

# INFORMATION MEMORANDUM



**ABBNEY NATIONAL TREASURY SERVICES plc**  
(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY, REGISTERED NUMBER 2338548)

**ABBNEY NATIONAL TREASURY INTERNATIONAL LIMITED**  
(INCORPORATED IN JERSEY WITH LIMITED LIABILITY, REGISTERED NUMBER 45968)

**ABBNEY NATIONAL FUNDING plc**  
(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY, REGISTERED NUMBER 3407692)

and

**AN STRUCTURED ISSUES LIMITED**  
(INCORPORATED IN JERSEY WITH LIMITED LIABILITY, REGISTERED NUMBER 75340)

## U.S.\$15,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME

Unconditionally and irrevocably guaranteed by

**ABBNEY NATIONAL plc**  
(INCORPORATED IN ENGLAND WITH LIMITED LIABILITY, REGISTERED NUMBER 2294747)

Abbey National Treasury Services plc, Abbey National Treasury International Limited, AN Structured Issues Limited and Abbey National Funding plc (the "Issuers" and each an "Issuer") may from time to time issue Notes (the "Notes") denominated in any currency as agreed between the relevant Issuer and the relevant Dealer (as defined below) under this U.S.\$15,000,000,000 Euro Medium Term Note Programme (the "Programme"). This Information Memorandum supersedes all previous Information Memoranda and is valid for a period of 12 months from the date hereof. Any Notes issued under the Programme on or after the date of this Information Memorandum are issued subject to the provisions hereof. This does not affect any Notes already issued. Abbey National Treasury Services plc may issue any series of Notes through its head office or any other branch designated by it in the applicable Pricing Supplement (each a "Designated Branch").

The payment of all amounts payable in respect of the Notes will be unconditionally and irrevocably guaranteed by Abbey National plc (the "Guarantor").

Notes may be issued in bearer or registered form (respectively "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme, when combined with the maximum aggregate nominal amount of notes outstanding from time to time under the U.S.\$15,000,000,000 Euro Medium Term Note Programme of Abbey National Treasury Services plc and Abbey National Treasury International Limited, guaranteed by Abbey National plc (the "Original Programme"), will not exceed U.S.\$15,000,000,000 (or its equivalent (the "Equivalent") in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Information Memorandum to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for Notes issued under the Programme during the period of 12 months from the date of this Information Memorandum to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities (which together, under the listing rules of the UK Listing Authority the "Listing Rules"), will constitute official listing on the London Stock Exchange and to the Luxembourg Stock Exchange for such Notes to be listed on the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes listed on the Official List and to be admitted to trading by the London Stock Exchange and/or listed on the Luxembourg Stock Exchange, will be delivered to Listing Applications at the UK Listing Authority and the London Stock Exchange and/or the Luxembourg Stock Exchange, as the case may be, on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer and specified in the relevant Pricing Supplement. In particular, Notes denominated in Australian dollars and issued in the domestic Australian capital markets ("Australian Domestic Notes") may be listed on the Australian Stock Exchange Limited.

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in Credit Linked, Equity Linked (each as defined herein) or other structured Notes which may be issued by AN Structured Issues Limited ("ANSIL") under the Programme.

The Notes 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 in the United States or to, or for the benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Notes issued by ANSIL may not be offered or sold in the United States or to, or for the benefit of, U.S. persons. See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer – see "Subscription and Sale and Transfer and Selling Restrictions".

The relevant Issuer, the Guarantor and the Trustee (as defined herein) may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes to be listed on the Official List and to be admitted to trading by the London Stock Exchange or to be listed on the Luxembourg Stock Exchange) a supplementary Information Memorandum, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

**LEHMAN BROTHERS**

Dealers

**BNP PARIBAS**  
**DAIWA SECURITIES SMBC EUROPE**  
**GOLDMAN SACHS INTERNATIONAL**  
**LEHMAN BROTHERS**  
**MORGAN STANLEY**  
**SCHRODER SALOMON SMITH BARNEY**

**CREDIT SUISSE FIRST BOSTON**  
**DEUTSCHE BANK**  
**JPMORGAN**  
**MERRILL LYNCH INTERNATIONAL**  
**NOMURA INTERNATIONAL**  
**UBS WARBURG**

The date of this Information Memorandum is 5th December, 2002.

In this document references to “ANTS” are references to Abbey National Treasury Services plc; references to “ANTIL” are references to Abbey National Treasury International Limited; references to “ANF” are references to Abbey National Funding plc; references to “ANSIL” are references to AN Structured Issues Limited; references to the “Issuer” and the “Issuers” are references to ANTS, ANTIL, ANF or ANSIL (as issuer of the relevant Notes) or each of them as the context requires; references to “Abbey National” and the “Guarantor” are references to Abbey National plc; and references to the “ANTS Group” are references to ANTS and its subsidiaries and references to the “Abbey National Group” and the “Group” are references to Abbey National and its subsidiaries.

**The Issuers and the Guarantor accept responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.**

Copies of this Information Memorandum, which comprises listing particulars approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000 (the “Listing Particulars”) in relation to Notes listed on the Official List and admitted to trading by the London Stock Exchange and issued during the period of 12 months from the date of this Information Memorandum, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 83 of that Act. Copies of each Pricing Supplement (in the case of Notes to be listed on the Official List) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and (in the case of Notes to be listed on the Official List and admitted to trading by the London Stock Exchange or to be listed on the Luxembourg Stock Exchange) from the specified office set out below of the Principal Paying Agent (as defined below), from the specified office set out below of the Paying Agent in Luxembourg the (“Luxembourg Paying Agent”) and from the registered office of the Guarantor.

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference”) (provided, however, that in relation to Notes listed on the Official List and admitted to trading by the London Stock Exchange such incorporated documents do not form part of the Listing Particulars). This Information Memorandum shall, in relation to Notes to be listed on the Luxembourg Stock Exchange, be read and construed on the basis that such documents are incorporated in, and form part of, this Information Memorandum, and shall, in relation to Notes listed on the Official List and admitted to trading by the London Stock Exchange and save as specified herein, be read and construed on the basis that such documents are so incorporated in, and form part of, this Information Memorandum but do not form part of the Listing Particulars.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Information Memorandum or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Information Memorandum or any other information provided by the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, any of the Dealers or the Trustee.

Neither this Information Memorandum nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Guarantor, any of the Dealers or the Trustee that any recipient of this Information Memorandum or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor. Neither this Information Memorandum nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers, the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in this Information Memorandum when deciding whether or not to purchase any Notes.

The Notes in bearer form 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 or for the account or benefit of U.S. persons, except in certain transactions permitted by U.S. tax regulations. Notes issued by ANSIL may not be offered, sold or delivered within the United States or its possessions or to or for the account or benefit of U.S. persons. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Information Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Dealers and the Trustee do not represent that this Information Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor, the Dealers or the Trustee (save for the approval of this Information Memorandum as listing particulars by the UK Listing Authority and delivery of copies of this Information Memorandum to the Registrar of Companies in England and Wales, to the Luxembourg Stock Exchange and to the Registrar of Companies in Jersey) which would permit a public offering of any Notes or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Information Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Information Memorandum and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in the United States, the United Kingdom, Australia, France, Germany, Japan, Hong Kong, Jersey and The Netherlands, see “Subscription and Sale and Transfer and Selling Restrictions”.

In making an investment decision, investors must rely on their own examination of the relevant Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved.

None of the Dealers, the Issuers, the Guarantor and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should satisfy itself that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

## U.S. INFORMATION

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Information Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Information Memorandum. Any representation to the contrary is unlawful.

This Information Memorandum may be distributed on a confidential basis in the United States to a limited number of QIBs (as defined under “Form of the Notes”) for informational use solely in connection with the consideration of the purchase of the Notes (other than Notes issued by ANSIL) being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from the registration requirements under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”).

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together “Restricted Notes”) will be deemed, by its acceptance or purchase of any such Restricted Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “Subscription and Sale and Transfer and Selling Restrictions”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes”.

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a licence has been filed under Chapter 421-B of the New Hampshire revised statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

#### AVAILABLE INFORMATION

If the Guarantor ceases to be a reporting company under the Exchange Act (as defined below), to permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each Issuer has undertaken in the Trust Deed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, such Issuer and the Guarantor are neither reporting companies under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Guarantor is currently a reporting company under the Exchange Act.

#### SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

ANTS, ANF and the Guarantor are companies incorporated in England. ANTIL and ANSIL are companies incorporated in Jersey. All of their directors reside outside the United States and all or a substantial portion of the assets of each Issuer and the Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England or, as the case may be, Jersey upon an Issuer or the Guarantor, or to enforce judgments against them obtained in the United States predicated upon civil liabilities of the relevant Issuer or the Guarantor or such directors under laws other than English or, as the case may be, Jersey, including any judgment predicated upon United States federal securities laws. The Issuers and the Guarantor have been advised by Slaughter and May, their English solicitors and Ogier & Le Masurier, Jersey lawyers to ANTIL and ANSIL, that there is doubt as to the enforceability in England and Jersey, respectively in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

#### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” are to the currency of the United States of America, to “Sterling” and “£” are to the currency of the United Kingdom, to “Australian dollars” and “A\$” are to the currency of Australia and to “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Each Issuer and the Guarantor maintains its financial books and records and prepares its financial statements in Sterling in accordance with generally accepted accounting principles in the United Kingdom (“UK GAAP”) which differ in certain important respects from generally accepted accounting principles in the United States (“U.S. GAAP”).

## **RISK FACTORS**

ANSIL may issue Credit Linked, Equity Linked or other structured Notes (each as defined in “Summary of the Programme”) under the Programme, including where the amount of principal and/or interest payable (if any) in respect of such Notes, and payable by the Guarantor under its guarantee thereof, is based on the price, value, performance or some other factor relating to one or more assets or other property (each a “Reference Asset”) and/or the creditworthiness of, performance of obligations by or some other factor relating to, one or more entities (each a “Reference Entity”), each as indicated in the applicable Pricing Supplement. In addition, ANSIL may (as indicated in the applicable Pricing Supplement) be entitled to redeem such Notes either by payment of a cash amount (“Cash-Settled Notes”) and/or by physical delivery of all or part of a Reference Asset or of some other asset or property (“Physically-Settled Notes”).

In certain circumstances (as indicated in the applicable Pricing Supplement), the cash amount payable on Cash-Settled Notes, or the value of assets or property deliverable on Physically-Settled Notes, on redemption of such Notes (whether at maturity or otherwise) may be less than the principal amount of the Notes together with any accrued interest and may in certain circumstances be zero. Moreover, each interest-bearing Note may cease to bear interest from the interest payment date immediately preceding the date of occurrence of the event giving rise to early redemption of the Notes.

The obligations of ANSIL are fully and unconditionally guaranteed by the Guarantor. It should however be noted that this guarantee extends only to amounts which have become due and payable in accordance with the terms of the relevant Credit Linked, Equity Linked or other structured Notes. It is not an assurance that any amount will become due and payable under the terms of the relevant Note (for example, in certain circumstances, interest and/or principal will cease to be payable, or the amount payable will be reduced, under the terms of the relevant Note).

Purchasers of such Notes are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions including their own legal, financial, tax, accounting and other business evaluation of the risks and merits of investment in such Notes and should ensure that they fully understand the risks associated with investments of this nature which are intended to be sold only to sophisticated investors. Purchasers of Notes are solely responsible for making their own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity or Reference Asset.



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**In connection with the issue and distribution of any Series or Tranche of Notes (as defined below), the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement in relation to such Notes (or its agent on its behalf) may, outside Australia and on a market operated outside Australia, in accordance with all applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of such Notes at a level higher than that which may otherwise prevail, but in doing so such stabilising manager shall be acting as principal and not as agent of the relevant Issuer. However, there may be no obligation on the Dealer to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. For a description of these activities, see “Subscription and Sale and Transfer and Selling Restrictions”.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and form part of, this Information Memorandum:

- (1) the Guarantor's Annual Report on Form 20-F for the year ended 31st December, 2001 as filed with the U.S. Securities and Exchange Commission (the "SEC"), as the same may be amended from time to time; and
- (2) the Guarantor's published Interim Financial Results for the period ended 30th June, 2002, including the interim consolidated financial statements for that period, as furnished to the SEC under cover of a report on Form 6-K.

In addition, the following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum (provided, however, that in relation to Notes listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities such incorporated documents do not form part of the Listing Particulars):

- (1) the most recently published Annual Report and Accounts containing audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published Interim Financial Results containing interim consolidated and non-consolidated financial statements (if any) of each of the Issuers and the Guarantor (see "General Information" for a description of the financial statements currently published by each of the Issuers and the Guarantor) and the most recently published Guarantor's report on Form 20-F as filed with the SEC as the same may be amended from time to time; and
- (2) all supplements or amendments to this Information Memorandum circulated by the Issuers and/or the Guarantor from time to time.

Any statement contained herein or incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a subsequent statement which is incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise) (provided, however, that in relation to Notes listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities such subsequent statement shall not form part of the Listing Particulars). Any reference in this Information Memorandum to listing particulars means this Information Memorandum excluding all information incorporated by reference. The Issuers and the Guarantor have confirmed that any information incorporated by reference, including any such information to which readers of this Information Memorandum are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the Financial Services and Markets Act 2000 (the "FSMA"), as amended or the Listing Rules. The Issuers and the Guarantor believe that none of the information incorporated herein by reference (as modified as set out above) conflicts in any material respect with the information included in the Listing Particulars.

The Issuers and the Guarantor will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference (save that a Pricing Supplement relating to an unlisted Tranche will only be available upon proof satisfactory as to identity of a relevant Noteholder) unless such documents have been modified or superseded as specified above. Requests for such documents should be directed either to the Issuers or to the Guarantor at their respective offices set out at the end of this Information Memorandum. In addition, such documents will be available free of charge from the principal office in England of Abbey National Treasury Services plc in its capacity as authorised adviser (the "Authorised Adviser") for Notes listed on the Official List and admitted to trading by the London Stock Exchange and the principal office in Luxembourg of Kredietbank S.A. Luxembourgeoise in its capacity as listing agent (the "Luxembourg Listing Agent") for Notes listed on the Luxembourg Stock Exchange. In addition, in relation to Notes listed on such other or further stock exchange(s), such documents will be available from such other offices as are specified in the applicable Pricing Supplement.

The Issuers and the Guarantor have also undertaken to the Dealers in the Programme Agreement (as defined in "Subscription and Sale and Transfer and Selling Restrictions") to comply with sections 81 and 83 of the FSMA.

The Issuers and the Guarantor will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material adverse change in the condition of any of the Issuers or the Guarantor which is not reflected in this Information Memorandum, prepare a supplement to this Information Memorandum or publish a new information memorandum for use in connection with any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Information Memorandum, as so modified or amended, inaccurate or misleading, a new or supplemental Information Memorandum will be prepared.

## GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and of the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes”.

This Information Memorandum and any supplement will only be valid for listing Notes on the Official List and/or the Luxembourg Stock Exchange during the period of 12 months from the date of this Information Memorandum in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme and the aggregate nominal amount of notes then outstanding under the Original Programme, does not exceed U.S.\$15,000,000,000 or its Equivalent (as defined below) in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

1. the U.S. dollar equivalent (the “Equivalent”) of Notes denominated in another Specified Currency (as defined under “Form of Notes”) shall be determined by the Principal Paying Agent (as defined under “Terms and Conditions of the Notes”) as of the Issue Date (as defined under “Terms and Conditions of the Notes”) of any Notes on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Principal Paying Agent on the relevant day of calculation; and
2. the Equivalent of Variable Redemption Notes, Zero Coupon/Discount Notes and Partly-Paid Notes (each as defined in “Summary of the Programme”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly-Paid Notes regardless of the subscription price paid).



## SUMMARY OF THE PROGRAMME

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.*

**Issuers:** Abbey National Treasury Services plc (including any Designated Branch)  
Abbey National Treasury International Limited  
Abbey National Funding plc  
AN Structured Issues Limited

**Guarantor:** Abbey National plc

**Description:** Euro Medium Term Note Programme

**Arranger:** Lehman Brothers International (Europe)

**Dealers:** BNP Paribas  
Credit Suisse First Boston (Europe) Limited  
Daiwa Securities SMBC Europe Limited  
Deutsche Bank AG London  
Goldman Sachs International  
J.P. Morgan Securities Ltd.  
Lehman Brothers International (Europe)  
Merrill Lynch International  
Morgan Stanley & Co. International Limited  
Nomura International plc  
Salomon Brothers International Limited\*  
UBS AG, acting through its business group UBS Warburg  
  
and any other Dealers appointed in accordance with the Programme Agreement.

**Certain Restrictions:** Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale and Transfer and Selling Restrictions”) including the following restrictions applicable at the date of this Information Memorandum.

### Swiss Francs

Issues of Notes denominated in Swiss francs or carrying a Swiss franc-related element will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 (as amended) in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2nd December, 1996 (as amended) or the Law on Banks and Finance Companies of the Principality of Liechtenstein. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “Swiss Dealer”), must be a bank domiciled in Switzerland or Liechtenstein (which includes branches or subsidiaries of a foreign bank located in Switzerland or Liechtenstein) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 (as amended). The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the Issue Date of the relevant Notes.

\*Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited

### **Sterling**

With respect to any Tranche of Notes (other than where the relevant Issuer is ANTS) which has a maturity of less than one year, if the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA, the relevant Issuer will issue such Notes only if (a) the redemption value of each such Note is not less than £100,000 (or an amount of equivalent value denominated wholly or partly in a currency other than sterling), and (b) no part of any such Note may be transferred unless the redemption value of that part is not less than £100,000 (or such an equivalent amount) unless the Notes can be issued and sold without contravention of section 19 of the FSMA.

### **Australian dollars**

Notes denominated in Australian dollars may only be issued in the Australian domestic capital markets by entities which are authorised as banks in their home jurisdiction in accordance with the directive issued by the Assistant Treasurer of the Commonwealth of Australia dated 23rd September, 1996 as contained in the Banking (Exemption) Order No. 82 which requires all offers and transfers of such Notes to be for a consideration of at least A\$500,000.

ANTS may issue Notes denominated in Australian dollars in the Australian domestic capital markets (“Australian Domestic Notes”) in accordance with these requirements.

Australian Domestic Notes:

- will be issued in inscribed form, constituted by the Deed Poll dated 11th February, 2000 executed by ANTS and governed by the laws of New South Wales, Australia (the “Deed Poll”) and take the form of entries on a register to be maintained by Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other Australian registrar appointed by ANTS and specified in the applicable Pricing Supplement (the “Australian Registrar”);
- will provide for payments of principal and interest to be made in Sydney;
- will provide for ANTS to submit to the jurisdiction of the courts of New South Wales and appoint Dabserv Corporate Services Pty Limited (ABN 73 001 824 111) (or such other person specified in the applicable Pricing Supplement) as its agent for the service of process in New South Wales;
- may be listed on the Australian Stock Exchange Limited; and
- will be eligible for lodgement into the Austraclear System operated by Austraclear Limited (ABN 94 002 060 773).

The requirements of the Banking (Exemption) Order No. 82 do not apply to transfers of Australian Domestic Notes which occur outside Australia.

It is not intended that either ANTIL, ANF or ANSIL will issue Australian Domestic Notes.

**Trustee:**

The Law Debenture Trust Corporation p.l.c.

**Issuing and Principal Paying Agent:**

Citibank, N.A., London and/or such other agent(s) specified in the applicable Pricing Supplement.

<b>Registrar:</b>	Citibank AG, or such other registrar as may be specified in the applicable Pricing Supplement.
<b>Programme Size:</b>	Up to U.S.\$15,000,000,000 (or its Equivalent) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency indicated in the applicable Pricing Supplement.
<b>Redenomination:</b>	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination, and any renominatisation, reconventioning and/or consolidation with other Notes denominated in euro, will be set out in full in the applicable Pricing Supplement.
<b>Maturities:</b>	Subject to any applicable legal or regulatory restrictions and the rules from time to time of any relevant central bank (or equivalent body), such maturity as indicated in the applicable Pricing Supplement.
<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer or registered (or inscribed) form as described in “Form of the Notes”. Registered Notes will not be exchangeable for Bearer Notes or <i>vice versa</i> .
<b>Fixed Rate Notes:</b>	Interest on Fixed Rate Notes will be payable on such date or dates as indicated in the applicable Pricing Supplement and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ol style="list-style-type: none"> <li>(1) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(2) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(3) on such other basis as indicated in the applicable Pricing Supplement.</li> </ol> <p>The Margin (if any) relating to such floating rate will be indicated in the applicable Pricing Supplement for each Series of Floating Rate Notes.</p>
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as indicated in the applicable Pricing Supplement.

<b>Credit Linked, Equity Linked and other structured Notes:</b>	Payments of principal and/or interest in respect of Credit Linked, Equity Linked and other structured Notes will be calculated by reference to the price, value, performance or some other factor relating to one or more Reference Assets and/or the creditworthiness of, performance of obligations by or some other factor relating to one or more Reference Entities, as set out in the applicable Pricing Supplement. Credit Linked, Equity Linked and other structured Notes may be issued as Cash-Settled Notes or Physically-Settled Notes or a combination of both, as set out in the applicable Pricing Supplement.
<b>Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:</b>	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as indicated in the applicable Pricing Supplement.</p>
<b>Change of interest/payment basis:</b>	Notes may be converted from one interest and/or payment basis to another if so provided in the applicable Pricing Supplement.
<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as indicated in the applicable Pricing Supplement.
<b>Variable Notes:</b>	Index Linked Redemption Notes, Credit Linked Redemption Notes, Equity Linked Redemption Notes, Dual Currency Notes and other Notes where the Redemption Amount is variable are referred to as “Variable Redemption Notes”. Index Linked Interest Notes (together with Index Linked Redemption Notes, “Index Linked Notes”), Credit Linked Interest Notes (together with Credit Linked Redemption Notes, “Credit Linked Notes”), Equity Linked Interest Notes (together with Equity Linked Redemption Notes, “Equity Linked Notes”) and other Notes (excluding Floating Rate Notes) where the rate of interest is variable are referred to as “Variable Interest Notes”. Variable Redemption Notes and Variable Interest Notes are collectively referred to as “Variable Notes”.
<b>Zero Coupon/Discount Notes:</b>	Zero Coupon Notes and Discount Notes will be offered and sold at a discount to their nominal amount and, in the case of Zero Coupon Notes, will not bear interest.
<b>Non-Interest Bearing Notes:</b>	Non-Interest Bearing Notes are Variable Redemption Notes which do not bear interest. Such Notes do not have a Stated Yield.
<b>Partly-Paid Notes:</b>	Notes may be issued on a partly-paid basis in which case interest will accrue on the paid-up amount of such Notes or on such other basis as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement.
<b>Redemption:</b>	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default or a credit event) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity or automatically upon the occurrence of certain specified events and at a

price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) issued by ANTIL, ANF or ANSIL in respect of which the issue proceeds are to be accepted by ANTIL, ANF or ANSIL in the United Kingdom must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

**Denomination of Notes:**

Notes will be issued in such denominations as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Although there is no minimum denomination for Australian Domestic Notes, the minimum subscription price for Australian Domestic Notes will be A\$500,000.

Notes issued by ANSIL will have a minimum denomination of U.S.\$100,000.

No sales of Restricted Notes in the United States to any one purchaser will be for less than U.S.\$100,000.

**Taxation:**

All payments in respect of the Notes will be made without withholding of or deduction for or on account of taxes imposed by the relevant tax jurisdiction, subject as provided in Condition 8. In the event that any such withholding or deduction is required by law, the relevant Issuer or, as the case may be, the Guarantor will, save in certain circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

**Negative Pledge:**

The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

**Cross Default:**

The terms of the Notes will contain a cross default provision as further described in Condition 10.

**Status of the Notes:**

The Notes will constitute direct, unconditional and, subject to the provisions of Condition 4, unsecured obligations of the relevant Issuer and will rank without preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

**Guarantee:**

The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will constitute direct, unconditional and, subject to the provisions of Condition 4, unsecured obligations of the Guarantor and will rank without any preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.



<b>Listing:</b>	<p>Application has been made to list the Notes issued under the Programme on the Official List and to admit them to trading on the London Stock Exchange's market for listed securities and to list such Notes on the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as indicated in the applicable Pricing Supplement in relation to each Series. In particular, Australian Domestic Notes may be listed on the Australian Stock Exchange Limited.</p>
	<p>Unlisted Notes may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).</p>
<b>Governing Law:</b>	<p>The Notes will be governed by, and construed in accordance with, English law except that Australian Domestic Notes will be governed by, and construed in accordance with, the laws of New South Wales, Australia.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer, sale and transfer of Notes in certain jurisdictions, including in the United States, the United Kingdom, Australia, France, Germany, Japan, Hong Kong, Jersey and The Netherlands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes – see “Subscription and Sale and Transfer and Selling Restrictions”.</p>

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form or registered (or inscribed) form. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially represented by either a temporary bearer global note (a “Temporary Bearer Global Note”) or a permanent bearer global note (a “Permanent Bearer Global Note”) and, together with the Temporary Bearer Global Note, the “Bearer Global Notes”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the Issue Date of the Tranche to a common depository (the “Common Depository”) for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

In respect of each Tranche of Notes in respect of which a Temporary Bearer Global Note is issued, on and after the date (the “Exchange Date”) which is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein for either:

- (i) interests in a Permanent Bearer Global Note of the same Series, or
- (ii) definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement).

In each case such exchange shall be made against certification of beneficial ownership as described above, unless such certification has already been given. Purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due presentation and certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either:

- (1) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent, or
- (2) only upon the occurrence of an Exchange Event (as defined below).

No definitive Bearer Notes will be sent by post or otherwise delivered to any location in the United States or its possessions in connection with such exchange.

For these purposes, “Exchange Event” means that:

- (1) an Event of Default (as defined in Condition 10) has occurred and is continuing,
- (2) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the relevant Issuer, the Principal Paying Agent and the Trustee is available, or
- (3) the relevant Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form.

The relevant Issuer will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3) above, the relevant Issuer or the Guarantor may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

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

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

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Bearer Notes will not be issued in the Australian domestic capital markets.

### **Registered Notes**

Registered Notes may be offered and sold in reliance on Regulation S or in reliance on Rule 144A.

Registered Notes offered and sold in reliance on Regulation S may only be offered and sold to non-U.S. persons outside the United States and will initially be represented by a global note in registered form, without receipts, interest coupons or talons (a “Regulation S Global Note”) which will be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Prior to expiry of the Distribution Compliance Period (as defined in “Terms and Conditions of the Notes”) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes offered and sold in reliance on Rule 144A may only be offered and sold in the United States or to U.S. persons in private transactions to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”) and will be represented by a global note in registered form, without receipts, interest coupons or talons (a “Rule 144A Global Note” and, together with a Regulation S Global Note, the “Registered Global Notes”) which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”).

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person(s) shown on the Register on the relevant Record Date (each as defined in Condition 6(d)) as the registered holder(s) of the Registered Global Notes. None of the relevant Issuer, the Guarantor, the Trustee, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that:

- (1) an Event of Default (as defined in Condition 10) has occurred and is continuing;
- (2) in the case of Notes represented by a Rule 144A Global Note only, DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system satisfactory to the relevant Issuer, the Principal Paying Agent, the Registrar and the Trustee is available;
- (3) in the case of Notes represented by a Rule 144A Global Note only, DTC has ceased to constitute a clearing agency registered under the Exchange Act or in the case of Notes represented by a Regulation S Global Note only, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the relevant Issuer, the Principal Paying Agent, the Registrar and the Trustee is available; or
- (4) the relevant Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

The relevant Issuer will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (4) above, the relevant Issuer or the Guarantor may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Australian Domestic Notes will be issued in inscribed form. Such Notes will be constituted by the Deed Poll and will take the form of entries on a register to be maintained by the Australian Registrar, all as more fully described in the applicable Pricing Supplement.

#### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent

applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and Sale and Transfer and Selling Restrictions”.**

## **General**

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period (as defined in “Terms and Conditions of the Notes”) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Regulation S Global Note held on behalf of or, as the case may be, registered in the name of a common nominee for, Euroclear, and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Paying Agents, the Transfer Agents and the Registrar as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Regulation S Global Note shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Paying Agents, the Transfer Agents and the Registrar as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as any of the Notes is represented by a Rule 144A Global Note registered in the name of DTC or its nominee, each person who is for the time being shown in the records of DTC or such nominee as the holder of a particular nominal amount of such Notes shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Paying Agents, the Registrar and the Transfer Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on, or voting, giving consents or making requests in respect of, such nominal amount of such Notes, for which purpose DTC or, in the case of payments only, its nominee shall be treated by the relevant Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the Paying Agents, the Registrar and the Transfer Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of such Rule 144A Global Note; and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the relevant Issuer, the Guarantor, the Principal Paying Agent, the Registrar and the Trustee.

Any reference herein to the common depositary shall, whenever the context so permits, be deemed to include references to any successor common depositary or any additional or alternative common depositary as is approved by the relevant Issuer, the Guarantor, the Principal Paying Agent, the Registrar and the Trustee.

Any reference herein to the common nominee shall, whenever the context so permits, be deemed to include references to any successor common nominee or any additional or alternative common nominee as is approved by the relevant Issuer, the Guarantor, the Principal Paying Agent, the Registrar and the Trustee.



## Form of Pricing Supplement

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.*

[Date]

**[ABBEY NATIONAL TREASURY SERVICES plc/  
ABBEY NATIONAL TREASURY INTERNATIONAL LIMITED/  
ABBEY NATIONAL FUNDING plc/  
AN STRUCTURED ISSUES LIMITED]**

**Issue of [Nominal Amount of Tranche] [Title of Notes]  
Guaranteed by Abbey National plc  
under the U.S.\$15,000,000,000  
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Information Memorandum dated 5th December, 2002. This Pricing Supplement is supplemental to and must be read in conjunction with such Information Memorandum.

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

[Except where the Issuer is Abbey National Treasury Services plc, if the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]

- |    |   |  |
|----|---|--|
| 1. | (i) Issuer:   | [            ]   |
|    | (ii) Designated Branch (if Abbey National Treasury Services plc is the Issuer):   | [Insert branch/Not Applicable]   |
|    | (iii) Guarantor:  | Abbey National plc   |
| 2. | [(i) Series Number:   | [A/B] [            ]   |
|    | [(ii) Tranche Number:   | [            ]<br><i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]</i> |
| 3. | Specified Currency or Currencies:   | [            ]   |
| 4. | Nominal Amount:   |  |
|    | (i) Tranche:  | [            ]   |
|    | (ii) Series:  | [            ]   |
| 5. | Issue Price of Tranche:   | [        ] per cent.   |
| 6. | Specified Denominations:<br><i>(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)</i> | [            ]   |
| 7. | [(i) Issue Date:  | [            ]   |
|    | [(ii) Interest Commencement Date (if different from the Issue Date):  | [            ]]  |
| 8. | Maturity Date:  | [Fixed rate — specify date/<br>Floating rate — Interest Payment Date falling in<br>[specify month and year/specify other]]                     |

9. Interest Basis: [Fixed Rate]  
[Floating Rate]  
[Zero Coupon/Discount]  
[Non-Interest Bearing]  
[Index Linked Interest]  
[Credit Linked Interest]  
[Equity Linked Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Credit Linked Redemption]  
[Equity Linked Redemption]  
[Dual Currency]  
[Partly-Paid]  
[Instalment]  
[specify other]
11. Change of Interest Basis or Redemption/  
Payment Basis: [Specify details of any provision for change of  
Notes into another Interest Basis or Redemption/  
Payment Basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Listing: [London/Luxembourg/specify other/None]
14. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/  
semi-annually/quarterly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Business Day Convention: [Following Business Day Convention/Modified  
Following Business Day Convention/Preceding  
Business Day Convention/[specify other]]  
The amount of interest payable will be [adjusted/  
unadjusted]
- (iv) Business Day(s): [ ]  
Additional Business Centre(s): [ ]
- (v) Fixed Coupon Amount(s): [ ] per Specified Denomination
- (vi) Broken Amount(s): [Insert particulars of any initial or final broken  
interest amounts which do not correspond with the  
Fixed Coupon Amount]
- (vii) Day Count Fraction: [30/360 or Actual/Actual or specify other]  
(NB: if interest is not payable on a regular basis (for  
example, if there are Broken Amounts specified)  
Actual/Actual (ISMA) may not be a suitable Day  
Count Fraction)

- (viii) Determination Date(s): [ ] in each year [*insert usual interest payment dates, in alternative if more than one*]  
(NB: Only relevant to euro-denominated Notes where Day Count Fraction is Actual/Actual (ISMA))
- (ix) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/Give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s)/ Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]  
The amount of interest payable will be [adjusted/unadjusted]
- (iii) Business Day(s): [ ]  
Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Screen Rate Determination:  
[(A) Reference Rate: [ ]  
(Either *LIBOR*, *EURIBOR* or other, although additional information is required if other — including fallback provisions in the Agency Agreement)]  
[(B) Interest Determination Date(s): [ ]  
(Second London business day prior to the start of each Interest Period if *LIBOR* other than sterling or euro *LIBOR*), first day of each Interest Period if sterling *LIBOR* and the second day on which the *TARGET* System is open prior to the start of each Interest Period if *EURIBOR* or euro *LIBOR*)]  
[(C) Relevant Screen Page: [ ]  
(In the case of *EURIBOR*, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]
- (vi) ISDA Determination:  
[(A) Floating Rate Option: [ ]]  
[(B) Designated Maturity: [ ]]  
[(C) Reset Date: [ ]]
- (vii) Margin(s): [plus/minus] [ ] per cent. per annum
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum

- (x) Day Count Fraction: [Actual/Actual (ISMA)  
Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]  
(See Condition 5 for alternatives)
- (xi) Determination Date(s): [ ]
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. **Zero Coupon/Discount Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Stated Yield: [ ] per cent. per annum
- (ii) Issue Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]  
(Consider applicable Day Count Fraction if non U.S. dollar denominated)
- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (v) Business Day(s): [ ]  
Additional Business Centre(s): [ ]
- (vi) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(ii) and 7(j)(ii) apply/specify other]
18. **Non-Interest Bearing Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Business Day Convention: Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]
- (ii) Business Day(s): [ ]  
Additional Business Centre(s): [ ]
19. **Variable Interest Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]

- (iii) Interest Period(s)/  
Interest Payment Dates: [ ]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day  
Convention/Modified Following Business Day  
Convention/Preceding Business Day Convention/  
*[specify other]*  
The amount of interest payable will be [adjusted/  
unadjusted]
- (v) Business Day: [ ]  
Additional Business Centre(s): [ ]
- (vi) Minimum Rate of Interest: [ ] per cent. per annum
- (vii) Maximum Rate of Interest: [ ] per cent. per annum
- (viii) Day Count Fraction: [ ]
- (ix) Determination Date(s): [ ]
20. **Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*
- (i) Rate of Exchange/method of  
calculating Rate of Exchange: [give details]
- (ii) Provisions applicable where  
calculation by reference to Rate of  
Exchange is impossible or  
impracticable: [ ]
- (iii) Person at whose option Specified  
Currency(ies) is/are payable: [ ]
- (iv) Business Day: [ ]  
Additional Business Centre(s): [ ]

## PROVISIONS RELATING TO REDEMPTION

21. **Issuer Call** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of  
each Note and method, if any, of  
calculation of such amount(s): [ ]
- (iii) If redeemable in part:
- (1) Minimum Redemption  
Amount: [ ]
- (2) Maximum Redemption  
Amount: [ ]
- (iv) Notice period (if other than as set  
out in the Conditions): [ ]
22. **Investor Put** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]



- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [            ]
- (iii) Notice period (if other than as set out in the Conditions): [            ]
23. Final Redemption Amount of each Note: [Nominal Amount/*specify other*/see Appendix]
24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [            ]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes:  
  
Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event at the expense of the Issuer]].  
  
[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date.]  
  
[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event at the expense of the Issuer]].  
  
[Registered Notes:  
  
Regulation S Global Note ([        ] of the Nominal Amount)/Rule 144A Global Note ([        ] of the Nominal Amount)]  
  
[Australian Domestic Notes]
26. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
27. Details relating to Partly-Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details. NB: new forms of Global Note may be required for Partly-Paid issues.*]
28. Details relating to Instalment Notes:  
Instalment Amount: [Not Applicable/*give details*]  
Instalment Date(s): [Not Applicable/*give details*]
29. Redenomination: Redenomination [not] applicable  
(*if Redenomination is applicable, specify the terms of Redenomination in an Annex to the Pricing Supplement*)
30. Other terms or special conditions: [Not Applicable/*give details*]
31. Calculation Agent: [            ]

32. Determination Agent: [Not Applicable/*give details*]

#### **DISTRIBUTION**

33. (i) If syndicated, names of Managers: [Not Applicable/*give names*]  
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
34. If non-syndicated, name of relevant Dealer: [ ]
35. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable/*give details*]

#### **OPERATIONAL INFORMATION**

37. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
38. Delivery: Delivery [against/free of] payment
39. Additional Paying Agent(s) (if any): [ ]
40. Governing Law: [English Law]
- ISIN: [ ]  
Common Code: [ ]  
(*insert here any other relevant codes such as CUSIP and CINS numbers*)

#### **[LISTING APPLICATION**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the U.S.\$15,000,000,000 Euro Medium Term Note Programme of Abbey National Treasury Services plc, Abbey National Treasury International Limited, Abbey National Funding plc and AN Structured Issues Limited.]\*

#### **[RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.]

Signed on behalf of the Issuer and the Guarantor:

By: .....  
*Duly authorised*

\*Luxembourg Stock Exchange only.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Abbey National Treasury Services plc (which may act through a Designated Branch), Abbey National Treasury International Limited, Abbey National Funding plc or AN Structured Issues Limited (each an "Issuer" and together the "Issuers") constituted by (a) in the case of Notes other than Notes denominated in Australian dollars and issued by Abbey National Treasury Services plc in the domestic Australian capital markets ("Australian Domestic Notes"), a Trust Deed dated 12th November, 1999 (the "Principal Trust Deed") as modified and restated by a First Supplemental Trust Deed dated 8th November, 2000 (the "First Supplemental Trust Deed"), as further modified by a Second Supplemental Trust Deed dated 28th March, 2001, as further modified and restated by a Third Supplemental Trust Deed dated 2nd November, 2001 and as further modified by a Fourth Supplemental Trust Deed dated 5th December, 2002 (the Principal Trust Deed as modified and/or restated by such Supplemental Trust Deeds and as further modified and/or restated from time to time, the "Trust Deed") and made between Abbey National Treasury Services plc, Abbey National Treasury International Limited and AN Structured Issues Limited as Issuers, Abbey National plc as guarantor (the "Guarantor") and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee) as trustee for the holders of the Notes (the "Noteholders" or "holders", which expressions shall mean, in relation to Notes in definitive bearer form, the bearers thereof and, in relation to Notes in definitive registered (or inscribed) form, the persons in whose names such Notes are registered and shall, in relation to Notes represented by a Global Note, be construed as provided below) or (b) in the case of Australian Domestic Notes, the Deed Poll (as defined in Condition 1). Pursuant to the First Supplemental Trust Deed Abbey National Funding plc became an additional Issuer.

References in these Terms and Conditions to the "Issuer" shall be to the Issuer of the Notes specified in the applicable Pricing Supplement (including, in the case of Notes issued by Abbey National Treasury Services plc, any Designated Branch thereof specified in the applicable Pricing Supplement).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

1. any global note (a "Global Note") and in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency;
2. any definitive Notes in bearer form; and
3. any definitive Notes in registered (or inscribed) form.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of, in the case of Notes other than Australian Domestic Notes, an Agency Agreement dated 5th December, 2002 which further amends and restates the agency agreements dated 12th November, 1999, 8th November, 2000 and 2nd November, 2001 (the "Agency Agreement") whereby the Issuers and the Guarantor appoint Citibank, N.A., London as issuing and principal paying agent, agent bank, exchange agent (the "Exchange Agent", which expression shall include any successor exchange agent) and as a transfer agent, (the "Principal Paying Agent", which expression shall include any successor paying agent, agent bank, exchange agent and transfer agent), Citibank AG as registrar (the "Registrar", which expression shall include any successor registrar), the other paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression shall include any additional or successor paying agents), the other transfer agents named therein (together with the Principal Paying Agent in its capacity as a transfer agent, the "Transfer Agents", which expression shall include any additional or successor transfer agents) and the Trustee.

References to the "Calculation Agency Agreement" and "Determination Agency Agreement" are to the calculation agency agreement or determination agency agreement (as the case may be) which may be

entered into between the Issuer, the Guarantor, the calculation agent or, as the case may be, the determination agent to be appointed thereby (the “Calculation Agent” and the “Determination Agent”, respectively) and the Trustee, the form of which is contained in Schedule 1 to the Agency Agreement.

Interest bearing definitive Bearer Notes (as defined below) (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“Coupons”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“Talons”) attached on issue. Any reference in these Terms and Conditions to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes (as defined below) and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “applicable Pricing Supplement” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference in these Terms and Conditions to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee and at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (such agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Principal Paying Agent, from the specified office of the Luxembourg Paying Agent (in the case of Notes listed on the Luxembourg Stock Exchange) and from the registered office of the Guarantor save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee, the Principal Paying Agent or, as the case may be, the Guarantor as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Deed Poll (if applicable), the Agency Agreement, the applicable Pricing Supplement and any other documents specified in the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed shall prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement shall prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form (“Bearer Notes”) or in registered (or inscribed) form (“Registered Notes”) as specified in the applicable Pricing Supplement in the Specified Currency and the Specified Denomination(s) and, in the case of definitive Notes, serially numbered. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be an Index Linked Redemption Note, a Credit Linked Redemption Note, an Equity Linked Redemption Note, a Dual Currency Note, an Instalment Note, a Partly-Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon/Discount Note, a Non-Interest Bearing Note, an Index Linked Interest Note, a Credit Linked Interest Note, an Equity Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

Index Linked Redemption Notes, Credit Linked Redemption Notes, Equity Linked Redemption Notes, Dual Currency Notes and other Notes where the Redemption Amount is variable are referred to as “Variable Redemption Notes”. Index Linked Interest Notes (together with Index Linked Redemption Notes, “Index Linked Notes”), Credit Linked Interest Notes (together with Credit Linked Redemption Notes, “Credit Linked Notes”), Equity Linked Interest Notes (together with Equity Linked Redemption Notes, “Equity Linked Notes”) and other Notes (excluding Floating Rate Notes) where the rate of interest is variable are referred to as “Variable Interest Notes”. Variable Redemption Notes and Variable Interest Notes are collectively referred to as “Variable Notes”.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon/Discount Notes or Non-Interest Bearing Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Bearer Global Note or a Regulation S Global Note held on behalf of or, as the case may be, registered in the name of a common nominee for, Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or, as the case may be, the registered holder of the relevant Regulation S Global Note shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as any of the Notes is represented by a Rule 144A Global Note registered in the name of The Depository Trust Company of New York (“DTC”) or its nominee, each person who is for the time being shown in the records of DTC or such nominee as the holder of a particular nominal amount of such Notes shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on, or voting, giving consents or making requests in respect of, such nominal amount of such Notes, for which purpose DTC or, in the case of payments only, its nominee shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of such Registered Global Note, and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Interests in a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC,



Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Guarantor, the Principal Paying Agent, the Registrar and the Trustee.

In the case of Australian Domestic Notes, the following provisions of this Condition 1 shall apply in lieu of the foregoing provisions of this Condition 1 in the event of any inconsistency. Australian Domestic Notes are debt obligations of the Issuer owing under the Deed Poll dated 11th February, 2000 executed by Abbey National Treasury Services plc as Issuer in favour of the relevant Noteholders and the Trustee (the “Deed Poll”) and take the form of entries in a register (the “Australian Register”) to be maintained by Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other Australian registrar appointed by the Issuer and specified in the applicable Pricing Supplement (the “Australian Registrar”). Although Australian Domestic Notes will not be constituted by the Trust Deed, Australian Domestic Notes will have the benefit of the guarantee from the Guarantor and the other provisions of the Trust Deed. The Agency Agreement is not applicable to Australian Domestic Notes.

Australian Domestic Notes will not be serially numbered. Each entry in the Australian Register constitutes a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of the Issuer to the relevant Noteholder. No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an Australian Domestic Note unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No Australian Domestic Note will be registered in the name of more than four persons. Such Note registered in the name of more than one person is held by those persons as joint tenants. Australian Domestic Notes will be registered by name only without reference to any trusteeship. The person registered in the Australian Register as a holder of an Australian Domestic Note will be treated by the Issuer, the Trustee and the Australian Registrar as the absolute owner of that Australian Domestic Note and none of the Issuer, the Guarantor, the Trustee or the Australian Registrar will, except as ordered by a court or as required by statute, be obliged to take notice of any other claim to an Australian Domestic Note.

## **2. Transfers of Registered Notes**

### ***(a) Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Rule 144A Global Note shall be limited to transfers of such Rule 144A Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor’s nominee.

### ***(b) Transfers of Registered Notes in definitive form***

Subject as provided in Condition 2 (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the authorised denominations set out in the applicable Pricing Supplement. In order to effect any such transfer:

- (i) the holder or holders must:
  - (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and
  - (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and

- (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form for the same aggregate nominal amount as the Registered Note (or the relevant part of the Registered Note) transferred. In the case of a transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to such address as the transferor may request.

***(c) Transfers of Australian Domestic Notes***

Conditions 2(a) and (b) do not apply to Australian Domestic Notes. Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes will be transferred by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Registrar or by any other manner approved by the Issuer and the Australian Registrar. Notes entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

Unless the Australian Domestic Notes are lodged in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgement of a transfer and acceptance form with the Australian Registrar. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor's right to transfer the Australian Domestic Notes and must be signed by both the transferor and the transferee.

Notes may only be transferred within Australia if (a) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia, and (b) the transfer is in compliance with the Banking (Exemption) Order No. 82 promulgated under the Banking Act 1959 of the Commonwealth of Australia ("Order No. 82") and any other applicable laws, regulations or directives. Australian Domestic Notes may only be transferred to or from Australia if (a) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia, (b) the transfer is in compliance with Order No. 82 and any other applicable laws, regulations or directives, and (c) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. Australian Domestic Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if (i) a transfer and acceptance form is signed outside Australia, and (ii) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. A transfer to an unincorporated association is not permitted.

In this Condition 2(c):

"Austraclear" means Austraclear Limited (ABN 94 002 060 773).

"Austraclear Regulations" means the regulations known as the "Regulations and Operating Manual" established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

"Austraclear System" means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

***(d) Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

***(e) Costs of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by normal uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

***(f) Transfers of interests in Regulation S Global Notes***

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a “Transfer Certificate”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of paragraph (i) above, such transferee may take delivery through a Restricted Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

***(g) Transfers of interests in Restricted Notes***

Transfers of Restricted Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Restricted Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Restricted Notes, or upon specific request for removal of any United States securities law legend enfacod on Restricted Notes, the Registrar shall deliver only Restricted Notes or refuse to remove such legend, as the case may be, unless there is delivered to the Issuer

such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

***(h) Exchanges and transfers of Registered Notes generally***

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

***(i) Definitions***

In this Condition, the following expressions shall have the following meanings:

“Distribution Compliance Period” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“QIB” means a “qualified institutional buyer” within the meaning of Rule 144A;

“Regulation S” means Regulation S under the Securities Act;

“Regulation S Global Note” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“Restricted Note” means a Note represented by a Rule 144A Global Note or a Note issued in registered form in exchange or substitution therefor;

“Rule 144A” means Rule 144A under the Securities Act;

“Rule 144A Global Note” means a Registered Global Note representing Notes sold in the United States to QIBs pursuant to Rule 144A;

“Securities Act” means the United States Securities Act of 1933, as amended; and

“U.S. person” has the meaning ascribed to it in Regulation S.

**3. Status of the Notes and the Guarantee**

***(a) Status of the Notes***

The Notes and any relative Receipts and Coupons constitute direct, unconditional and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and rank without any preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

***(b) Status of the Guarantee***

The payment of the principal, and interest (if any) in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed and, in the case of Australian Domestic Notes, the Deed Poll 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, subject to the provisions of Condition 4, unsecured obligations of the Guarantor and rank without any preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors’ rights.

**4. Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or have outstanding any mortgage, lien, pledge, charge or other security interest upon, or with respect to, any of its present or future assets or revenues, to secure any Relevant Indebtedness (as defined below) or any guarantee of any Relevant Indebtedness, unless in any such case the Issuer or the Guarantor, as the case may be, shall simultaneously with, or prior to, the creation of such security interest, take any and all action necessary to procure that all amounts payable by it in respect of the Notes, the Receipts, the Coupons (if applicable), the Trust Deed and the Deed Poll (if applicable) are secured equally

and rateably with the Relevant Indebtedness or guarantee secured by such security interest to the satisfaction of the Trustee or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Terms and Conditions, “Relevant Indebtedness” means any indebtedness for borrowed money (as defined in the Trust Deed) in the form of, or represented by, bonds, notes, debentures or other securities which are or are to be quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market (whether or not initially distributed by way of private placing), but excluding any such indebtedness which has a stated maturity not exceeding one year.

Any reference in these Terms and Conditions to an obligation being guaranteed shall include a reference to an indemnity being given in respect thereof.

## **5. Interest**

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

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly-Paid Note, the amount paid up) from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Pricing Supplement shall be the Issue Date) at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

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

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 5(f) below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

### ***(b) Interest on Floating Rate Notes and Variable Interest Notes***

#### ***(i) Interest Payment Dates***

Each Floating Rate Note and Variable Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly-Paid Note, the amount paid up) from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Pricing Supplement shall be the Issue Date) and such interest will be payable in arrear on either:

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

#### ***(ii) Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Variable Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

#### ***(A) ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the



Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes, (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) unless otherwise stated in the applicable Pricing Supplement, the relevant Reset Date is the first day of that Interest Period.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

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

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

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

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

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

The Principal Paying Agent or, where specified in the relevant Pricing Supplement, the Calculation Agent, in the case of Floating Rate Notes, and the Calculation Agent or, where specified in the applicable Pricing Supplement, the Determination Agent, in the case of Variable Interest Notes, will at, or as soon as practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest



for the relevant Interest Period. In the case of Variable Interest Notes, the Calculation Agent or Determination Agent (as applicable) will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

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

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Variable Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Variable Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent or the Determination Agent (as applicable) defaults in its obligation to determine the Rate of Interest or the Calculation Agent or the Determination Agent (as applicable) defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent or a determination agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Principal Paying Agent, the Calculation Agent or the Determination Agent, as applicable.

*(vii) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Determination Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and (as applicable) the Calculation Agent or the Determination Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or (as applicable) the Calculation Agent or the Determination Agent or the Trustee in connection with the exercise or non-exercise by it of any of its powers, duties and discretions pursuant to such provisions.

***(c) Interest on Dual Currency Notes***

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

***(d) Interest on Partly-Paid Notes***

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

***(e) Accrual of interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date fixed for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in Condition 7(j).

***(f) Business Day, Business Day Conventions, Day Count Fractions and other Adjustments applicable to Fixed Rate Notes, Floating Rate Notes and Variable Interest Notes***

In these Terms and Conditions, “Business Day” means a day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (ii) either
  - (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London); or
  - (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “TARGET System”) is operating (a “TARGET Settlement Date”).

If a Business Day Convention is specified in the applicable Pricing Supplement and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (2) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (3) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) in any case where Interest Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date:
  - (i) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Interest Period after the preceding applicable Interest Payment Date; or
  - (ii) in the case where there is no numerically corresponding day in the calendar month on which an interest payment date should occur shall be the last day that is a Business Day in the

relevant month and the provisions of Condition 5(b)(i)(B) above of this paragraph shall apply *mutatis mutandis*.

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

- (1) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (2) if “Actual/365” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (3) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (4) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (5) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (6) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (7) if “30E/360” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (8) or such other Day Count Fraction as may be specified in the applicable Pricing Supplement.

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the

final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

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

If “adjusted” is specified in the applicable Pricing Supplement, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the Business Day Convention.

If “unadjusted” is specified in the applicable Pricing Supplement, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date, as adjusted in accordance with the Business Day Convention, but shall be calculated in respect of the period from (and including) a Period End Date (or the Interest Commencement Date) to (but excluding) the next (or first) Period End Date. For the purpose of this paragraph “Period End Date” means an Interest Payment Date prior to any modification as result of any Business Day Convention.

## **6. Payments**

### ***(a) Method of payment***

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Variable Notes, Physically-Settled Notes) shall be deemed to include, as applicable, delivery of assets if so provided in the applicable Pricing Supplement and references to paid and payable shall be construed accordingly.

### ***(b) Presentation of definitive Bearer Notes, Receipts and Coupons***

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive

Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Variable Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note, Variable Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender of the relevant definitive Bearer Note.

***(c) Payments in respect of Bearer Global Notes***

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

No payments of principal, interest or other amounts due in respect of a Bearer Global Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

***(d) Payments in respect of Registered Notes***

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "Register") at the close of business on the fifteenth calendar day before the relevant due date (the "Record Date"). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than U.S.\$100,000 (or its equivalent), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and



identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Rule 144A Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor, the Trustee and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

***(e) Payments in respect of Australian Domestic Notes***

The Australian Registrar will act (through its office in Sydney) as principal paying agent for Australian Domestic Notes pursuant to a Registry Services Agreement (such Registry Services Agreement as amended and/or supplemented and/or restated from time to time, the “Registry Services Agreement”) dated 11th February, 2000 between the Issuer and the Australian Registrar.

Payments of principal and interest will be made in Sydney in Australian dollars to the persons registered at the close of business on the relevant Record Date (as defined below) as the holders of such Notes, subject in all cases to normal banking practice and all applicable laws and regulations. Payment will be made by cheques drawn on the Sydney branch of an Australian bank despatched by post on the relevant payment date at the risk of the Noteholder or, at the option of the Noteholder by the Australian Registrar giving in Sydney irrevocable instructions for the effecting of a transfer of the relevant funds to an Australian dollar account in Australia specified by the Noteholder to the Australian Registrar, or in any other manner in Sydney which the Australian Registrar and the Noteholder agree.

In the case of payments made by electronic transfer, payments will for all purposes be taken to be made when the Australian Registrar gives irrevocable instructions in Sydney for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account of the Noteholder and, in the case of accounts maintained in Australia, reaching the account on the same day as the day on which the instructions are given.



If a cheque posted or an electronic transfer for which irrevocable instructions have been given by the Australian Registrar is shown, to the satisfaction of the Australian Registrar, not to have reached the Noteholder and the Australian Registrar is able to recover the relevant funds, the Australian Registrar may make such other arrangements as it thinks fit for the effecting of the payment in Sydney.

Interest will be calculated in the manner specified in Condition 5 above and will be payable to the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date and cheques will be made payable to the Noteholder (or, in the case of joint Noteholders, to the first-named) and sent to his registered address, unless instructions to the contrary are given by the Noteholder (or, in the case of joint Noteholders, by all the Noteholders) in such form as may be prescribed by the Australian Registrar. Payments of principal will be made to, or to the order of, the persons who are registered as Noteholders at the close of business in Sydney on the relevant Record Date, subject, if so directed by the Australian Registrar, to receipt from them of such instructions as the Australian Registrar may require.

In this Condition 6(e), Record Date means, in the case of payments or principal or interest, the close of business in Sydney on the date which is the eighth calendar day before the due date of the relevant payment of principal or interest.

***(f) General provisions applicable to payments***

For so long as the Notes of a Series are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities and for so long as the rules of the UK Listing Authority so require, the Issuer shall procure that there is a Paying Agent approved in writing by the Trustee in the City of London for the payment of principal and interest, if any, on the Notes.

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

***(g) Non-Business Days***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest in respect of such delay unless "adjusted" has been specified in the relevant Pricing Supplement for the purposes of Condition 5(f).

***(h) Interpretation of principal and interest***

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;

- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon/Discount Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

## **7. Redemption and Purchase**

### ***(a) Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below or in the applicable Pricing Supplement, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

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

If the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of the notices referred to below that, on the occasion of the next payment due under the Notes, either (i) the Issuer would be required to pay additional amounts as provided under Condition 8 or to account to any taxing authority in the taxing jurisdiction of any territory in which the Issuer is incorporated or resident for taxation purposes for any amount (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 or (ii) 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 or to account to any taxing authority in the United Kingdom for any amount as aforesaid or (iii) where the Issuer is not incorporated or resident for taxation purposes in the United Kingdom, the Guarantor would be required to deduct or withhold amounts for or on account of any taxes of whatever nature imposed or levied by or on behalf of the United Kingdom in making any payment of any sum to the Issuer required to enable the Issuer to make a payment in respect of the Notes or to account to any taxing authority in the United Kingdom for any amount calculated by reference to the amount of any such sum to be paid to the Issuer, 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 14, the Noteholders (which notice shall be irrevocable), redeem all, but not some only, of the Notes at any time (if this Note is neither a Floating Rate Note nor a Variable Interest Note) or on the next Interest Payment Date (in the case of Floating Rate Notes or Variable Interest Notes). Upon the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount determined pursuant to Condition 7(e) below.

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

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given not less than 15 nor more than 30 days' notice (or such other period of notice as may be specified in the relevant Pricing Supplement) to the Trustee, the Principal Paying Agent, the Noteholders, and in the case of a redemption of Registered Notes, the Registrar, (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any). In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC and/or Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global

Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days (or such shorter period as is specified in the applicable Pricing Supplement) prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days (or such shorter period as is specified in the relevant Pricing Supplement) prior to the Selection Date.

***(d) Redemption at the option of the Noteholders (Investor Put)***

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days’ notice (or such other period of notice as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified, or determined in the manner specified, in the applicable Pricing Supplement, in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note, the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b).

***(e) Early Redemption Amounts***

For the purpose of Condition 7(b) above and Condition 10, each Note will be redeemed (unless otherwise specified in the applicable Pricing Supplement) at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note other than a Zero Coupon/Discount Note and a Variable Note (but including any Instalment Note or Partly-Paid Note) at the outstanding nominal amount together with interest accrued to (but excluding) the date fixed for redemption;
- (ii) in the case of a Zero Coupon/Discount Note, at an amount (the “Amortised Face Amount”) equal to the nominal amount of the Note multiplied by the sum of:
  - (A) the Issue Price; and
  - (B) the product of the Issue Price and the Stated Yield compounded annually from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable;
- (iii) in the case of a Variable Note, at an amount determined by the Calculation Agent or the Determination Agent (as applicable) that would on the due date for redemption have the effect of preserving for the holder of the Note the economic equivalent of the obligation of the Issuer to make the payment of the:

- (A) Final Redemption Amount on the Maturity Date; and
- (B) an amount or amounts representing the interest that is due as at the date of redemption.

***(f) Instalments***

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

***(g) Partly-Paid Notes***

Partly-Paid Notes will be redeemed at maturity in accordance with the provisions of the applicable Pricing Supplement. In the case of Early Redemption, the Early Redemption Amount will be determined pursuant to Condition 7(e)(i) above.

***(h) Purchases***

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.

***(i) Cancellation***

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

***(j) Late payment***

If any amount payable in respect of any Note is improperly withheld or refused upon its becoming due and repayable or is paid after its due date or on or after accelerated maturity following an Event of Default (as defined in Condition 10), the amount due and repayable in respect of such Note (the "Late Payment") shall itself accrue interest (both before and after any judgment or other order of a court of competent jurisdiction) from (and including) the date on which such payment was improperly withheld or refused or, as the case may be, became due, to (but excluding) the Late Payment Date in accordance with the following provisions:

- (i) in the case of a Note other than a Zero Coupon/Discount Note, a Non-Interest Bearing Note or a Variable Note (but including an Instalment Note or Partly-Paid Note) at the rate determined in accordance with Condition 5(a) or 5(b), as the case may be;
- (ii) in the case of a Zero Coupon/Discount Note, at a rate equal to the Stated Yield; and
- (iii) in the case of a Non-Interest Bearing Note or a Variable Note, at a rate calculated by the Calculation Agent so as to reasonably compensate the holder of the Note for the cost of funding the delay in receiving the Late Payment,

in each case on the basis of the Day Count Fraction specified in the Pricing Supplement or, if none is specified, on a 30/360 basis.

For the purpose of this paragraph (j) the "Late Payment Date" shall mean the earlier of:

- (A) the date which the Trustee determines to be the date on which, upon further presentation of the relevant Note, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is to be made; and
- (B) the seventh day after notice is given to the relevant Noteholder(s) (whether individually or in accordance with Condition 14) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is available for payment,

provided that in the case of both (A) and (B), upon further presentation thereof being duly made, such payment is made.

## **8. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons 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 the taxing jurisdiction of any territory in which the Issuer is incorporated or resident for taxation purposes, or any political subdivision of either of the same 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 the holders after such withholding or deduction shall equal the respective amounts of principal, and interest, if applicable, which would have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of any requirement to make such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Note, Receipt or Coupon:

- (i) presented for payment by, or by a third party 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 but fails to do so, or (b) is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the above-mentioned taxing jurisdiction of the Issuer (in the case of payments by the Issuer) or the United Kingdom (in the case of payments by the Guarantor) other than the mere holding of such Note, Receipt or Coupon; or
- (ii) where such Note, Receipt or Coupon is presented for payment in the jurisdiction in which the Issuer or the Guarantor is incorporated or resident for tax purposes or in the United Kingdom; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 (the "Directive") or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by, or on behalf of, a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (v) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

For this purpose, the "Relevant Date" means the date on which the payment in respect of the Note, Receipt or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the 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 in accordance with Condition 14.

## **9. Prescription**

The Notes and, if applicable, the Receipts 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 principal and five years in the case of interest from the Relevant Date (as defined in Condition 8) relating hereto. The Issuer shall be discharged from its obligation to pay principal on a Registered Note to the extent that the relevant Registered Note certificate has not been surrendered to the Registrar by, or a cheque which has been duly despatched in the Specified Currency remains uncashed at, the end of the period of 10 years from the Relevant Date in respect of such payment. The Issuer shall be discharged from its obligation to pay interest on a Registered Note to the extent that a cheque which has been duly despatched in the Specified Currency



remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

#### **10. Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly thereby become, immediately due and repayable each at their Early Redemption Amount (determined pursuant to Condition 7(e)) together with accrued interest as provided in Condition 7(j), in any of the following events ("Events of Default"):

- (i) if default is made for a period of seven days or more in the payment of any principal or 14 days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except where the Trustee considers such failure to be incapable of remedy when no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied; or
- (iii) if any loan or loans or other indebtedness for borrowed money (which loan or loans or other indebtedness has or have an outstanding principal or aggregate principal amount of at least the Cross Default Amount) of the Issuer, the Guarantor or any Principal Subsidiary becomes or become due and repayable prematurely by reason of an event of default (however described) or the Issuer, the Guarantor or any Principal Subsidiary fails to make any payment in respect thereof on the due date for such payment as extended by any applicable grace period as originally provided or the security for any such loan or loans or other indebtedness for borrowed money becomes enforceable or if default is made by the Issuer, the Guarantor or any Principal Subsidiary in making any payment due under any guarantee given by it in respect of any such loan or loans or other indebtedness for borrowed money of any person having an outstanding principal or aggregate principal amount of at least the Cross Default Amount; or
- (iv) if the Issuer, the Guarantor or any Principal Subsidiary ceases to carry on the whole or a substantial part of its business (save, in the case of the Issuer where it is incorporated in England and Wales, for so long as it remains after such cessation not unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986, and save, in each case, for the purposes of a reorganisation on terms approved by the Trustee and save, in the case of a Principal Subsidiary, where such cessation results from a solvent winding up of such Principal Subsidiary and the assets thereof attributable directly or indirectly to the Guarantor are distributed to any one or more of the Issuer, the Guarantor and the other Subsidiaries), or the Issuer, the Guarantor or any Principal Subsidiary stops payment of, or admits inability to pay, its debts as they fall due; or
- (v) if an administrative or other receiver or an administrator or other similar official is appointed in relation to the Issuer, the Guarantor or any Principal Subsidiary or in relation to the whole or a material part of the assets of any of them or an encumbrancer takes possession of the whole or a material part of the assets of any of them, or a distress or execution of other process is levied or enforced upon or sued out against the whole or a material part of the assets of any of them, and, in any of the foregoing cases in relation to a Principal Subsidiary, is not discharged within 30 days; or
- (vi) if an effective resolution is passed or an order is made for the winding up or dissolution of the Issuer or the Guarantor (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); or
- (vii) if an order is made or an effective resolution is passed for the winding up or dissolution of any Principal Subsidiary (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 or a resolution for the solvent winding up of such Principal



Subsidiary where the assets thereof attributable directly or indirectly to the Guarantor are distributed to any one or more of the Issuer, the Guarantor and the other Subsidiaries),

Provided that, in the case of any such Event of Default other than those described in paragraphs (i) and (vi) above, the Trustee shall have certified to the Issuer that such Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purpose of this Condition, a “Principal Subsidiary” at any time shall mean a Subsidiary of the Guarantor *inter alia*:

- (i) whose total assets (consolidated in the case of a Subsidiary which itself has subsidiaries) attributable to the Guarantor represent not less than 10 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries attributable to the Guarantor, as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Guarantor and its Subsidiaries (or, in each case, if no such accounts have been prepared and audited, calculated as provided in the Trust Deed); or
- (ii) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary of the Guarantor which immediately prior to such transfer is a Principal Subsidiary,

all as more particularly defined in the Trust Deed. A report by the Auditors (as defined in the Trust Deed) of the Guarantor (whether or not addressed to the Trustee) that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

For the purpose of this Condition, “Cross Default Amount” shall mean the greater of: (a) £25,000,000 or its equivalent in any other currency or composite currency; and (b) such amount in sterling as is equal to 1 per cent. of the Adjusted Tangible Net Worth (as defined in the Trust Deed) of the Guarantor and its Subsidiaries or its equivalent in any other currency or composite currency. A certificate by the Auditors of the Guarantor as to the amount of the Cross Default Amount shall, in the absence of manifest error, be conclusive and binding on all parties.

## **11. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note or, if applicable, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced, in the case of Bearer Notes, Receipts or Coupons, at the specified office of the Principal Paying Agent or, in the case of Registered Notes, at the specified office of the Registrar (or in any case such other place of which notice shall have been given to the Noteholders in accordance with Condition 14) upon payment in any such case 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 or, if applicable, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Agents**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, subject to the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or approve any change in the specified office through which any Agent acts and/or, subject to prior consultation with the Trustee, appoint additional or other Agents, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe; and

- (d) so long as any of the Rule 144A Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(f). Any variation, termination, appointment or change relating to the Notes shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement and the Registry Services Agreement, respectively, the Agents and the Australian Registrar, act solely as agents or, as the case may be, registrars of the Issuer and the Guarantor and, in certain circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

The Issuer undertakes that, if the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 are implemented, it will ensure that it maintains a Paying Agent with a specified office in a Member State of the European Union (other than the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to the Directive PROVIDED THAT under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such Member State unless at least one European Member State does not require a Paying Agent making payments through a specified office in that Member State to so withhold or deduct tax.

### **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **14. Notices**

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in one leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, the relevant notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange or other relevant authority. In addition, notices regarding Australian Domestic Notes shall also be published in a leading daily newspaper of general circulation in Australia. It is expected that such notices will normally be published in *The Australian Financial Review*. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, notice may be given (so long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg (and so long as the rules of any stock exchange on which the Notes are listed, or the rules of any other relevant authority by which the Notes have been admitted to listing, permit)) by delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the Notes provided that, in addition, for so long as any Notes are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in a place or places required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to DTC, Euroclear and/or Clearstream, Luxembourg as the case may be.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes), the Registrar (in the case of Registered Notes) or the Australian Registrar (in the case of Australian Domestic Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **15. Meetings of Noteholders, Modification, Waiver, Determination and Substitution**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed or the Deed Poll. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal 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 nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons, the Trust Deed or the Deed Poll, the quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons, the Trust Deed, the Registry Services Agreement or the Deed Poll or, in the case of modification, the Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders; or
- (b) any modification of any of the provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons, the Trust Deed, the Registry Services Agreement or the Deed Poll which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law.

The Issuer and the Principal Paying Agent may agree, without the consent of the Trustee, the Noteholders, Receiptholders or Couponholders, to any modification of any of the provisions of any Pricing Supplement which is of a formal, minor or technical nature or is made to correct a manifest error.

The Trustee may also determine, without the consent of the Noteholders, the Receiptholders or the Couponholders, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall

not be treated as such if the Trustee is satisfied that so to do will not be materially prejudicial to the interests of the Noteholders.

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to the substitution of (i) the Guarantor or any other person or persons incorporated in any country in the world in place of the Issuer as principal debtor under the Trust Deed, the Deed Poll (where applicable), the Notes and, if applicable, the Receipts and 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 Deed Poll (where applicable), the Notes and, if applicable, the Receipts and Coupons shall be guaranteed by the Guarantor in such form as the Trustee may require or (ii) any successor company of the Guarantor in place of the Guarantor as guarantor in respect of the Trust Deed, the Deed Poll (where applicable), the Notes and, if applicable, the Receipts and Coupons. The Trustee may also agree without the consent of the Noteholders, Receiptholders or Couponholders to the addition of another company as an issuer of Notes under the Programme and the Trust Deed. Any such addition shall be subject to the relevant provisions of the Trust Deed and to such amendment thereof and such other conditions as the Trustee may require.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences (including any tax consequences) of such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the Issuer and the Guarantor, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination, substitution or addition as aforesaid shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue price and date of issue thereof and the amount and date of the first payment of interest thereon and so as to be consolidated and form a single series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

## **17. Enforcement**

At any time after the Notes or any of them shall have become immediately due and repayable and have not been repaid, 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 repayment thereof together with accrued interest, if any, and to enforce the provisions of the Trust Deed or the Deed Poll, but it shall not be bound to institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter of the nominal amount of the Notes then outstanding and (b) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

A person who is not a Noteholder has no right by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy which exists or is available apart from that Act.

## **18. Governing Law and Submission to Jurisdiction**

### ***(a) Governing law***

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law except that Australian Domestic Notes, the Deed Poll and the Registry Services Agreement are governed by, and shall be construed in accordance with, the laws in force in New South Wales, Australia.

### ***(b) Submission to jurisdiction***

The Issuer (except where the Issuer is Abbey National Treasury Services plc or Abbey National Funding plc) has irrevocably agreed in the Trust Deed for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders that the Courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with these Terms and Conditions, the Trust Deed, the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection with these Terms and Conditions, the Trust Deed, the Notes, the Receipts and/or the Coupons (together referred to as “Proceedings”) may be brought in such Courts.

In the case of Australian Domestic Notes, Abbey National Treasury Services plc has irrevocably agreed for the benefit of Noteholders that the courts of New South Wales, Australia and courts of appeal from them are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Australian Domestic Notes, any Deed Poll or the Registry Services Agreement and that accordingly any suit, action or proceedings arising out of or in connection with the Australian Domestic Notes, any Deed Poll or the Registry Services Agreement (together referred to as “Australian Proceedings”) may be brought in such courts.

The Issuer (except, in the case of the Courts of England, where the Issuer is Abbey National Treasury Services plc or Abbey National Funding plc) has in the Trust Deed irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any Proceedings (or any Australian Proceedings) in any such court and any claim that any such Proceedings (or Australian Proceedings) have been brought in an inconvenient forum and has further irrevocably agreed that a judgment in any such Proceedings (or Australian Proceedings) brought in the Courts of England (or the courts of New South Wales and courts of appeal from them) shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take any suit, action or proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of any suit, action or proceedings in one or more jurisdictions preclude the taking of any suit, action or proceedings in any other jurisdiction, whether concurrently or not.

### ***(c) Appointment of Process Agent***

The Issuer (except where the Issuer is Abbey National Treasury Services plc or Abbey National Funding plc) has in the Trust Deed appointed the Guarantor at its registered office for the time being as its agent for service of process in England, and has undertaken that, in the event of the Guarantor ceasing so to act, it will appoint such other person as the Trustee may approve as its agent for service of process in England.

For so long as any Australian Domestic Notes are outstanding, Abbey National Treasury Services plc has appointed Dabserv Corporate Services Pty Limited (ABN 73 001 824 111) as its agent for the time being to accept service of process on its behalf in New South Wales in respect of any legal action or proceedings as may be brought in the courts of New South Wales, Australia or the federal courts of Australia. In the event of Dabserv Corporate Services Pty Limited (ABN 73 001 824 111) ceasing to act, Abbey National Treasury Services plc will appoint such other agent as the Trustee may approve.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used to fund the business of the Group.



## **ABBHEY NATIONAL TREASURY SERVICES plc**

ANTS is a wholly-owned subsidiary of Abbey National and is an authorised person with permission to accept deposits under the FSMA. ANTS was incorporated in England and Wales on 24th January, 1989 with registered number 2338548.

ANTS' purpose is to maximise contribution to 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 are described under "The Abbey National Group – Wholesale Banking" below.

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

<u>Position</u>	<u>Name</u>	<u>Other principal activities</u>
Directors	Stephen Hester	Finance Director of the Guarantor
	Mark Pain, FCA	Managing Director, Wholesale Banking of the Guarantor

The business address of each of the above is Abbey National House, 2 Triton Square, Regent's Place, London NW1 3AN.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
ABBEY NATIONAL TREASURY SERVICES plc**

**Consolidated profit and loss accounts for the years ended 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£m	£m
Interest receivable		
Interest receivable and similar income arising from debt securities .. ..	3,249	3,629
Other interest receivable and similar income .. ..	2,394	2,813
Interest payable .. ..	(5,158)	(6,035)
Net interest income .. ..	485	407
Fees and commissions receivable .. ..	91	74
Fees and commissions payable .. ..	(18)	(23)
Dealing profits	176	116
Other operating income		
Rentals on operating lease assets .. ..	302	197
Profit on sale of subsidiary undertakings .. ..	54	6
Other income .. ..	48	63
	404	266
Operating income .. ..	1,138	840
Administrative expenses .. ..	(181)	(154)
Depreciation and amortisation		
Depreciation on operating lease assets .. ..	(152)	(100)
Depreciation and amortisation on other fixed assets .. ..	(6)	(5)
	(158)	(105)
Amounts written off fixed asset investments .. ..	(256)	(34)
Profit on ordinary activities before tax .. ..	543	547
Tax on profit on ordinary activities .. ..	(214)	(180)
Profit on ordinary activities after tax .. ..	329	367
Dividends .. ..	(600)	(300)
Profit/(loss) retained for the financial year .. ..	(271)	67

Notes:

- (1) The information presented on pages 54 and 55 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANTS for the years ended 31st December, 2001 and 31st December, 2000.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
ABBEY NATIONAL TREASURY SERVICES plc**

**Consolidated balance sheets as at 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£m	£m
<b>Assets</b>		
Cash and balances at central banks .. .. .	23	11
Treasury bills and other bills .. .. .	2,489	1,159
Loans and advances to banks .. .. .	18,814	27,417
Loans and advances to customers .. .. .	15,440	14,506
Net investment in finance leases .. .. .	4,420	4,890
Debt securities .. .. .	63,016	64,483
Equity shares and other similar interests .. .. .	697	497
Intangible fixed assets .. .. .	17	18
Tangible fixed assets		
Operating lease assets .. .. .	2,147	1,540
Other tangible fixed assets .. .. .	21	13
	2,168	1,553
Other assets .. .. .	3,942	3,845
Prepayments and accrued income .. .. .	1,838	2,354
<b>Total assets</b> .. .. .	<b>112,864</b>	<b>120,733</b>
<b>Liabilities</b>		
Deposits by banks .. .. .	30,723	40,896
Customer accounts .. .. .	15,957	13,920
Debt securities in issue .. .. .	49,340	50,198
Other liabilities .. .. .	8,227	7,647
Accruals and deferred income .. .. .	1,636	1,947
Provision for liabilities and charges .. .. .	1,301	1,225
Subordinated liabilities .. .. .	2,806	2,755
	109,990	118,588
Called up share capital .. .. .	2,175	1,175
Other reserves .. .. .	–	300
Profit and loss account .. .. .	699	670
Equity shareholders' funds .. .. .	2,874	2,145
<b>Total liabilities</b> .. .. .	<b>112,864</b>	<b>120,733</b>
<b>Memorandum items</b>		
Contingent liabilities		
Guarantees and assets pledged as collateral security .. .. .	2,176	2,111
Other contingent liabilities .. .. .	120	250
	2,296	2,361
<b>Commitments</b>		
Obligations under stock borrowing and lending agreements .. .. .	21,416	19,763
Other commitments .. .. .	4,630	6,956
	26,046	26,719

Notes:

(1) The information presented on pages 54 and 55 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANTS for the years ended 31st December, 2001 and 31st December, 2000.

## **ABBEY NATIONAL TREASURY INTERNATIONAL LIMITED**

ANTIL is an indirect wholly owned subsidiary of Abbey National. It was incorporated in Jersey under the Companies (Jersey) Laws 1861 to 1968 on 11th December, 1989 with registered number 45968 and passed a special resolution to become a public company on 18th December, 1996.

ANTIL's intermediate parent undertaking is Abbey National Jersey International Limited (a subsidiary of Abbey National Offshore Holdings Limited which in turn is a subsidiary of Cater Tyndall Limited), which is incorporated in Jersey. ANTIL's ultimate parent undertaking is Abbey National. In each case ownership is 100 per cent.

ANTIL is a banking business taking wholesale and retail deposits. At 31st December, 2001, ANTIL's aggregate deposit liabilities were £5,178,911,303. ANTIL's business principally involves the offering of a range of sterling and foreign currency denominated savings products, predominantly to UK expatriates, and investment in wholesale securities.

### **Registered Office of ANTIL**

International House, 41 The Parade, St. Helier, Jersey JE4 8XG.

The register of members of ANTIL is kept at the above address.

### **Company Secretary**

Abbey National Secretariat Services (Jersey) Limited.

### **Board of Directors**

The Board of Directors of ANTIL comprises the following:

Position	Name
Executive Directors	David A. Siddall Richard A. F. Powne, ACA, LLCM
Non-Executive Directors	Richard F. V. Jeune Brian Morrison
Managing Director and Chairman	Martin E. De Forest-Brown
Deputy Chairman (Non Executive)	Richard J. Pirouet, FCA

The business address of each of the above is International House, 41 The Parade, St. Helier, Jersey JE4 8XG. None of the above has any activities outside the Group which are significant within the context of the Group.

**AUDITED FINANCIAL STATEMENTS OF  
ABBEY NATIONAL TREASURY INTERNATIONAL LIMITED**

**Profit and loss accounts for the years ended 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£	£
Interest receivable and similar income arising from debt securities .. .. .	237,266,176	262,550,483
Other interest receivable and similar income .. .. .	93,278,751	59,280,792
Interest payable .. .. .	(255,777,333)	(276,085,484)
<b>Net Interest Income</b> .. .. .	<b>74,767,594</b>	<b>45,745,791</b>
Fees and commissions receivable .. .. .	6,509,208	5,058,401
Fees and commissions payable .. .. .	(1,756,887)	(1,301,782)
Other operating income .. .. .	1,358,173	707,568
<b>Total operating Income</b> .. .. .	<b>80,878,088</b>	<b>50,209,978</b>
Non-interest expenses:		
Administrative expenses .. .. .	(33,182,912)	(17,650,060)
Depreciation and amortisation .. .. .	(1,886,696)	(1,359,861)
Provisions for bad and doubtful debts .. .. .	(43,207)	(198,821)
(Charge)/release back of provisions on investments .. .. .	(341,000)	2,000,000
<b>Total Non-Interest Expenses</b> .. .. .	<b>(35,453,815)</b>	<b>(17,208,742)</b>
<b>Operating Profit</b> .. .. .	<b>45,424,273</b>	<b>33,001,236</b>
Tax on profit on ordinary activities .. .. .	(4,238,197)	(2,670,162)
<b>Profit for the Financial Year</b> .. .. .	<b>41,186,076</b>	<b>30,331,074</b>
Equity dividends .. .. .	(14,500,000)	(16,000,000)
<b>Retained Profit for the Financial Year</b> .. .. .	<b>26,686,076</b>	<b>14,331,074</b>
<b>Retained Profit Brought Forward</b> .. .. .	<b>67,592,019</b>	<b>53,260,945</b>
<b>Retained Profit Carried Forward</b> .. .. .	<b>94,278,095</b>	<b>67,592,019</b>

Note:

- (1) The information presented on pages 57 and 58 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANTIL for the years ended 31st December, 2001 and 31st December, 2000.



**AUDITED FINANCIAL STATEMENTS OF  
ABBEY NATIONAL TREASURY INTERNATIONAL LIMITED**

**Balance sheets as at 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£	£
<b>Assets</b>		
Cash .. .. .	129,196	300,453
Loans and advances to banks .. .. .	245,593,801	174,307,772
Loans and advances to customers .. .. .	43,042,988	33,976,824
Other assets .. .. .	34,130,839	116,887,063
Prepayments and accrued income .. .. .	69,517,476	64,878,445
Investments .. .. .	5,106,327,160	4,554,903,215
Variable yield securities .. .. .	7,062,363	—
Shares in group undertakings .. .. .	1,012	—
Tangible fixed assets .. .. .	16,708,544	13,258,702
<b>Total assets</b> .. .. .	<b>5,522,513,379</b>	<b>4,958,512,474</b>
<b>Liabilities and Shareholders' Funds</b>		
Equity shareholders' funds:		
Called-up share capital .. .. .	13,029,000	13,029,000
Share premium .. .. .	132,971,000	132,971,000
Reserves .. .. .	94,278,095	67,592,019
Equity shareholders' funds .. .. .	240,278,095	213,592,019
Non-equity shareholders' funds .. .. .	3,350,000	3,350,000
Total shareholders' funds .. .. .	243,628,095	216,942,019
Deposits by banks .. .. .	144,901,504	763,398,906
Customer accounts .. .. .	4,850,851,891	3,701,319,328
Debt securities in issue .. .. .	183,157,908	194,814,532
Accruals and deferred income .. .. .	71,357,691	60,855,965
Other liabilities .. .. .	28,616,290	21,181,724
<b>Total liabilities</b> .. .. .	<b>5,522,513,379</b>	<b>4,958,512,474</b>

Note:

- (1) The information presented on pages 57 and 58 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANTIL for the years ended 31st December, 2001 and 31st December, 2000.

## **ABBEY NATIONAL FUNDING plc**

Abbey National Funding plc was incorporated under the Companies Act 1985 as Reserveboost Public Limited Company, a public company with limited liability in England and Wales on 23rd July, 1997 and changed its name to Abbey National Funding plc on 21st October, 1997. Abbey National Funding plc is a wholly owned direct subsidiary of Abbey National Treasury Services plc, which in turn is a wholly owned subsidiary of the Guarantor, and its registered number is 3407692. Abbey National Funding plc has no subsidiary undertakings.

### **Registered Office of ANF**

Abbey National House, 2 Triton Square, Regent's Place, London NW1 3AN.

### **Board of Directors**

The Board of Directors of ANF comprises the following:

Position	Name	Other Principal Activities
Executive Directors	Gwen Batchelor, FCCA FCT	Finance Director of ANTS
	Brian Morrison	Director of ANTS
	David Green	—
	Chris Fielding	—

The business address of each of the above is Abbey National House, 2 Triton Square, Regent's Place, London NW1 3AN.

**AUDITED FINANCIAL STATEMENTS OF  
ABBEY NATIONAL FUNDING plc**

**Profit and loss accounts for the years ended 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£	£
Interest receivable .. .. .	5,540,780	5,447,053
Interest payable .. .. .	(5,524,600)	(5,431,722)
<b>Net interest income</b> .. .. .	<b>16,180</b>	<b>15,331</b>
Other administrative expenses .. .. .	(3,427)	(2,273)
<b>Profit on ordinary activities</b>		
<b>before taxation</b> .. .. .	12,753	13,058
Tax on profit on ordinary activities .. .. .	(3,827)	(3,918)
<b>Profit for the year</b> .. .. .	<b>8,926</b>	<b>9,140</b>

Note:

- (1) The information presented on pages 60 and 61 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANF for the years ended 31st December, 2001 and 31st December, 2000.

**AUDITED FINANCIAL STATEMENTS OF  
ABBEY NATIONAL FUNDING plc**

**Balance sheets as at 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£	£
<b>Current assets</b>		
Debtors .. .. .	81,904,930	80,599,932
Cash at bank .. .. .	113,192	97,153
	<u>82,018,122</u>	<u>80,697,085</u>
<b>Current liabilities</b>		
Creditors: amounts falling due within one year .. .. .	(1,911,043)	(598,932)
<b>Net current assets</b> .. .. .	<u>80,107,079</u>	<u>80,098,153</u>
Creditors: amounts falling due after one year .. .. .	(80,000,000)	(80,000,000)
<b>Net assets</b> .. .. .	<u>107,079</u>	<u>98,153</u>
<b>Capital and reserves</b>		
Called up share capital .. .. .	50,000	50,000
Profit and loss account .. .. .	57,079	48,153
<b>Equity shareholders' funds</b>	<u>107,079</u>	<u>98,153</u>

Note:

- (1) The information presented on pages 60 and 61 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANF for the years ended 31st December, 2001 and 31st December, 2000.

## AN STRUCTURED ISSUES LIMITED

ANSIL is a wholly owned subsidiary of ANTS. It was incorporated as a public company in Jersey under the Companies (Jersey) Law 1991 on 14th October, 1999 with registered number 75340.

ANSIL is a special purpose company whose only business is to enter into issues of Credit Linked, Equity Linked and other structured Notes pursuant to the Programme. ANSIL is unconditionally and irrevocably guaranteed by Abbey National plc. It should however be noted that this guarantee extends only to amounts which have become due and payable in accordance with the terms of the relevant Note. It is not an assurance that any such amount will become due and payable under the terms of the relevant Note (for example, in certain circumstances, interest and/or principal will cease to be payable, or the amount payable will be reduced, under the terms of the relevant Note).

See “Risk Factors” above for a discussion of certain factors to be considered in connection with an investment in Credit Linked, Equity Linked and other structured Notes which may be issued by ANSIL under the Programme.

### Registered Office of ANSIL

Cater Allen House, Commercial Street, St. Helier, Jersey JE4 8WU.

The register of members of ANSIL is kept at the above address.

### Company Secretary

Abbey National Secretariat Services (Jersey) Limited.

### Board of Directors

The Board of Directors of ANSIL comprises the following Executive Directors:

Position	Name	Other Principal Activities
Executive Directors	Gwen Batchelor, FCCA FCT	Finance Director of ANTS
	Brian Morrison	Director of ANTS
	David Green	—
	Chris Fielding	—

The business address of each of the above is Abbey National House, 2 Triton Square, Regent's Place, London NW1 3AN.



**AUDITED FINANCIAL STATEMENTS OF  
AN STRUCTURED ISSUES LIMITED**

**Profit and loss account for the year ended 31st December, 2001 and the period 14th October, 1999 to 31st December, 2000<sup>(1)</sup>**

	2001	2000
	£	£
Interest receivable .. .. .	14,516,432	4,349,343
Interest payable .. .. .	(14,477,617)	(4,275,195)
<b>Net interest income .. .. .</b>	<b>38,815</b>	<b>74,148</b>
Administrative expenses .. .. .	(5,400)	(5,400)
Exchange differences .. .. .	(416)	880
<b>Profit on ordinary activities before taxation .. .. .</b>	<b>32,999</b>	<b>69,628</b>
Tax on ordinary activities .. .. .	(10,149)	(22,299)
<b>Retained profit for the year/period .. .. .</b>	<b>22,850</b>	<b>47,329</b>

Note:

- (1) The information presented on pages 63 and 64 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANSIL for the year ended 31st December, 2001 and the period 14th October, 1999 to 31st December, 2000.

**AUDITED FINANCIAL STATEMENTS OF  
AN STRUCTURED ISSUES LIMITED**

**Balance Sheet as at 31st December, 2001 and 2000<sup>(1)</sup>**

	2001	2000
	£	£
<b>Current assets</b>		
Debtors .. .. .	466,156,470	177,618,980
Cash at bank .. .. .	—	16,893
	466,156,470	177,635,873
<b>Current liabilities</b>		
Creditors: amounts falling due within one year .. .. .	(350,213,748)	(130,530,827)
<b>Net current assets</b> .. .. .	115,942,722	47,105,046
Creditors: amounts falling due after one year .. .. .	(115,872,541)	(47,057,715)
<b>Net assets</b> .. .. .	70,181	47,331
<b>Capital and reserves</b>		
Called up share capital .. .. .	2	2
Profit and loss account .. .. .	70,179	47,329
<b>Equity shareholders' funds</b> .. .. .	70,181	47,331

Note:

- (1) The information presented on pages 63 and 64 of this Information Memorandum has been extracted without material adjustment from the Annual Report and Accounts of ANSIL for the year ended 31st December, 2001 and for the period 14th October, 1999 to 31st December, 2000.

## **THE ABBEY NATIONAL GROUP**

### **The Abbey National Group**

Abbey National plc was incorporated in England and Wales on 12th September, 1988. The Abbey National Group offers over 15 million customers in the United Kingdom a comprehensive range of personal financial services including savings and investments, mortgages, banking, pensions, unit trusts, life and general insurance products and secured and unsecured lending. The Abbey National Group also has retail operations in France and Italy and offshore operations in Jersey, the Isle of Man, Gibraltar, Portugal, Hong Kong and Dubai. The Abbey National Group is regulated by the Financial Services Authority.

### **UK Retail Banking**

UK Retail Banking is the Abbey National Group's largest business, providing and distributing a comprehensive range of personal financial services in the UK. Its products and services include residential mortgages, savings and deposit products, current account banking, investment offerings and unsecured personal loans.

Products are distributed through the retail branch network, a telephone sales and marketing operation, e-banking, automated teller machines in all major UK population centres and business development units. A financial planning and advisory service covering life assurance, savings, pension plans and investment opportunities is also provided through the branch network.

### **Wholesale banking**

The wholesale bank of the Abbey National Group, Abbey National Treasury Services plc ("ANTS"), comprises a Commercial Banking business (including asset financing, commercial lending operations, securities financing and risk management activities), a large Investment Portfolio and the Abbey National Group's Treasury activities.

ANTS is a significant participant in the international financial markets, where it has expertise in structuring tailored financing for internal and external customers. Abbey National Financial Products ("ANFP"), a branch of ANTS, offers integrated derivative solutions to meet the risk management needs of third parties and the Abbey National Group. ANFP combines expertise in fixed income products, structured products, equity derivatives and credit derivatives.

### **Wealth management and Long-Term Savings**

The Wealth Management and Long-Term Savings businesses serve over 600,000 customers, and have deposits of almost £10 billion. In July 2001, Fleming Premier Banking was acquired to boost the position of the Abbey National Group in the premier banking market. The division also includes Inscape (an investment management business for high-net-worth individuals), Abbey National Offshore and cahoot, an e-banking venture with over 239,000 accounts. The division also includes Scottish Mutual and Scottish Provident (which was acquired in August 2001). Scottish Provident has provided the Abbey National Group with a leading position in the individual protection market in the UK.

## Interim Results for the six months to 30th June, 2002

The following is extracted from the Group's interim results announcement made to the London Stock Exchange by Abbey National plc on 24th July, 2002:

### Group highlights

	6 months to 30th June, 2002	6 months to 30th June, 2001 Restated	6 months to 31st December, 2001 Restated
Total income .. .. .	£2,143m	£2,296m	£2,239m
Less: depreciation of operating lease assets .. ..	£(111m)	£(120m)	£(136m)
Operating income .. .. .	£2,032m	£2,176m	£2,103m
Expenses .. .. .	£913m	£905m	£909m
Add: goodwill amortisation .. .. .	£33m	£8m	£28m
Operating expenses .. .. .	£946m	£913m	£937m
Retail financial services lending provisions .. ..	£147m	£145m	£109m
Wholesale Bank provisions .. .. .	£242m	£64m	£192m
Profit before tax .. .. .	£697m	£1,054m	£865m
Cost: income ratio (excluding goodwill amortisation) ..	44.9%	41.6%	43.2%
Earnings per ordinary share .. .. .	29.6p	47.8p	38.8p
Post-tax return on average ordinary shareholders' equity .. .. .	11.6%	20.4%	15.6%
Dividends per ordinary share .. .. .	17.65p	16.80p	33.20p
Tier 1 capital .. .. .	9.1%	9.5%	8.7%
Equity Tier 1 capital .. .. .	7.0%	7.8%	6.6%

Profit before tax down 34 per cent. to £697 million (2001: £1,054 million).

Total operating income was 7 per cent. lower at £2,032 million (2001: £2,176 million), with a 2 per cent. rise in net interest income more than offset by the fall in non-interest income. Excluding the one-off impact of significant asset disposals in 2001 and the impact of losses on asset disposals in the Wholesale Bank, total operating income was broadly flat.

Total operating expenses increased by 4 per cent. to £946 million (2001: £913 million). Excluding goodwill, the increase was less than 1 per cent. on the same period last year.

A cost: income ratio excluding goodwill amortisation of 44.9 per cent. (2001: 41.6 per cent. or 43.6 per cent. excluding the impact of asset disposals).

Retail related provisions, including First National, were broadly flat at £147 million (2001: £145 million), with improved credit quality offsetting loan asset growth of 6 per cent.

Wholesale Bank provisions were £242 million (2001: £64 million), in addition to which £30 million of losses on asset disposals (H1 2001: £nil, H2 2001: £15 million) have impacted the income line. This is in line with previous market guidance and reflects a move towards a more conservative approach to provisioning in the Wholesale Bank through 2002, in view of the difficult credit markets and a deterioration in certain sectors.

Earnings per share of 29.6 pence, declined by 38 per cent. (2001: 47.8 pence), and post-tax return on equity was 11.6 per cent. (2001: 20.4 per cent.).

The interim dividend is up 5 per cent. to 17.65 pence (2001: 16.80 pence).

Equity Tier 1 ratio of 7.0 per cent. (December 2001: 6.6 per cent.), but down from June 2001 following the completion of the Scottish Provident acquisition in the second half of 2001.

## Divisional summary

### Profit before tax:<sup>1</sup>

	6 months to 30th June, 2002 £m	6 months to 30th June, 2001 Restated £m	6 months to 31st December, 2001 Restated £m
Retail Banking .. .. .	623	672	603
Retail Bank .. .. .	464	529	456
Abbey National Life .. .. .	114	98	104
Retail Insurance .. .. .	45	45	43
Wealth Management and Long-Term Savings .. .. .	170	110	165
Scottish Mutual .. .. .	64	63	101
Scottish Provident <sup>2</sup> .. .. .	52	–	30
First National.. .. .	54	62	32
Wealth Management (incl. Inscape and Europe) .. .. .	17	21	29
cahoot .. .. .	(17)	(36)	(27)
Wholesale Banking .. .. .	50	307	197
Group Infrastructure .. .. .	(146)	(35)	(100)
Profit before tax .. .. .	697	1,054	865

1 Refer to Appendix 3.5 of the announcement for details of prior year profit and loss restatements.

2 The comparative profit before tax of £30 million is for the 5 months to 31st December, 2001.

### Retail Banking

Retail Banking profit before tax decreased 7 per cent. to £623 million (2001: £672 million), due to the £49 million profit on sale of the credit card business in 2001. Excluding this item, profit before tax was flat on last year, reflecting the balance struck between market share and managed spread decline in the competitive core marketplace. In the housing market, we remain focused on quality business rather than volume, and ensuring that prudent lending standards are maintained.

Net interest income of £817 million is slightly ahead of 2001 levels (2001: £801 million), reflecting asset growth partially offset by the expected margin compression. The Retail Banking spread was 182 basis points (2001: 192 basis points).

Non-interest income (net of operating lease depreciation) fell by 13 per cent. to £397 million (2001: £457 million), due primarily to the £49 million profit on sale of the credit card business in 2001, and reduced income as a result of the sale of First National Vehicle Holdings (previously reported as part of Business Finance in First National). On a like for like basis, non-interest income is broadly stable.

Operating expenses are 5 per cent. higher at £521 million (2001: £498 million), substantially driven by incremental investment spend. This relates to the development of our general insurance, mortgage processing and CRM platforms. Additional marketing and headcount related spend was also incurred in attacking the 'Big 4' in current accounts and SME banking.

Retail lending related provisions were lower at £70 million (2001: £88 million), with credit quality in the Retail Bank remaining excellent. The business has taken a cautious approach to higher multiple secured lending to certain market segments, coupled with a reduction in the proportion of mortgage lending to customers with a loan to value of above 90 per cent. Arrears levels and properties in possession continued to improve in the first six months of 2002.

### Wealth Management and Long-Term Savings

Profit before tax in Scottish Mutual (excluding the impact of Scottish Provident) was broadly flat at £64 million (2001: £63 million), but down on the second half of 2001 due to reduced sales of UK-based with profits bonds.



Scottish Provident contributed £52 million in profit before tax. Integration costs of £13 million were incurred in this period, offset by the inclusion of part of the related cost savings.

Profit before tax in First National was down on the first half of last year, mainly due to one-off profits included in 2001. However, this result was up 69 per cent. on the second half of the year, in part due to a significant reduction in the cost base. Secured lending continues to perform well with strong increases in volume, while Motor Finance has improved markedly on last year with higher volumes more than offsetting an element of margin compression.

The retail point of sale finance business continues to suffer as a result of a decline in the point of sale instalment credit market, and consequently, reduced customer balances.

Wealth Management profit before tax fell to £17 million (2001: £21 million), reflecting spread narrowing in Abbey National Offshore driven by a low interest rate environment, and increased investment spend across the businesses including the integration and re-branding of Fleming Premier Banking into Cater Allen Private Bank. This has been partly offset by strong growth in retail deposit balances in Cater Allen Private Bank and the return to profitability of operations in Continental Europe. UK distribution costs associated with Inscape are now included within the Retail Bank, with costs associated with funds administration and offshore sales retained in this division. Prior years have been restated accordingly.

Operating losses relating to cahoot have more than halved to £(17) million (2001: £(36) million). This reflected the fall away of set-up costs, as well as progression towards critical mass in terms of customer numbers. Deposit balances are now earning a positive margin and have suffered modest decline, in line with expectations, as a result of the re-pricing.

#### *Wholesale Banking*

Profit before tax of £50 million (2001: £307 million) was down £257 million, largely resulting from a move towards a more conservative approach to provisioning over the course of 2002.

Operating income of £482 million is 9 per cent. lower than last year (2001: £527 million). Net interest income reduced slightly due to the restructuring of the investment portfolio, particularly high yield, while non-interest income was affected by £30 million of losses on asset disposals.

Operating expenses increased by 25 per cent. to £106 million (2001: £85 million), primarily as a result of 2001 expansion which, whilst now curtailed, has a significant full period impact in 2002.

Wholesale Banking provisions increased from £64 million to £242 million. In addition, £30 million of asset disposal losses have been taken through the non-interest income line. The combined impact is in line with total provisions and losses on disposals of £271 million incurred in the full year 2001. Over 80 per cent. relate to exposures to high yield securities, private equity, and corporate securities which were investment grade when acquired.

2002 is expected to be the peak of the provisioning cycle. Whilst further provisioning will be required in 2003, this is expected to be substantially lower than in 2002.

#### *Group Infrastructure*

Loss before tax in Group Infrastructure increased from £35 million to £146 million.

Operating income has fallen by £105 million to (£10) million. This was due to the £52 million profit on disposal of Aitken Campbell, other smaller non-core disposals in 2001, and funding costs relating to the Scottish Provident acquisition. Both periods include the impact of reserve capital instruments above the line.

Expenses in the division have increased to £128 million (2001: £125 million) primarily due to amortisation of goodwill relating to the acquisition of Scottish Provident. This was offset in part by the non-recurrence of corporate advisory fees in 2001.

## **Recent Developments**

On 27th November, 2002, the Abbey National Group released its 2002 Full Year Pre-close Statement, the text of which is set out below.

### ***2002 Full Year Pre-close Statement***

Abbey National will be holding discussions with analysts ahead of its close period for the full year ending 31st December, 2002. This statement outlines the information that will be covered in those discussions.

At the full year results presentation on 26th February, 2003, the Group's Chief Executive, Luqman Arnold, will present in detail the new Group strategy. It will build on the strategy of re-focusing on personal financial services in the UK, announced at the interim results. Updates on the cost reduction programme and on the Group's dividend policy will also be provided at that time – with an expectation that the present dividend level will not be sustained.

The Group will also continue the practice adopted at its half-year results of increasing transparency of its financial reporting enabling clear external assessment of business performance as well as of the exposures still carried by the Group.

Today's statement:

- outlines current performance, with second half 'trading' profit before tax expected to be below the first half for the Group, but with a stronger performance from our personal financial services businesses;
- identifies certain charges and accounting changes that, based on our current expectations, are likely to in aggregate produce a loss at the level of the Group's full year 'headline' results; and
- gives an update on strategic direction, ahead of the full presentation scheduled for 26th February.

Abbey National has begun the process of reinvigorating its UK personal financial services businesses, with positive early signs on costs, market share and business quality already evident. Strong focus is being given to improving earnings quality and restructuring the business portfolio to one less exposed to adverse credit and equity markets. Much more remains to be done over the coming months.

### ***Trading Update – Ongoing Financial Performance***

The following analysis is before the impact of material charges and accounting changes, which are outlined later in the statement.

#### ***Retail Bank***

In the Retail Bank, profit before tax (PBT) for the second half of 2002 is expected to be broadly in line with the first half. This is despite the impact of planned spread reduction from 1.82 per cent. in the six months to June, to around 1.75 per cent. for the second half.

Net interest income is running at levels similar to the first half, with strong new business volumes offsetting the reduction in spread.

Non-interest income is expected to be comparable to first half levels, despite a reduction in Abbey National Life profits.

Operating expenses in the second half are running modestly ahead of costs incurred in the first six months, reflecting increased marketing spend. This level is nevertheless expected to be around 5 per cent. lower than originally planned as the Group cost programme takes effect.

Growth in assets is expected to result in a second half credit charge slightly ahead of the first half. Credit quality however remains excellent, with continued improvements in terms of arrears and properties in possession through the second half to date.

### *Wealth Management and Long-Term Savings*

PBT in this division is expected to be modestly ahead of the first half.

Prior to changes in embedded value accounting (see below), new business profits in the life businesses are running slightly below first half levels reflecting planned reductions in 'with profit' sales; in force profits are expected to be comparable to the first half.

The established Wealth Management businesses are expected to deliver an improved second half performance, whilst losses at cahoot have continued to fall as expected. First National earnings are expected to be similar to the first half.

### *Wholesale Banking*

By the end of 2002, risk-weighted assets are expected to be below £35 billion, compared to around £40 billion at the 2001 year-end. Income before write-offs for the Wholesale Bank is consequently running below first half levels, with the business also constrained by limited new business flows and poor trading conditions. Second half operating expenses are expected to show a decline on the first half levels as the cost programme takes hold. Overall, this is likely to result in profits, pre-provisioning and losses on asset disposals, lower than the first half. Provisioning is covered later in this statement.

### *Group Infrastructure*

The charge reported in Group Infrastructure is expected to be around 50 per cent. higher than the first half, principally reflecting increased interest expense associated with capital injections into the Life businesses, new capital issuance, and an increase in operating expenses relating to a variety of one-off items.

### *Group Summary*

As a result, excluding Wholesale Bank provisioning and before the material impact of certain costs, charges and accounting changes described below, the Group is expecting to report profit before tax for the second half of 2002 somewhat below the first half. The contribution from its personal financial services businesses is expected to be comparable to, or slightly ahead of, the first half, with reduced profits in Wholesale Banking and increased costs in Group Infrastructure.

On this basis, operating income across the Group is expected to be down slightly on the first half of the year, largely due to the planned reductions in risk-weighted assets in the Wholesale Bank and increased central interest costs.

Second half operating expenses are expected to be modestly up, but with a declining trend expected as the Group's cost programme takes hold.

Retail credit quality remains very strong.

### *Trading Update – Personal Financial Services New Business Flows*

Gross mortgage lending is running around 40 per cent. ahead of the first half, with net lending running at even higher levels and on track to deliver a significantly improved market share in the second half of the year, reflecting increased focus on lending and retention. However, we continue to maintain a cautious stance on credit quality.

Credit card openings through the Abbey National and cahoot brands in the second half are expected to again exceed 100,000, with personal bank account openings expected to exceed 200,000 over the same period.

Deposit inflows in the second half are forecast to be significantly better than in the first half. Investment new business premiums (APEs) are running below last year's levels. However, Abbey National Life second half new business levels in total are running ahead of the same period last year, reflecting success in rotating the product set, with ISA and Unit Trust sales expected to be almost double last year's levels. From 2003, the alliance with Prudential will further offset the impact of reduced 'with profits' sales.

Sales of general insurance policies are running around 10 per cent. ahead of the same point last year, and are up on the first half, benefiting from the successful roll out of new product offerings and platforms.

Scottish Provident protection new business levels also continue to be strong, with year-on-year new business APEs expected to be up by around 50 per cent.

#### *Risk Management, Material Charges and Accounting Policy Changes*

The financial impact of certain of the following charges and accounting policy changes will depend in part on the capital markets during the balance of the year and their year-end closing levels, as well as outcomes of the strategic review referred to herein.

Most of the items are 'non-cash' and those relating to goodwill do not impact on capital ratios. Nevertheless these charges in aggregate will have a material impact on the Group's core Equity Tier 1 ratio which otherwise would have been comparable to that reported at the interim stage. Management are committed to rebuilding relevant ratios and to a continuing focus on conservatism in capital and risk matters.

#### *Life Assurance*

In its year-end accounts, Abbey National plans to change the ongoing accounting treatment of embedded value in its life insurance businesses such that period end, rather than smoothed, market values are used. For indicative purposes, the 2002 impact of embedded value re-basing using the FTSE 100 level of 4040 at the end of October would be in the region of £500 million post tax. This takes into account the additional impact of increased guarantee liabilities resulting from markets being at lower levels and the adoption of a more conservative equity backing assumption for the 'with-profits' funds. In addition, there would be a smaller prior year adjustment.

There may also be further smaller charges arising from assumption variances and guarantee provision, incurred as a result of the completion of risk management and earnings 'quality' reviews in this area.

#### *Wholesale Bank Provisioning*

The impact of movements in specific stressed credits and capital markets generally prior to the year-end will be influential in determining the extent of further provisioning required in the Wholesale Bank, as will the 'Portfolio Businesses' strategy referred to in the Strategic Review section of this statement. However, the marked deterioration in credit markets since June means that provisions and related charges are already expected to be materially above the previous guidance. Inter alia, these will be reflective of loan and bond exposures in the power sector and other risk concentrations in the bond portfolio, private equity and airline leasing.

#### *Goodwill writedowns*

The Group will provide for significant goodwill write-downs relating to certain past acquisitions.

#### *Other items*

Other charges will include the expensing of stock option costs and related changes in hedging practice, one-off costs associated with the 2002 component of the Group cost programme, and a back-dating of increased pension costs to earlier in the year, arising from the triennial review due to be completed in November.

#### *Disclosure*

In relation to the above, further disclosure will be given at the year end results announcement on the Group's risk profile including guarantee liabilities in its 'with profits' funds, the composition of its wholesale securities and credit portfolios, the Group pension fund deficit and any other relevant items. It is expected that the combination of provisioning and disclosure will allow better ongoing external assessment of 'fair value' exposures (some of which are not covered in the 'mark to market' disclosures to date, or are understated relative to true disposal levels), concentration risk (such as to the US economy) and risk reduction activities.

## ***Strategic Review***

Abbey National is in the middle of a wide-ranging and intense strategic review, covering business, financial and risk aspects of its activities. An immediate goal of this review is to establish a robust risk management and control framework, within which management will move as rapidly as markets permit to align exposures more closely to the Group's risk tolerance whilst avoiding unnecessary value destruction. Provisioning together with enhanced disclosure will provide a strong and on-going level of transparency.

The key objective of this review is to deliver a compelling future strategy and business, built around the customer, targeting a competitive, efficient and profitable leadership position in the Group's core UK personal financial services franchise. It will serve the full range of UK consumers' financial needs, both directly and through intermediaries. Under the new strategic direction, our core businesses are those with competitive advantage that leverage brand and franchise strengths. Those parts of the Wholesale Bank, which are relevant to this strategy, will be incorporated into the new Personal Financial Services business. It is intended to enhance the productivity or scale of businesses where necessary.

Other portfolios of the Wholesale Bank as well as certain other businesses will be placed in a new 'Portfolio Businesses' unit. Management of this unit will be responsible for executing a medium term strategy to reduce or exit these portfolios and businesses, whilst optimising the value captured for shareholders. Final decisions have not yet been reached as to which businesses will be included in the Portfolio Businesses unit. However, full disclosure will be made to allow shareholders to track performance. These actions will progressively release capital for investment in core activities or for return to shareholders as part of, or supplemental to, the dividend.

The full year results announcement will provide details of this strategy, implementation plans and a new integrated organisation that will replace the current Group structure. The functional approach will provide greater clarity of the organisation and economics of distribution and production; it will increase business momentum and raise accountability through greater internal and external transparency and significantly facilitate and accelerate cost savings. Cost reduction targets and new Key Performance Indicators to be used internally will be disclosed externally and reported alongside financial results on an ongoing basis as part of the drive towards a stronger performance culture.

Abbey National is aware of the interest of shareholders in its dividend policy. This policy must reflect both the current and future capital position of the Group, as well as the appropriate payout ratio relative to its core cash earnings capacity. Although, final guidance on this issue can only be prudently provided once the strategic and financial reviews are completed, the present dividend level is not expected to be sustained.

Luqman Arnold, Group CEO, said:

'Abbey National has an outstanding brand and a core franchise of over 15 million customers across the United Kingdom. We enjoy both the scale and scope necessary to compete successfully in our core Personal Financial Services markets. We are engaged in a fundamental strategic review whose prime objective is straightforward – to deliver outstanding service, advice and solutions to our personal and intermediary clients across the full range of banking, mortgage, insurance and long-term savings products.

We will succeed by focusing all our human and financial resources to serve our customers. We will be the largest financial services organisation in the country dedicated to personal financial services. We intend also to be the most successful. Rigorous implementation of this strategy will optimise value and maximise total shareholder returns.

As part of this exercise, we need to manage our risks and capital more effectively and to reduce progressively our exposure and resource commitment to those activities that are not central to our core personal financial services strategy.

I have been impressed by the open culture of the firm and the evident dedication of our staff. We expect our core franchise to respond well to determined and focused reinvention.

Because of the complex and inter-related issues that need to be addressed and reviewed by the Board of Directors, we do not intend to provide any further specifics on financial or strategic matters until the year-end announcement. At that time we will also deliver a significantly higher level of financial, risk and performance transparency.'



## Directors of Abbey National

The following table sets forth the directors of Abbey National plc.

<u>Position</u>	<u>Name</u>	<u>Other principal activities</u>
Chairman	Lord Burns	Chairman, Glas Cymru Limited (Welsh Water) Non-Executive Director, Pearson Group PLC Non-Executive Director, British Land PLC
Chief Executive	Luqman Arnold	Director, Olivant & Co Limited
Executive Directors	Stephen Hester	Group Finance Director
	Yasmin Jetha, FCMA	Group IT and Infrastructure Director
	Mark A Pain, FCA	Managing Director, Wholesale Banking
	Malcolm Millington	Managing Director, Wealth Management and Long Term Savings
Non-Executive Directors	Leon Allen	Non-Executive Chairman, Braes Group Limited
	Richard Hayden	Executive Chairman, GSC Partners Europe Limited
	Vittorio Radice	Chief Executive, Selfridges PLC Non-Executive Director, Shoppers Stop India Limited Non-Executive Director, New West End Company Limited
	Peter Ogden	Director, Computacenter PLC Chairman, Computasoft Limited Chairman, Omnia Limited Director, PSION PLC
	The Lord Shuttleworth, FRICS	
Deputy Chairman and Senior Independent Non-Executive Director	Keith S Woodley, FCA	Complaints Commissioner for the London Stock Exchange

The business address of each of the above is Abbey National House, 2 Triton Square, Regent's Place, London NW1 3AN.

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ABBEY NATIONAL

## Consolidated profit and loss accounts for the years ended 31st December, 2001 and 2000<sup>(1)</sup>

	2001	2000
	£m	£m
<b>Interest receivable</b>		
Interest receivable and similar income arising from		
debt securities .. .. .	3,543	3,968
Other interest receivable and similar income ..	6,698	7,242
Interest payable .. .. .	(7,530)	(8,530)
<b>Net interest income</b> .. .. .	2,711	2,680
Dividend income .. .. .	3	3
Fees and commissions receivable .. .. .	806	867
Fees and commissions payable .. .. .	(275)	(269)
Dealing profits .. .. .	176	116
Other income:		
Income from long term assurance business .. ..	345	240
Other operating income .. .. .	788	657
<b>Total operating income</b> .. .. .	4,554	4,294
Administrative expenses .. .. .	(1,699)	(1,681)
Depreciation of tangible fixed assets excluding		
operating lease assets.. .. .	(115)	(122)
Depreciation of operating lease assets .. .. .	(256)	(178)
Amortisation of goodwill .. .. .	(36)	(12)
Depreciation and amortisation .. .. .	(407)	(312)
Provisions:		
Provisions for bad and doubtful debts .. .. .	(263)	(273)
Provisions for contingent liabilities and		
commitments .. .. .	9	(21)
Amounts written off fixed asset investments ..	(256)	(32)
<b>Operating profit and profit on ordinary activities</b>		
<b>before tax</b> .. .. .	1,938	1,975
Tax on profit on ordinary activities .. .. .	(603)	(559)
<b>Profit on ordinary activities after tax</b> .. .. .	1,335	1,416
Minority interests – non-equity .. .. .	(59)	(51)
Profit for the financial year attributable to the		
shareholders of Abbey National plc .. .. .	1,276	1,365
Transfer to non-distributable reserve .. .. .	(167)	(156)
Dividends including amounts attributable to		
non-equity interests .. .. .	(762)	(687)
Other non-equity interest appropriations .. ..	(19)	–
Profit retained for the financial year .. .. .	328	522
Profit on ordinary activities before tax includes for		
acquired operations .. .. .	25	–
Earnings per ordinary share – basic .. .. .	84.9p	93.4p
Earnings per ordinary share – diluted .. .. .	84.3p	92.8p

Note:

(1) The information presented on pages 74 and 75 of this Information Memorandum has been extracted without material adjustment from the Directors' Report and Accounts of the Guarantor for the years ended 31st December, 2001 and 31st December, 2000.

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ABBEY NATIONAL

## Consolidated balance sheets as at 31st December, 2001 and 2000<sup>(1)</sup>

	2001		2000	
	£m	£m	£m	£m
<b>Assets</b>				
Cash and balances at central banks .. .. .		494		437
Treasury bills and other eligible bills .. .. .		2,489		1,159
Loans and advances to banks .. .. .		9,874		12,168
Loans and advances to customers .. .. .	78,650		81,752	
Loans and advances subject to securitisation .. .. .	18,883		7,927	
Non-returnable finance .. .. .	(12,952)		(4,629)	
Loans and advances to customers after non-returnable finance .. .. .		84,581		85,050
Net investment in finance leases .. .. .		4,738		5,192
Debt securities .. .. .		67,858		68,972
Equity shares and other similar interests .. .. .		815		601
Long term assurance business .. .. .		2,015		1,538
Interests in associated undertakings .. .. .		59		57
Intangible fixed assets .. .. .		1,243		245
Tangible fixed assets excluding operating lease assets .. .. .	356		389	
Operating lease assets .. .. .	2,522		1,963	
Tangible fixed assets .. .. .		2,878		2,352
Other assets .. .. .		4,773		4,351
Prepayments and accrued income .. .. .		2,531		3,186
Assets of long term assurance funds .. .. .		30,558		19,083
<b>Total assets</b> .. .. .		214,906		204,391
<b>Liabilities</b>				
Deposits by banks .. .. .		24,945		34,996
Customer accounts .. .. .		74,259		66,795
Debt securities in issue .. .. .		54,413		57,078
Dividend proposed .. .. .		482		433
Other liabilities .. .. .		10,570		7,948
Accruals and deferred income .. .. .		2,903		3,250
Provisions for liabilities and charges .. .. .		1,454		1,443
Subordinated liabilities including convertible debt .. .. .		6,590		5,871
Liabilities of long term assurance funds .. .. .		30,558		19,083
Minority interests – non-equity .. .. .		681		664
		206,855		197,561
Called up share capital – ordinary shares .. .. .	145		143	
– preference shares .. .. .	325		325	
Share premium account .. .. .	2,050		1,610	
Reserves .. .. .	770		616	
Reserve Capital Instruments .. .. .	297		–	
Profit and loss account .. .. .	4,464		4,136	
Shareholders' funds including non-equity interests		8,051		6,830
<b>Total liabilities</b> .. .. .		214,906		204,391
<b>Memorandum items</b>				
Contingent liabilities				
Guarantees and assets pledged as collateral security		2,393		2,134
Other contingent liabilities .. .. .		129		299
		2,522		2,433
<b>Commitments</b>				
Obligations under stock borrowing and lending agreements .. .. .		22,221		19,763
Other commitments .. .. .		5,848		8,047
		28,069		27,810

Note:

- (1) The information presented on pages 74 and 75 of this Information Memorandum has been extracted without material adjustment from the Directors' Report and Accounts of the Guarantor for the years ended 31st December, 2001 and 31st December, 2000.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ABBEY NATIONAL

### Consolidated profit and loss accounts for the six months ended 30th June, 2002 and 30th June, 2001<sup>(1)</sup>

	2002 (unaudited) £m	2001 (unaudited) (restated) £m	Full Year 2001 (restated) £m
Net interest income .. .. .	1,364	1,338	2,692
Non-interest income .. .. .	779	958	1,843
Total operating income .. .. .	2,143	2,296	4,535
Operating expenses .. .. .	(946)	(913)	(1,850)
Depreciation of operating lease assets .. .. .	(111)	(120)	(256)
Provisions for bad and doubtful debts .. .. .	(156)	(138)	(263)
Provisions for contingent liabilities and commitments .. .. .	(11)	(7)	9
Amounts written off fixed asset investments .. .. .	(222)	(64)	(256)
<b>Operating profit on ordinary activities before tax .. .. .</b>	<b>697</b>	<b>1,054</b>	<b>1,919</b>
Tax on profit on ordinary activities .. .. .	(209)	(320)	(579)
<b>Profit on ordinary activities after tax .. .. .</b>	<b>488</b>	<b>734</b>	<b>1,340</b>
Minority interests – non equity .. .. .	(31)	(31)	(59)
Profit attributable to shareholders .. .. .	457	703	1,281
Transfer to non-distributable reserve .. .. .	–	–	(167)
Preference dividends .. .. .	(31)	(19)	(42)
Ordinary dividends .. .. .	(255)	(241)	(720)
<b>Retained profit for the period .. .. .</b>	<b>171</b>	<b>443</b>	<b>352</b>

Note:

- (1) The information presented on pages 76 and 77 of this Information Memorandum has been extracted without material adjustment from the Directors' Report and Accounts of the Guarantor for the six months ended 30th June, 2002 and 30th June, 2001.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF ABBEY NATIONAL

## Consolidated balance sheets as at 30th June, 2002 and 30th June, 2001<sup>(1)</sup>

												2002 (unaudited)	2001 (unaudited) (restated)
												£m	£m
<b>Assets</b>													
Cash, treasury bills and other eligible bills	..	..	..	..	..	..	..	..	..	..	..	5,819	3,437
Loans and advances to banks	..	..	..	..	..	..	..	..	..	..	..	16,632	14,816
Loans and advances to customers	..	..	..	..	..	..	..	..	..	..	..	84,727	79,730
Loans and advances subject to securitisation	..	..	..	..	..	..	..	..	..	..	..	18,074	12,734
Non returnable finance on securitised advances	..	..	..	..	..	..	..	..	..	..	..	(12,881)	(7,976)
Loans and advances to customers after non-returnable finance	..	..	..	..	..	..	..	..	..	..	..	89,920	84,488
Net investment in finance leases	..	..	..	..	..	..	..	..	..	..	..	4,700	4,977
Debt securities	..	..	..	..	..	..	..	..	..	..	..	71,102	70,414
Equity shares and similar interests	..	..	..	..	..	..	..	..	..	..	..	972	671
Long-term assurance business	..	..	..	..	..	..	..	..	..	..	..	2,481	1,589
Fixed assets excluding operating lease assets	..	..	..	..	..	..	..	..	..	..	..	1,527	575
Operating lease assets	..	..	..	..	..	..	..	..	..	..	..	2,513	2,204
Other assets	..	..	..	..	..	..	..	..	..	..	..	15,027	6,760
Assets of long-term assurance funds	..	..	..	..	..	..	..	..	..	..	..	30,449	19,415
<b>Total assets</b>	..	..	..	..	..	..	..	..	..	..	..	241,142	209,346
<b>Liabilities</b>													
Deposits by banks	..	..	..	..	..	..	..	..	..	..	..	41,470	38,324
Customer accounts	..	..	..	..	..	..	..	..	..	..	..	79,488	67,662
Debt securities in issue	..	..	..	..	..	..	..	..	..	..	..	58,670	56,674
Other liabilities	..	..	..	..	..	..	..	..	..	..	..	15,189	12,823
Subordinated liabilities	..	..	..	..	..	..	..	..	..	..	..	6,797	5,986
Reserve Capital Instruments	..	..	..	..	..	..	..	..	..	..	..	297	297
Liabilities of long-term assurance funds	..	..	..	..	..	..	..	..	..	..	..	30,449	19,415
<b>Total liabilities</b>	..	..	..	..	..	..	..	..	..	..	..	232,360	201,181
Minority interests-non equity	..	..	..	..	..	..	..	..	..	..	..	648	702
Non-equity shareholders' funds	..	..	..	..	..	..	..	..	..	..	..	750	450
Equity shareholders' funds	..	..	..	..	..	..	..	..	..	..	..	7,384	7,013
<b>Total liabilities, minority interests and shareholders' funds</b>	..	..	..	..	..	..	..	..	..	..	..	241,142	209,346

Note:

- (1) The information presented on pages 76 and 77 of this Information Memorandum has been extracted without material adjustment from the Directors' Report and Accounts of the Guarantor for the six months ended 30th June, 2002 and 30th June, 2001.

## CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the authorised and issued share capital of ANTS and of the Guarantor and the Group shareholders' funds and indebtedness as at 31st December, 2001 and as at 31st October, 2002<sup>(8)(9)</sup>:

	As at 31st December, 2001	As at 31st October, 2002
	(in £ million) (audited)	(in £ million) (unaudited)
<b>SHARE CAPITAL</b>		
<b>ANTS</b>		
Authorised share capital comprising ordinary shares of £1 each ..	5,000	5,000
Issued and fully paid .. .. .	2,175	2,549
<b>Guarantor</b>		
Authorised share capital:		
Sterling Ordinary shares of 10p each .. .. .	175	175
Sterling Preference shares of £1 each .. .. .	1,000	1,000
Euro Preference shares of €0.01 .. .. .	6	6
USD Preference shares of \$0.01 .. .. .	6	6
Issued and fully paid comprising ordinary shares of 10p each .. ..	145	146
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 .. .. .	145	146
Share premium .. .. .	1,623	1,729
Reserves .. .. .	772	771 <sup>(1)</sup>
Profit and loss account .. .. .	4,463	4,759 <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> .. .. .	689	634
Share premium <sup>(2)</sup> .. .. .	423	426
<b>Total Shareholders' Funds</b> .. .. .	8,440	8,790
<b>GROUP INDEBTEDNESS<sup>(3)</sup></b>		
<b>Subordinated Bonds/Notes<sup>(2)(4)</sup></b>		
Due within one year .. .. .	166	121
Due after more than one year and less than five years .. .. .	1,572	1,145
Due after five years .. .. .	4,950	5,950
Exchangeable capital securities <sup>(5)</sup> .. .. .	200	200
	6,888	7,416
<b>Medium-Term Note Programme<sup>(4)</sup></b>		
Due within one year .. .. .	1,824	1,623
Due after more than one year and less than five years .. .. .	3,648	3,777
Due after five years .. .. .	1,281	1,247
	6,753	6,647
<b>Other Loan Capital<sup>(4)</sup></b>		
Floating/Variable Rate Bonds/Notes		
Due within one year .. .. .	1,329	6
Due after more than one year and less than five years .. .. .	186	193
Due after five years .. .. .	161	167
	1,676	366
<b>Fixed Rate Bonds/Notes<sup>(4)</sup></b>		
Due within one year .. .. .	2,273	4,865
Due after more than one year and less than five years .. .. .	8,798	4,725
Due after five years .. .. .	1,391	1,135
	12,462	10,725
<b>Total Indebtedness<sup>(6)</sup></b> .. .. .	27,779	25,154
<b>Total Capitalisation<sup>(7)</sup></b> .. .. .	36,219	33,944



Notes:

- (1) As at 30th June, 2002.
- (2) The preference share premium and subordinated bonds/notes are stated after the deduction of issue costs of £15 million and £50 million respectively and the trust preferred securities are stated after the deduction of issue costs of £6 million.
- (3) All the bonds and notes are unsecured indebtedness of the ANTS Group and guaranteed by Abbey National, apart from £5,406 million and £6,659 million at 31st December, 2001 and 31st October, 2002, respectively, 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 on 31st December, 2001, 31st October, 2002 and 27th November, 2002, as detailed below:

Currency	31st December, 2001	31st October, 2002	27th November, 2002
U.S. Dollar	1.4890	1.5639	1.5434
United Arab Emirates Dirham	5.4803	5.7448	5.6678
Austrian Schilling	22.0509	21.7575	21.4605
Australian Dollar	2.6907	2.8210	2.7766
Belgian franc	64.6446	71.4874	70.5503
Canadian Dollar	2.2349	2.4452	2.4301
Swiss Franc	2.4396	2.3122	2.2990
Deutschmark	3.1342	3.0919	3.0509
Danish Krone	11.9595	11.7512	11.5832
Spanish Peseta	266.6335	294.8577	290.9926
Euro	1.6025	1.5809	1.5601
Finnish Markka	9.5280	9.4011	9.2728
French Franc	10.5117	10.3670	10.231
Greek Drachma	546.0525	538.7400	531.595
Hong Kong Dollar	11.6375	12.1987	12.0342
Irish Punt	1.2620	1.2452	1.2282
Japanese Yen	171.3400	191.7700	188.17
Italian Lire	3102.8727	3060.5000	3020.5
Luxembourg Franc	64.6446	71.4874	70.5503
Netherlands Guilder	3.5314	3.4842	3.4368
Norwegian Krone	13.2511	11.6449	11.3647
New Zealand Dollar	3.3798	3.2206	3.1351
Polish Zloty	6.1630	6.3043	6.1543
Portuguese Escudo	321.2724	3216.9900	312.67
Swedish Krona	14.1693	14.3605	14.1556
Singapore Dollar	2.5927	2.7626	2.7215

- (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 ILSE NO. 1 PLC are quasi subsidiaries of the Group, pursuant to FRS 5 Reporting the Substance of Transactions, and have issued £11,234 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 £5 million between 31st October, 2002 and 5th December, 2002 as a result of issues and repayments of loan capital amounting to £19 million and £259 million, respectively, and a £245 million increase due to foreign exchange movements.
- (8) As at 5th December, 2002 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 ANTS Group or the Group.
- (9) Save for the information disclosed, there has been no material change in the authorised or issued share capital of ANTS and of the Guarantor, and no material change in the indebtedness, capitalisation, contingent liabilities or guarantees of the ANTS Group, or the Group since 31st October, 2002.

## CAPITALISATION OF ANTIL

The following table sets out the share capital of ANTIL at 31st December, 2001 and 31st October, 2002.<sup>(1)(2)(3)</sup>

	As at 31st December, 2001	As at 31st October, 2002
	(in £ million) (audited)	(in £ million) (unaudited)
<b>Share Capital</b>		
Ordinary shares (authorised 15,000,000, issued and fully paid 13,029,000 of £1 each) .. .. .	13	13
Non-redeemable preference shares (authorised 5,000,000, issued and fully paid 3,350,000 of £1 each) .. .. .	3	3
<b>Total shareholders' funds</b> .. .. .	<u>16</u>	<u>16</u>

Notes:

- (1) There has been no material change in the authorised or issued share capital of ANTIL as set out in the above table since 31st October, 2002.
- (2) As at 5th December, 2002 ANTIL had no material contingent liabilities or guarantees.
- (3) The indebtedness of ANTIL has fully matured.

## CAPITALISATION AND INDEBTEDNESS OF ANF

The following table sets out the share capital and indebtedness of ANF at 31st December, 2001 and 31st October, 2002.<sup>(2)(3)(4)</sup>

	As at 31st December, 2001	As at 31st October, 2002
	(in £ million) (audited)	(in £ million) (unaudited)
<b>Share Capital</b>		
Ordinary shares (authorised 100,000 issued and fully paid 50,000 of £1 each) .. .. .	50	50
Total shareholders' funds .. .. .	50	50
<b>Indebtedness</b>		
<b>Fixed Rate Bonds/Notes</b>		
Due within one year.. .. .	0	80
Due after more than one year and less than five years .. .. .	80	0
Due after five years .. .. .	0	0
<b>Total Indebtedness<sup>(1)</sup> .. .. .</b>	<b>80</b>	<b>80</b>

Notes:

- (1) Liabilities in foreign currencies are translated into Pounds Sterling at market exchange rates prevailing on 31st December, 2001 and 31st October, 2002 as detailed below:

Currency	31st December, 2001	31st October, 2002
Pound Sterling	1.00000	1.00000
Yen	171.3400	191.770000

- (2) As at 5th December, 2002, ANF had no material contingent liabilities or guarantees.
- (3) All of the Notes are unsecured indebtedness of ANF and are guaranteed by Abbey National.
- (4) There has been no material change in the authorised or issued share capital of ANF, and no material change in the indebtedness or capitalisation as set out in the above table of ANF, since 31st October, 2002.

## CAPITALISATION AND INDEBTEDNESS OF ANSIL

The following table sets out the share capital and indebtedness of ANSIL at 31st December, 2001 and 31st October, 2002.<sup>(2)(3)(4)</sup>

	As at 31st December, 2001	As at 31st October, 2002
	(in £) (unaudited)	(in £) (unaudited)
<b>Share Capital</b>		
Ordinary shares (authorised 10,000, issued and fully paid 2 of £1 each)	2	2
<b>Total shareholders' funds</b> .. .. .	<u>2</u>	<u>2</u>
<b>Indebtedness</b>		
<b>Medium-Term Note Programme</b>	(in £ million)	(in £ million)
Due within one year .. .. .	348	372
Due after more than one year and less than five years .. .. .	98	82
Due after five years .. .. .	8	25
<b>Total Indebtedness</b> <sup>(1)(5)</sup> .. .. .	<u>455</u>	<u>479</u>

Notes:

- (1) Liabilities in foreign currencies are translated into Pounds Sterling at market exchange rates prevailing on 31st December, 2001 and 31st October, 2002 as detailed below:

Currency	31st December, 2001	31st October, 2002
U.S. Dollar	1.48905	1.56390
Euro	1.60250	1.58089
Japanese Yen	171.3400	191.7700
Pound Sterling	1.00000	1.00000

- (2) All of the Notes are unsecured indebtedness of ANSIL and are guaranteed by Abbey National.
- (3) As at 5th December, 2002 ANSIL had no material contingent liabilities or guarantees.
- (4) There has been no material change in the authorised or issued share capital of ANSIL.
- (5) The total indebtedness of ANSIL has decreased by £5 million between 31st October, 2002 and 5th December, 2002 as a result of repayments of loan capital amounting to £11 million and a £6 million increase due to foreign exchange movements.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuers and the Guarantor believe to be reliable. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor, the Trustee, the Dealers and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records or payments relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised the Issuers and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the United States Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants can receive payments and transfer their interest with respect to the DTC Notes.

Purchases of DTC Notes under the DTC System must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping an account of their holdings of DTC Notes on behalf of their customers.

Delivery of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC will mail an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer or the Guarantor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer or the Guarantor, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. None of the Issuers or the Guarantor accept any responsibility or liability for any such payments to be made by DTC or by Direct or Indirect Participants.

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### **Book-entry Ownership of and Payments in respect of DTC Notes**

The relevant Issuer will apply to DTC in order to have each Tranche of Notes represented by Rule 144A Global Notes accepted in its book-entry settlement system. Upon the issue of any Rule 144A Global Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Rule 144A Global Notes to the accounts of DTC Participants. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Rule 144A Global Note will be held through Direct Participants or Indirect Participants of DTC, including the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Rule 144A Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Rule 144A Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such



Note. In the case of any payment in a currency other than U.S. dollars, payment will be made by the relevant Issuer to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Rule 144A Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Rule 144A Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Rule 144A Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC Participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a delivery free of payment basis and arrangements for payment must be made separately.

DTC, Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Guarantor, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Direct or Indirect Participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

The relevant Issuer will apply to Austraclear Limited (ABN 94 002 060 773) ("Austraclear") for approval for each Series of Australian Domestic Notes to be traded on the settlement system operated by Austraclear ("Austraclear System"). Such approval by Austraclear is not a recommendation or endorsement by Austraclear of the Australian Domestic Notes.

If accepted for admission to the respective system, interests in Australian Domestic Notes may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Notes in Euroclear would be held in the Austraclear System by Westpac Custodian Nominees Limited (ABN 18 002 861 565) as nominee of Euroclear while entitlements in respect of holdings of interests in the Notes in Clearstream, Luxembourg would be held in the Austraclear System by ANZ Nominees Limited (ABN 96 005 357 568) as nominee of Clearstream, Luxembourg.

The rights of a holder of interests in Australian Domestic Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System.

In addition any transfer of interests in Australian Domestic Notes, which is held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act 2001 of the Commonwealth of Australia and the requirements for minimum consideration set out in Condition 2(c) of the Notes.

The relevant Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

## TAXATION

*The comments below are of a general nature and are based on the Issuers' and the Guarantor's understanding of current tax law and practice. They relate only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of Noteholders (such as dealers in securities) to whom special rules may apply. They relate to the deduction from interest on the Notes for or on account of tax in the United Kingdom and to certain aspects of Jersey, Australian and Hong Kong tax. Prospective noteholders who may be unsure of their tax position should seek their own professional advice.*

### UK Taxation

1. ANTS, provided that it continues to be a bank for the purposes of Section 349 of the Income and Corporation Taxes Act 1988 ("ICTA 1988") and provided that the interest on the Notes which it issues is paid in the ordinary course of its business within the meaning of Section 349 of ICTA 1988, is entitled to make payments of interest on such Notes without withholding or deduction for or on account of United Kingdom income tax.
2. Payments of interest on Notes issued by ANTS (whether or not paragraph 1 above applies) and Notes issued by ANF or ANSIL which are, in each case, "quoted Eurobonds" within the meaning of Section 349 of ICTA 1988 may be made without withholding or deduction for or on account of United Kingdom income tax by Issuers and Paying Agents. Notes will constitute quoted Eurobonds while they remain listed on a "recognised stock exchange" within the meaning of Section 841 ICTA 1988. On the basis of the Inland Revenue's published interpretation of the relevant legislation, securities which are listed by a competent authority in a country which is a Member State of the European Union or which is part of the European Economic Area and which are admitted to trading on a recognised stock exchange in that country will also satisfy this requirement. The UK Listing Authority is a competent authority for these purposes and the London Stock Exchange and the Luxembourg Stock Exchange are recognised stock exchanges for these purposes. So long as this remains the case, Notes which are listed by the UK Listing Authority and admitted to trading on the London Stock Exchange, and Notes which are listed on the Luxembourg Stock Exchange, will each constitute "quoted Eurobonds".

Payments of interest on Notes issued by ANTIL may be made without withholding or deduction for or on account of United Kingdom income tax.

Any persons in the United Kingdom paying interest to, or receiving interest on behalf of, another person, may be required to provide certain information to the United Kingdom Inland Revenue regarding the identity of the payee or person entitled to the interest. The Inland Revenue also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of any "relevant discounted securities" for the purposes of the Finance Act 1996 to or receives such amounts for the benefit of another person. Such information may include the name and address of the person beneficially entitled to the amount payable on redemption. However, in relation to amounts payable on redemption of "relevant discounted securities", Inland Revenue published practice indicates that the Inland Revenue will not exercise its power to obtain information where such amounts are paid or received on or before 5th April, 2003. Any information obtained may, in certain circumstances, be provided by the Inland Revenue to the tax authorities of other jurisdictions.

In other cases tax may, subject to any relief available under any applicable double taxation convention, have to be withheld from payments of interest on the Notes at the rate set out in paragraph 3 below.

3. Where United Kingdom tax is withheld, the rate is the "lower rate" of income tax (currently 20 per cent.).
4. On 13th December, 2001 the Council of the European Union published a revised draft directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that 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, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification.

## **U.S. Taxation**

The applicable Pricing Supplement relating to any Tranche of Notes, all or a portion of which are to be offered or sold to, or for the account or benefit of, a U.S. person will set forth information regarding the U.S. federal income tax treatment of any such Notes. U.S. persons considering the purchase of Notes should consult their own tax advisers concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of Notes arising under the laws of any other taxing jurisdictions.

## **Jersey Taxation**

ANTIL has received confirmation from the Comptroller of Income Tax in Jersey that payments of interest on the Notes may be made by ANTIL without withholding or deduction for or on account of Jersey income tax.

ANSIL has “exempt company” status within the meaning of Article 123A of the Income Tax (Jersey) Law, 1961, as amended, for the calendar year ending 31st December, 2002. ANSIL will be required to pay an annual exempt company charge which is currently £600 in respect of each subsequent calendar year during which it wishes to continue to have “exempt company” status. The retention of “exempt company” status is conditional on the Comptroller of Income Tax in Jersey being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by concessions granted by the Comptroller of Income Tax.

As an “exempt company”, ANSIL will not be liable to Jersey income tax other than on Jersey source income (except bank deposit interest on Jersey bank accounts). For so long as ANSIL is an “exempt company”, payments in respect of the Notes will not be subject to taxation in Jersey (unless the Noteholder is resident in Jersey) and no withholding in respect of taxation will be required on any such payment made to a holder of the Notes.

## **Australian Taxation**

So long as the relevant Issuer remains a non-resident of Australia and the Notes are not attributable to a permanent establishment of the Issuer in Australia, payments of principal and interest made under the Notes will not be subject to Australian interest withholding tax.

The Issuers have been advised that:

- (a) so long as the relevant Issuer remains a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, the tax file number requirements of Part VA of the Income Tax Assessment Act 1936 of the Commonwealth of Australia (“ITAA”) and section 12-140 of the Taxation Administration Act 1953 of the Commonwealth of Australia (“TAA”) should not apply in connection with the Notes;
- (b) the requirements of section 126 of the ITAA relating to bearer debentures do not apply to the obligations of the relevant Issuer in relation to the Notes as such requirements are inapplicable to debentures (which would include the Notes) issued by non-resident body corporates which are not attributable to a permanent establishment of the Issuer in Australia;
- (c) so long as the relevant Issuer does not issue the Notes, or use the proceeds of the Notes or make payments in relation to the Notes, in the course or furtherance of an enterprise carried on in Australia, the requirements of section 12-190 of the TAA relating to the provision of an Australian Business Number (“ABN”) should not apply to the obligations of the Issuer in relation to the Notes. Consequently, no withholding should be required under Australian law to be made by the Issuer from payments of principal and interest on the Notes if a Noteholder does not quote its ABN;
- (d) neither the issue of the Notes nor the payment of principal and interest in respect of the Notes would give rise to a liability to a goods and services tax in Australia; and

- (e) no stamp duty is payable in Australia on the issuance of, subscription for, transfer of or redemption of the Notes (except in some instances on the transfer of Notes in Australia otherwise than for full market value).

### **Hong Kong Taxation**

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes.

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bearer Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Bearer Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

No estate duty will be payable in respect of Bearer Notes provided they are physically located outside Hong Kong at the date of the death of the holder thereof. If the register in respect of any Registered Notes is kept in Hong Kong, estate duty may be payable on the death of the holder, irrespective of the nationality, residence, domicile or citizenship of the deceased.

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

**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, THE UNITED STATES, JERSEY, AUSTRALIA OR HONG KONG SHOULD SEEK INDEPENDENT ADVICE.**



## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in a programme agreement (the “Programme Agreement”) dated 5th December, 2002 agreed with the Issuers and the Guarantor a basis upon which each Issuer may from time to time agree to issue Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes”. In the Programme Agreement, the relevant Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling commissions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales of the Notes. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Such stabilisation shall be carried out outside Australia on a market operated outside Australia in accordance with all applicable laws and regulations. Under current United Kingdom laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

### Selling Restrictions

#### *United States*

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from or in a transaction 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.

Notes in bearer form 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 has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree, that except as permitted by the Programme Agreement, it has offered, sold or delivered Notes and it will offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the closing date of the sale of the relevant Tranche only in accordance with Rule 903 of Regulation S or, if applicable, Rule 144A under the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or 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.

The Notes are being offered and sold only (a) outside the United States to persons other than U.S. persons (“**foreign purchasers**”, which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S and (B) to a limited number of QIBs in compliance with Rule 144A.

Terms used in this section of “Selling Restrictions” have the meanings given to them by Regulation S.

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

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB and is aware that the sale to it is being made in reliance on Rule 144A, or (B) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).
- (2) It acknowledges that the Notes have not been registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the Notes under the Securities Act.
- (4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the Issuer, (B) inside the United States to a person whom the seller reasonably believes is a QIB purchasing in a transaction complying with Rule 144A, (C) outside the United States in compliance with Rule 904 under the Securities Act, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (E) pursuant to an effective registration statement under the Securities Act.
- (5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.
- (6) It understands that the Notes offered in reliance on Rule 144A or Regulation S will be represented by Registered Notes or Bearer Global Notes. Before any interest in a Regulation S Global Note or in a Rule 144A Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who is not a QIB or a foreign purchaser, the transferee will be required to provide the Issue Agent with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.
- (7) It understands that each of the Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

Any Notes that are offered, sold or transferred in the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S) will either be issued in the form of Definitive Registered Notes, registered in the name of the registered holder thereof, or be represented by a Rule 144A Global Registered Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Each Definitive Registered Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS DEFINITIVE REGISTERED NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE ORIGINAL ISSUE DATE HEREOF, MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS DEFINITIVE REGISTERED NOTE IS ISSUED, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS

MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH NOTES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, AND (3) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB WHO IS AWARE THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND WHO HAS DULY COMPLETED AN INVESTMENT LETTER (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS DEFINITIVE REGISTERED NOTE AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE REGISTERED NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, “OFFSHORE TRANSACTION” AND “U.S. PERSON” SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.”

Each Rule 144A Global Registered Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE ORIGINAL ISSUE DATE HEREOF, MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS GLOBAL NOTE IS ISSUED (OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN) ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING THIS GLOBAL NOTE OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO SUCH NOTES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY OR IS PURCHASING SUCH NOTES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH NOTES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT SUCH NOTES HAVE NOT BEEN, AND WILL NOT BE,

REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, (3) AGREES TO NOTIFY ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THAT IT WILL BE A CONDITION TO SUCH TRANSFER THAT THE TRANSFEREE WILL BE DEEMED TO MAKE THE REPRESENTATIONS SET OUT HEREIN, AND (4) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB THAT IS AWARE THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS GLOBAL NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, “OFFSHORE TRANSACTION” AND “U.S. PERSON” SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT

Each Regulation S Global Note will bear a legend to the following effect:

“THE NOTES REPRESENTED BY THIS GLOBAL NOTE AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. BY PURCHASING OR OTHERWISE ACQUIRING THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE HOLDER THEREOF ACKNOWLEDGES THAT THE NOTES REPRESENTED BY THIS GLOBAL NOTE ARE “RESTRICTED SECURITIES” THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT. THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE, THE NOTES REPRESENTED BY THIS GLOBAL NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY (A) TO PERSONS WHOM THE SELLER REASONABLY BELIEVES TO BE QUALIFIED INSTITUTIONAL BUYERS (“QIBS”), AS DEFINED IN RULE 144A (“RULE 144A”) UNDER THE SECURITIES ACT, OR (B) OTHERWISE TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO CLAUSE (A), A TRANSFEROR OF THE NOTES WILL BE REQUIRED (1) TO EXECUTE AND DELIVER TO THE ISSUER AND THE REGISTRAR A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR) AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL NOTE TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A GLOBAL REGISTERED NOTE OR A DEFINITIVE REGISTERED NOTE (AS SET OUT IN THE APPLICABLE PRICING SUPPLEMENT) TO BE REGISTERED IN THE NAME OF THE TRANSFEREE.

EACH HOLDER OF THIS NOTE OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, “OFFSHORE TRANSACTION” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.”

#### *United Kingdom*

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

1. in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold and will not offer or sell any such Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the FSMA except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
2. in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
3. in relation to any Notes (other than where the relevant Issuer is ANTS) having a maturity of less than one year from the date of issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (b) it has not offered or sold and will not offer or sell any such Notes other than to persons: (i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or (ii) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;
4. it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(l) of the FSMA does not apply to the relevant Issuer (if the relevant Issuer is not ANTS) or would not apply to the relevant Issuer (if the relevant Issuer is ANTS) or the Guarantor if it were not an authorised person; and
5. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### *Australia*

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia) in relation to the Programme or the Notes has been lodged with the Australian Securities and Investments Commission (“ASIC”) or the Australian Stock Exchange Limited. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (unless the applicable Pricing Supplement otherwise provides) it:



- (a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes within, to or from the Commonwealth of Australia (including an offer or invitation which is received by a person in the Commonwealth of Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Information Memorandum or any other offering material or advertisement relating to the Notes in the Commonwealth of Australia,

unless:

- (i) the minimum aggregate consideration payable by each offeree is at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia; and
- (ii) such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC.

In addition, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, in relation to Australian Domestic Notes issued by Abbey National Treasury Services plc, it will comply with the directive issued by the Assistant Treasurer of the Commonwealth of Australia dated 23rd September, 1996 as contained in Banking (Exemption) Order No. 82 which requires all offers and transfers to be for a consideration of at least A\$500,000. Banking (Exemption) Order No. 82 does not apply to transfers which occur outside Australia.

#### *France*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, Notes in the Republic of France, and has not distributed and will not distribute or cause to be distributed in the Republic of France this Information Memorandum or any other offering material relating to the Notes, except to (i) qualified investors (*investisseurs qualifiés*) or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in article L. 411-2 of the *Code monétaire et financier*, in *Décret* no. 98-880 dated 1st October, 1998 and in Regulation no. 98-09 of the *Commission des Opérations de Bourse*.

#### *Germany*

Each Dealer has represented and agreed that it shall only offer Notes in the Federal Republic of Germany in compliance with the provisions of the German Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990, as amended or any other laws applicable in the Federal Republic of Germany governing the offer or sale of the Notes in the Federal Republic of Germany.

#### *Japan*

The Notes have not been and will not be offered or sold in Japan except in compliance with the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws, regulations, ministerial ordinances and ministerial guidelines of Japan.

#### *Hong Kong*

Each Dealer has represented and agreed that:

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and
2. it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purpose of issue any invitation, advertisement or document relating to any Notes in Hong Kong (except if permitted to do so under the securities laws of Hong Kong)



other than with respect to Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holding, of securities, whether as principal or agent.

#### *Jersey*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered to, sold to or purchased or held by persons, other than financial institutions, resident for income tax purposes in Jersey.

#### *The Netherlands*

Notes may only be offered in the Netherlands:

- a. to persons who trade or invest in securities in the conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities), provided that (i) the applicable Pricing Supplement states that the offer is exclusively made to those persons and, (ii) a copy of the applicable Pricing Supplement is submitted to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) before the offer is made; or
- b. if those Notes have a denomination of at least EUR 50,000 (or its foreign currency equivalent); or
- c. if:
  - (i) those Notes qualify as Euro-securities (*Euro-effecten*) (which they do if (a) they are subscribed for and placed by a syndicate of which at least two members are established in different states party to the Agreement on the European Economic Area, (b) at least 60 per cent. of those Notes are placed by syndicate members established in one or more states other than the state where the relevant Issuer is established, and (c) those Notes may only be subscribed for or initially be purchased through a credit institution or another institution which in the conduct of its business or profession provides one or more of the services referred to under 7 and 8 of Annex 1 to EC Directive 2000/12/EC); and
  - (ii) no general advertising or canvassing campaign is conducted in respect of those Notes *anywhere* in the world; or
- d. otherwise in accordance with the Securities Transactions Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*).

#### *General*

Each Dealer has severally agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuers and the Guarantor that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes and that it will not, directly or indirectly, offer, sell or deliver Notes or distribute or publish this document, any prospectus, circular, advertisement or other offering material (including, without limitation, any supplement to this document) in relation to the Notes in or from any country of jurisdiction except under circumstances that will to be the best of its knowledge and belief result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Notes by it will be made on the foregoing terms.

The restrictions on offerings may be modified by the agreement of the Issuers, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement applicable to each Series of Notes or in a supplement to this document.

## GENERAL INFORMATION

### 1. Incorporation

Abbey National Treasury Services plc, Abbey National plc and Abbey National Funding plc were incorporated in England and Wales on 24th January, 1989, 12th September, 1988 and 23rd July, 1997 respectively, and with registered numbers 2338548, 2294747 and 3407692 respectively. Abbey National Treasury International Limited was incorporated in Jersey on 11th December, 1989 with registered number 45968 and passed a special resolution to become a public limited company on 18th December, 1996. AN Structured Issues Limited was incorporated as a public limited company in Jersey on 14th October, 1999 with registered number 75340.

### 2. Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of Abbey National Treasury Services plc dated 16th September, 1999 and 25th November, 2002, by resolutions of the Board of Directors of Abbey National Treasury International Limited dated 22nd September, 1999, 20th December, 2000 and 24th September, 2001 and by resolutions of the Board of Directors of Abbey National Funding plc and AN Structured Issues Limited dated 10th October, 2000. The update of the Programme has been duly authorised by resolutions of committees of the Board of Directors of Abbey National Treasury Services plc, Abbey National Treasury International Limited, Abbey National Funding plc and AN Structured Issues Limited each dated 25th November, 2002. The giving of the Guarantees has been duly authorised by a resolution of the Board of Directors of Abbey National plc dated 19th September, 2000 and a resolution of a committee of the Board of Directors of Abbey National plc dated 25th November, 2002.

### 3. Listing of Notes on the Official List and the Luxembourg Stock Exchange

The listing of Notes on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to listing on the Official List and to trading on the London Stock Exchange's market for listed securities will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. The listing of the Programme on the Official List in respect of Notes is expected to be granted on or around 9th December, 2002.

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. A legal notice relating to the Programme and the constitutional documents of each Issuer are being lodged with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*) where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated the number 12299 to the Programme for listing purposes.

### 4. Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of each Issuer and the Guarantor and at the specified offices of the Paying Agents save that items (iii) and (iv) will not be available at the specified offices of the Paying Agents:

- (i) the memorandum and articles of association of each Issuer and the memorandum and articles of association of the Guarantor;
- (ii) the Programme Agreement, the Agency Agreement and the Trust Deed (which contains the forms of Global Notes, Notes in definitive form, Receipts, Coupons and Talons);
- (iii) the Deed Poll in respect of Australian Domestic Notes;
- (iv) the Registry Services Agreement in respect of Australian Domestic Notes;
- (v) this Information Memorandum;
- (vi) any future information memoranda, offering circulars, prospectuses and supplements to this Information Memorandum and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, for so long as the Notes are capable of being issued under the Programme, copies of the following will, when published, be available free of charge from the registered office of each Issuer and the Guarantor and from the specified office of the Paying Agents:

- (i) Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity);
- (ii) the consolidated (in the case of ANTS and the Guarantor) and non-consolidated audited financial statements of each Issuer (other than ANSIL) and the Guarantor for the financial years ended 31st December, 2000 and 31st December, 2001;
- (iii) the interim consolidated financial statements of the Guarantor for the six months ended 30th June, 2002; and
- (iv) any future information memoranda, offering circulars, prospectuses and supplements to this Information Memorandum and any other documents incorporated herein or therein by reference.

The interim consolidated financial statements of the Guarantor are published semi-annually and are available free of charge from the registered office of the Paying Agent in Luxembourg. The Issuers, other than ANF, do not publish any interim financial statements.

A list of the significant subsidiaries of the Group is contained in Abbey National's most recently published Annual Report on Form 20-F.

## **5. Clearing Systems**

The Notes in bearer and registered form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

## **6. Significant or Material Change**

Save as disclosed herein, there has been no significant change in the financial or trading position of the Group since 30th June, 2002 and there has been no material adverse change in the financial position or prospects of the Group, the ANTS Group, Abbey National Treasury International Limited, Abbey National Funding plc and AN Structured Issues Limited since 31st December, 2001.

## **7. Litigation**

None of the Group, the ANTS Group or any Issuer is or has been involved in any legal or arbitration proceedings which may have, or have had in the previous 12 months, a significant effect on the financial position of the Group, the ANTS Group or any Issuer nor, so far as the Issuers and the Guarantor are aware, are any such legal or arbitration proceedings pending or threatened.

## **8. Other Matters**

In 1996, ANTS received a demand from an overseas tax authority in an amount of approximately £100 million relating to the repayment of certain tax credits received and related charges. ANTS has been advised that it has strong grounds to challenge the validity of the demand and proceedings are currently continuing in the overseas jurisdiction. As at 31st December, 2001, additional interest in relation to the demand could amount to approximately £18 million.

## **9. Financial Ombudsman Service**

The Financial Ombudsman Service (the "FOS") has recently considered complaints against the practice of "dual pricing" adopted by certain mortgage providers (including Abbey National) which involves offering a lower standard variable rate to certain borrowers while maintaining a higher standard variable rate for certain existing borrowers. An adverse decision of the Ombudsman against a mortgage provider in

relation to such practice may, among other things, mean that the relevant borrower is not liable to pay the higher rate and may result in the mortgage provider having to repay any overpaid sum. In carrying out its investigations on Abbey National, the Ombudsman selected a “lead case” as an apparently typical case. On 29th January, 2002, an adjudicator at the FOS made an adverse adjudication in the lead case against Abbey National that Abbey National appealed against but which was upheld by the Chief Ombudsman in a decision dated 27th August, 2002. In order to resolve the lead case, Abbey National accepted the Chief Ombudsman’s decision. Because each determination of the Ombudsman is decided on a case by case basis and the factual circumstances of other borrowers who have complained will vary from borrower to borrower, the Ombudsman’s adverse decision against Abbey National in the lead case will not necessarily have application to all other complainants.

Abbey National has received advice from leading counsel to the effect that, under either the general law or on the basis of the Ombudsman’s decision, no borrower who has not already made a complaint would be successful if such borrower were to lodge a complaint now.

## **10. Auditors**

The consolidated accounts of the Group and the ANTS Group for the years ended 31st December, 1999, 31st December, 2000 and 31st December, 2001 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.

The consolidated accounts of ANTIL for the years ended 31st December, 1999, 31st December, 2000 and 31st December, 2001 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 Lord Coutanche House, 66-68 Esplanade, St. Helier, Jersey JE2 3QB.

The accounts of ANF for the periods ended 31st December, 1999, 31st December, 2000 and 31st December, 2001 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.

The accounts of ANSIL for the periods ended 31st December, 2000 and 31st December, 2001 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 Lord Coutanche House, 66-68 Esplanade, St. Helier, Jersey JE2 3QB.

The summary financial information relating to ANTS, ANF and the Guarantor contained in this document for each of the two years ended 31st December, 2001, does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 of England and Wales (the “Companies Act”), but has been extracted without material adjustment from the audited statutory accounts of ANTS, ANF and the Guarantor respectively for those years. The statutory accounts of ANTS, ANF and the Guarantor for each of the two financial years ended 31st December, 2001 were delivered to the Registrar of Companies in England and Wales. The auditors of ANTS, ANF and the Guarantor have made reports under Section 235 of the Companies Act in respect of each such set of statutory accounts for the two financial years ended 31st December, 2001 and each such report was an unqualified report and did not contain a statement under Section 237(2) or (3) of the Companies Act.

The Trust Deed will provide that the Trustee may rely on any certificate or report of the auditors or any other expert as sufficient evidence of the facts stated therein in accordance with the provisions of the Trust Deed whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the auditors or any other expert in connection therewith contains a monetary or other limit on the liability of the auditors or such other expert.

## **11. Jersey**

The following statements have been included to comply with Jersey regulatory requirements:

- (a) a copy of this document has been delivered to the registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and he has given, and has not withdrawn, his consent to its circulation;
- (b) the Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958, as amended, to the issue by ANTIL and ANSIL of the Notes;

- (c) it must be distinctly understood that, in giving these consents, neither the registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of ANTIL and ANSIL or for the correctness of any statements made, or opinions expressed, with regard to either of them. The Jersey Financial Services Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law;
- (d) if you are in any doubt about the contents of this document you should consult an appropriate adviser;
- (e) it should be remembered that the price of securities and the income from them can go down as well as up; and
- (f) an investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such an investment.

## **12. Australian Regulatory Controls**

The Banking (Foreign Exchange) Regulations and other regulations in Australia prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to United Nations sanctions or associated with terrorism.

**13. Bearer Notes and the relevant Receipts, Coupons or Talons will bear a legend to the effect that any U.S. person holding the same will be subject to limitations under the United States income tax laws, including those under Sections 165(j) and 1287(a) of the United States Internal Revenue Code of 1986, as amended.**

## **14. Contracts (Rights of Third Parties) Act 1999**

The Contracts (Rights of Third Parties) Act 1999 (the “Act”) provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. Unless specifically provided in the applicable Pricing Supplement to the contrary, this Programme expressly excludes the application of the Act to any issue of Notes under the Programme.

**REGISTERED OFFICE OF  
ANSIL**

Cater Allen House  
Commercial Street  
St. Helier  
Jersey JE4 8WU

**REGISTERED OFFICE OF  
ANTIL**

International House  
41 The Parade  
St. Helier  
Jersey JE4 8XG

**REGISTERED OFFICE OF  
ANTS, ANF AND  
THE GUARANTOR**

Abbey National House  
2 Triton Square  
Regent's Place  
London NW1 3AN

**THE TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**

Fifth Floor  
100 Wood Street  
London EC2V 7EX

**PRINCIPAL PAYING AGENT, TRANSFER AGENT AND EXCHANGE AGENT**

**Citibank, N.A.**

5 Carmelite Street  
London EC4Y 0PA

**REGISTRAR**

**Citibank AG**

Neue Mainzer Strasse 75  
60311 Frankfurt am Main

**PAYING AND TRANSFER AGENTS**

**The Bank of New York**

Avenue des Arts 35  
Kunstlaan B-1040  
Brussels  
Belgium

**Kredietbank S.A. Luxembourgeoise**

43 boulevard Royal  
L-2955 Luxembourg

**LEGAL ADVISERS**

*To the Issuers and the Guarantor as to English law*

**Slaughter and May**

One Bunhill Row  
London EC1Y 8YY

*To ANTIL and ANSIL as to Jersey law*

**Ogier & Le Masurier**

Whiteley Chambers  
Don Street  
St. Helier  
Jersey JE4 9WG

*To the Issuers and the Guarantor as to United States law*

**Cleary, Gottlieb, Steen & Hamilton**

City Place House  
55 Basinghall Street  
London EC2V 5EH

*To the Issuers and the Guarantor as to Australian law*

**Mallesons Stephen Jaques**

Level 60  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

*To the Dealers and the Trustee as to English and United States law*

**Allen & Overy**

One New Change  
London EC4M 9QQ



## AUDITORS

*To ANTS, ANF and the Guarantor*

**Deloitte & Touche**  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

*To ANSIL and ANTIL*

**Deloitte & Touche**  
Lord Coutanche House  
66-68 Esplanade  
St. Helier  
Jersey JE2 3QB

## DEALERS

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA

**Credit Suisse First Boston (Europe) Limited**  
One Cabot Square  
London E14 4QJ

**Daiwa Securities SMBC Europe Limited**  
5 King William Street  
London EC4N 7AX

**Deutsche Bank AG London**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ

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

**Merrill Lynch International**  
Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

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

**Nomura International plc**  
Nomura House  
1, St Martin's-le-Grand  
London EC1A 4NP

**Salomon Brothers International Limited**  
Citigroup Centre  
33 Canada Square  
London E14 5LB

**UBS AG, acting through its business group UBS Warburg**  
1 Finsbury Avenue  
London EC2M 2PP

## AUTHORISED ADVISER

**Abbey National Treasury Services plc**  
Abbey National House  
2 Triton Square  
Regent's Place  
London NW1 3AN

## LUXEMBOURG LISTING AGENT

**Kredietbank S.A. Luxembourgeoise**  
43 boulevard Royal  
L-2955 Luxembourg

