mutual, which was granted on 11th November, 1991, and the Court of Session in Scotland.

Scottish Mutual will form the basis of a significant move into life assurance as part of Abbey National's strategy of increasing the range of personal financial services which it offers.

In conjunction with the acquisition of Scottish Mutual, Abbey National plans to establish Abbey National Life plc, which will be a separately authorised life assurance company. Abbey National Life will sell a separate range of Abbey National branded products exclusively to Abbey National customers.

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

		<i>Principal External Directorships</i>
Chairman	Sir Christopher Tugendhat	Director BOC Group plc Director Eurotunnel plc
Deputy Chairman	Peter Anthony Davis, M.A., F.C.A.	Director Sturge Holdings PLC
Group Chief Executive	Peter Gibbs Birch	Director Argos Plc Director Hoskyns Group plc
Executive Directors	Richard J. Baglin, M.A. John Bayliss John M. Fry, M.A., F.C.I.S., F.C.B.S.I. James M. Tyrrell, M.A., F.C.A. Charles N. Villiers, M.A., F.C.A.	
Non-executive Directors	Sir John Garlick, K.C.B.  Michael A. Heap, M.A., F.C.B.S.I. Martin E. Llowarch, F.C.A. Sara Morrison  The Lord Rockley  James Tuckey, F.R.I.C.S.	Director London Docklands Development Corporation  Director The General Electric Company plc Vice Chairman Kleinwort Benson Group plc Managing Director MEPC plc

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

Dame Jennifer Jenkins, D.B.E., M.A. retired as a non-executive director on 22nd April, 1991. Sir Campbell Adamson, M.A. retired as Chairman on 30th June, 1991.

## CAPITALISATION OF THE GROUP

The following table sets out the capitalisation of the Group at 31st December, 1990, and at 30th September, 1991 as adjusted to give effect to issues, repayments and repurchases of loan capital made subsequent to 30th September, 1991 and up to the date of this Offering Circular.

	As at 31st December, 1990  (Audited)	As at 30th September, 1991  (Adjusted) (Unaudited)
	£m	£m
<b>Shareholders' equity</b>		
Called up and fully paid Share Capital .. .. .	131	131
Share Premium .. .. .	834	834
Reserves .. .. .	1,734	1,896 <sup>(1)</sup>
	2,699	2,861
<b>Subordinated Fixed/Floating Rate Notes<sup>(2)(3)</sup></b>	235	391
<b>Medium Term Note Programme</b>	196	1,376
<b>Other Loan Capital<sup>(2)(3)</sup></b>		
Floating/Variable Rate Notes .. .. .	394	396
Fixed Rate Bonds/Notes .. .. .	2,363	2,842
	3,188	5,005
<b>Total Capitalisation .. .. .</b>	5,887	7,866

*Notes:*

(1) As at 30th June, 1991.

(2) All of the bonds and notes are guaranteed by Abbey National and are unsecured.

(3) Liabilities in foreign currencies are translated into sterling at market exchange rates prevailing at 30th September, 1991 or 31st December, 1990, as appropriate, except where they are covered by forward exchange contracts.

Save for the information disclosed above, there has been no material change in the capitalisation of the Group since 30th September, 1991.

## 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 may not apply to certain classes of taxpayer (such as dealers).

1. The Bonds will constitute "quoted Eurobonds" within the meaning of section 124 of the Income and Corporation Taxes Act 1988 (the "Act") as long as they continue to remain in bearer form and to be quoted on a "recognised stock exchange" within the meaning of section 841 of the Act. Accordingly, payments of interest on the Bonds may be made without deduction or withholding on account of income tax:
  - (a) where the Bonds and relative Coupons are held in a "recognised clearing system" within the meaning of section 124 of the Act (Euroclear and CEDEL S.A. are currently so designated); or
  - (b) where payment is made through an overseas paying agent; or
  - (c) where payment is made by or through a United Kingdom paying agent and it is proved on a claim in that behalf made in advance to the Inland Revenue that the beneficial owner of the Bonds and relative Coupons (or the person whose income the interest is for United Kingdom tax purposes deemed to be) is not resident in the United Kingdom.

In all other cases an amount must be withheld on account of income tax at the basic rate (currently 25 per cent.), subject to any direction to the contrary by the Inland Revenue pursuant to the provisions of an applicable double taxation convention.

2. Where a United Kingdom collecting agent receives or obtains payment of interest on behalf of a Bondholder, the collecting agent will be required to deduct or withhold on account of basic rate income tax if the relative Bonds are held in a "recognised clearing system" or if payment of the interest was not made by or entrusted to a United Kingdom paying agent. No such deduction or withholding will be required, however, if it is proved to the Inland Revenue that the beneficial owner of the Bonds and relative Coupons is not resident in the United Kingdom and that the interest is not deemed for United Kingdom tax purposes to be the income of any other person.
3. Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, remains subject to income tax by direct assessment even where paid without withholding or deduction. However, under long standing Inland Revenue practice (published as an extra-statutory concession and which, like all such concessions, operates subject to the existence of special circumstances and to the concession not being used for tax avoidance), no action is normally taken to pursue such liability by raising an assessment on a person receiving such interest who is and remains non-resident in the United Kingdom throughout the relevant tax year, except where such a person:
  - (a) is chargeable under section 78 of the Taxes Management Act 1970 in the name of a trustee or other person mentioned in section 72 thereof (relating to incapacitated persons), or in the name of an agent or branch in the United Kingdom which has management or control of the interest; or
  - (b) seeks to claim relief in respect of taxed income from United Kingdom sources insofar as the tax on the interest can be recovered by a set-off against the claim; or
  - (c) is chargeable to corporation tax on the interest as the income of a United Kingdom branch or agency to which the interest is attributable; or
  - (d) is chargeable to income tax on the profits of a trade which is carried on in the United Kingdom to which the interest is attributable.

If this Inland Revenue practice were to change and the Bondholder were in consequence assessed to income tax directly, the Issuer would not be obliged to make additional payments of interest as described in Condition 8. However, exemption from or reduction in the tax payable on the interest may be available in appropriate circumstances under the provisions of an applicable double taxation convention.

4. On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income if that Bondholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.
5. The Bonds will constitute "qualifying corporate bonds" within the meaning of section 64 of the Finance Act 1984. Accordingly, a disposal by a Bondholder will not give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

Prospective Bondholders who are in any doubt as to their tax position or may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.

## SUBSCRIPTION AND SALE

Baring Brothers & Co., Limited has pursuant to a Subscription Agreement dated 14th November, 1991 (the "Subscription Agreement"), agreed with the Issuer and the Guarantor to procure subscribers (and in default thereof to subscribe) for the Bonds at the issue price of 101.715 per cent. of their principal amount for a selling commission of 1% per cent. of such principal amount which may be allowed to the initial subscribers of the Bonds. The Issuer, or failing which the Guarantor, will in addition pay to Baring Brothers & Co., Limited a combined management and underwriting commission of  $\frac{1}{2}$  per cent. of the principal amount of the Bonds. Baring Brothers & Co., Limited is entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

The Bonds will be represented initially by the Global Bond. The Global Bond will, on issue, be deposited with a common depository for Euroclear and CEDEL S.A. It is expected that the Global Bond will be so deposited on or about 30th December, 1991. Transactions in the Bonds when represented by the Global Bond, on the open market or otherwise, must be cleared through Euroclear or CEDEL S.A. Definitive Bonds in bearer form will be available in exchange for the Global Bond on and after a date (the "Exchange Date") not earlier than 8th February, 1992 but as soon as practicable thereafter. No claims for delivery of Bonds in definitive form can be made prior to the Exchange Date.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons. Baring Brothers & Co., Limited has agreed that it will not offer, sell or deliver any Bonds within the United States or to U.S. persons except as permitted by the Subscription Agreement.

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

Baring Brothers & Co., Limited has represented and agreed that:—

- (i) it has not offered or sold and will not offer or sell in the United Kingdom, or elsewhere, by means of any document, any Bonds prior to application for listing of the Bonds being made in accordance with Part IV of the Financial Services Act 1986 (the "FSA"), other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985;
- (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 Bonds in, from or otherwise involving the United Kingdom; and
- (iii) 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 Bonds, 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, if that person is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988.

## GENERAL INFORMATION

1. The Issuer and the Guarantor were each incorporated in England and Wales on 4th March, 1991 and 12th September, 1988 respectively with registered numbers 2588224 and 2294747 respectively.
2. The listing of the Bonds on the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Bonds on the London Stock Exchange will be granted on or about 20th November, 1991 subject only to the issue of the Global Bond. Prior to listing, 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 fifth 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 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since the date of its incorporation or 31st December, 1990 respectively.
4. Neither the Guarantor nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the previous twelve months, a significant effect upon the financial position of the Group nor, so far as the Issuer or the Guarantor is aware, are any such litigation or arbitration proceedings pending or threatened.
5. The accounts of the Society for the year ended 31st December, 1988 were audited by Deloitte Haskins & Sells in accordance with approved Auditing Standards and Building Society Regulations and were reported on without qualification.
6. The financial information on the Guarantor contained in this document does not amount to statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts relating to each financial year (except the current year) to which the financial information relates have been delivered to the Registrar of Companies. The auditors of the Guarantor have made reports (i) under Section 236 of the Companies Act 1985 (as in force prior to its replacement by the Companies Act 1989) in respect of the statutory accounts for the nine months ended 31st December, 1989, which were not qualified within the meaning of Section 262 of the Companies Act 1985 and did not contain a statement made under Section 237(2) of the Companies Act 1985 or Section 237(4) of the Companies Act 1985 (as previously in force) and (ii) under Section 235 of the Companies Act 1985 in respect of the statutory accounts in respect of the financial year ended 31st December, 1990 which were not qualified within the meaning of Section 262 of the Companies Act 1985 and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.
7. The issue of the Bonds was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 13th November, 1991. The giving of the guarantee was authorised pursuant to a resolution of the Board of Directors of Abbey National passed on 26th June, 1990 and by an authorisation and approval made on 13th November, 1991.
8. The Bonds have been accepted for clearance through Euroclear and CEDEL S.A. The ISIN for this issue is XS0034981661. The Common Code is 3498166.
9. It should be noted that, as part of the process of conversion, the Building Societies Act 1986 (the "BSA") required that a right be conferred on every saving member of the Society (who satisfied certain conditions) to a priority liquidation distribution by Abbey National. This is a right to a distribution of a proportion of the assets of Abbey National, in the event of its being wound up, in priority to all other creditors and members (other than certain statutory preferential creditors). This right is secured by a first floating charge over the assets of Abbey National.

The BSA also provides that saving members of the Society who were not eligible to vote at the meeting of the members of the Society at which the conversion was approved and who satisfy certain other conditions are entitled to a cash distribution. The aggregate amount of the cash distribution paid in 1989 was approximately £6,000,000, and no further material amounts have been, or are expected to be, paid. The initial aggregate amount of the priority liquidation distribution right is the amount of the Society's reserves at 31st December, 1988 less the aggregate amount of the cash distribution and the costs of the conversion (except to the extent that such costs have been taken into account in calculating the amount of the reserves). The initial aggregate amount of the priority liquidation distribution (if Abbey National had been wound up immediately upon the conversion) was estimated at £1,340 million. However, the amount of a member's distribution is generally reduced by the amount such member withdraws from his relevant accounts (and does not increase should further funds be paid into such accounts). The aggregate amount of the priority liquidation distribution on 31st December, 1990 was reduced to approximately £600 million. Abbey National expects this amount to continue to decrease.

10. 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 and public holidays excepted) for 14 days from the date of this Offering Circular:—

- (i) the Memorandum and Articles of Association of the Issuer and the Guarantor;
- (ii) the Directors' Report and Accounts of the Society for the year ended 31st December, 1988;
- (iii) the Directors' Report and Accounts of the Guarantor for the nine months ended 31st December, 1989 and the year ended 31st December, 1990;
- (iv) the Subscription Agreement; and
- (v) drafts, subject to modification, of the Trust Deed (incorporating the form of the Bonds, the Coupons and the Global Bond) pursuant to which the Bonds are to be constituted and the Paying Agency Agreement relating to the Bonds.



**REGISTERED OFFICE OF THE ISSUER AND ABBEY NATIONAL**

Abbey House,  
Baker Street,  
London NW1 6XL.

**TRUSTEE**

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

**PRINCIPAL PAYING AGENT**

**Bankers Trust Company,**  
1 Appold Street,  
Broadgate,  
London EC2A 2HE.

**PAYING AGENTS**

**Bankers Trust Luxembourg SA,**  
PO Box 807,  
14 Boulevard F.D. Roosevelt,  
L-2450 Luxembourg.

**Swiss Bank Corporation,**  
Aeschenvorstadt 1,  
CH-4002 Basle,  
Switzerland.

**LEGAL ADVISERS**

*To the Arranger and the Trustee*

**Allen & Overy,**  
9 Cheapside,  
London EC2V 6AD.

*To the Issuer and Abbey National*

**Slaughter and May,**  
35 Basinghall Street,  
London EC2V 5DB.

**AUDITORS OF THE ISSUER AND ABBEY NATIONAL**

**Coopers & Lybrand Deloitte,**  
Chartered Accountants,  
128 Queen Victoria Street,  
London EC4P 4JX.

**LISTING SPONSOR**

**Baring Brothers & Co., Limited,**  
8 Bishopsgate,  
London EC2N 4AE.

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