

LISTING MEMORANDUM
DATED OCTOBER 10, 2001

The Abbey National Group

U.S. \$7,000,000,000

Senior Medium-Term Notes, Series 1A
Subordinated Medium-Term Notes, Series 1B
Due Nine Months or More from the Date of Issue

Abbey National plc

Incorporated in England with limited liability, registered number 2294747
(as issuer and guarantor of subordinated notes and guarantor of senior notes)

Abbey National Treasury Services plc

Incorporated in England with limited liability, registered number 2338548
(as issuer of senior notes)

Abbey National First Capital B.V.

Incorporated in The Netherlands, Statutory Seat: The Hague
(as issuer of subordinated notes)

Abbey National plc ("Abbey National"), Abbey National Treasury Services plc ("ANTS") and Abbey National First Capital B.V. ("First Capital B.V.") and together with Abbey National and ANTS, the "Issuers", and each an ("Issuer") may offer from time to time their medium-term notes (the "Notes") in one or more issues (each an "Issue"). The Notes are limited to an aggregate initial public offering price or purchase price of up to \$7,000,000,000 (or the equivalent thereof in one or more other currencies or composite currencies).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 (the "UK Listing Authority") for Notes to be issued during the period of 12 months from the date hereof 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. Notice of the aggregate principal amount of, interest (if any) payable in respect of, the issue price of and any other terms and conditions not contained herein which are applicable to any Notes of a series ("Series") will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities, will be delivered to Listing Applications at the UK Listing Authority and the London Stock Exchange on or before the issue of such Series. Copies of this document (including the Prospectus Supplement dated February 20, 2001 and the Prospectus dated February 20, 2001 attached hereto (the "Prospectus Supplement" and the "Prospectus", respectively, but excluding any information incorporated by reference herein)) comprises listing particulars (the "Listing Particulars") approved by the UK Listing Authority as required by the Financial Services Act 1986 have been delivered for registration to the Registrar of Companies in England and Wales. In the event of any inconsistency, this document shall prevail over the Prospectus Supplement and the Prospectus. Copies of each Pricing Supplement in respect of Notes listed on the London Stock Exchange's market for listed securities will be available from the specified office of the Principal Paying Agent in the City of London.

LEHMAN BROTHERS

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

JP MORGAN

MORGAN STANLEY DEAN WITTER

SALOMON SMITH BARNEY



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COMPANIES HOUSE

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INTRODUCTION

In the Listing Particulars references to "ANTS" are references to Abbey National Treasury Services plc; references to "First Capital B.V." are to Abbey National First Capital B.V.; references to "Abbey National" and the "Guarantor" are references to Abbey National plc; references to the "ANTS Group" are references to ANTS and its subsidiaries and references to the "Group" are references to Abbey National and its subsidiaries.

The Issuers (and for the avoidance of doubt, the Guarantor) accept responsibility for all the information contained in the Listing Particulars. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Listing Particulars nor any financial statements nor any further information supplied in connection with the Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuers or any of the Agents (as defined herein) that any recipient of the Listing Particulars or any other financial statements or any further information supplied in connection with the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and Abbey National. None of the Listing Particulars, any other financial statements or any further information supplied in connection with the Notes constitutes an offer of or an invitation by or on behalf of the Issuers or any of the Agents to any person to subscribe for or purchase any of the Notes.

No agent, salesman or other person is authorised to give any information or to make any representation other than those contained in this document in connection with the offering or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers or the Agent. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuers or Abbey National since the date hereof or that the information contained herein or in any other financial statements or any further information supplied in connection with the Notes is correct as of any time subsequent to its date.

The distribution of the Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. None of the Issuers or any of the Agents represents that the Listing Particulars may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to any exemption available thereunder or assumed any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither the Listing Particulars 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 the Listing Particulars come must inform themselves about, and observe, any such restrictions.

In connection with the listing of the Notes on the UK Listing Authority, the Issuer confirms that, if at any time after the publication of the Listing Particulars:—

- (a) there is a significant change affecting any matter contained in the Listing Particulars whose inclusion was required by Section 146 of the FSA or by the listing rules made by the UK Listing Authority; or*
- (b) a significant new matter arises, the inclusion in the Listing Particulars of information in respects of which would have been so required if it had arisen at the time the Listing Particulars were prepared.*

the Issuers shall give to each Agent and Citibank, N.A., as Principal Paying Agent, full information about such change or matter and shall publish such supplementary listing particulars as may be required by the UK Listing Authority, and shall otherwise comply with Section 147 and 149 of the FSA and the Listing Rules in that regard.

In the Listing Particulars, unless otherwise specified or the context requires, all references to "pounds", "sterling", "Pounds Sterling" and "£" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom" or "U.K.") and references to "dollars", "U.S. dollars", "U.S.\$" and "\$" are to the lawful currency of the United States and America.

In connection with the issue of any Series of Notes, the Agent (if any) disclosed as stabilising manager in the relevant Pricing Supplement may over-allot to effect transactions which stabilise or maintain the market price of such Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time. All such transactions shall be carried out in accordance with all applicable laws and regulation.

Pursuant to the UK Financial Services Act, in order to obtain admission to the UK Listing Authority's Official List, the Group is obliged to prepare listing particulars that contain all information which investors and their professional advisers would reasonably require and reasonably expect to find there, in order to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and the rights attaching to the notes. In determining what information is so required or is so expected, regard may be had to (1) the nature of the notes, (2) the nature of persons likely to consider their acquisition and (3) certain information available to investors and their professional advisers. In order to satisfy this obligation, the Group is not permitted to rely upon information incorporated by reference into the document that constitutes listing particulars.

The Group has determined that the Listing Memorandum, the Prospectus Supplement and the Prospectus, excluding all information incorporated herein by reference, comprises listing particulars and satisfies the requirements of the UK Financial Services Act referred to above. Accordingly, any reference in the Listing Memorandum, the Prospectus Supplement and the Prospectus to "listing particulars" means the Listing Memorandum, the Prospectus Supplement and the Prospectus excluding any information incorporated by reference. The Group has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred has not been and does not need to be included in the listing particulars to satisfy the requirements of the UK Financial Services Act or the Listing Rules. The Group believes that none of the information incorporated herein by reference conflicts in any material respect with the information included in the listing particulars.

THE ABBEY NATIONAL GROUP

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

Introduction

The Abbey National Group was the fifth largest banking group in the United Kingdom in terms of assets at December 31, 2000 with total assets of £204 billion (1999: £181 billion). During 2000, the Group made pre-tax profits of £1,975 million (1999: £1,783 million).

The Business of the Group

Abbey National and its subsidiaries comprise a major personal financial services group in the United Kingdom, providing a wide range of financial products and services through the following divisions:

- | | |
|----------------------|---|
| Retail Banking | – U.K. Retail Banking, Abbey National Life and General Insurance; |
| Wholesale Banking | – Wholesale Banking; |
| Business to Consumer | – Wealth Management, Cahoot and Inscape; and |
| Business to Business | – Finance House, Scottish Mutual and Continental Europe Operations; |

These divisions are supported by four infrastructure areas.

Retail Banking

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

Mortgage Lending

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

Savings

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

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

Abbey National Life

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

General Insurance

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

Wholesale Banking

Wholesale Banking participates in five main business areas:

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

Branches of ANTS with full banking licences were established in Hong Kong in November 2000, and in the US in October 2001.

Business to Consumer

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

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

Business to Business

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

Interim Results for the six months to June 30, 2001

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

Retail Banking profit before tax increased by 13 per cent. to £683 million (June 30, 2000: £605 million) as a result of continued growth in income from sources other than the mortgage and savings market and containment of costs and was also boosted by the sale of the credit card asset to MBNA.

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

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

The Business to Business division increased profit before tax by 4 per cent. to £126 million (June 30, 2000: £121 million). Although First National's profit before tax decreased by 7 per cent., there was strong growth in Scottish Mutual resulting in increased profit before tax of 19 per cent. to £63 million.

The total loan loss provision charge increased slightly to £138 million (June 30, 2000: £132 million). This reflects continued strong credit quality in Retail Banking, although amounts written off fixed asset investments increased to £64 million, reflecting the slowdown in the U.S. economy, and therefore had an adverse impact on the Wholesale Bank's lending portfolio.

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

Recent Developments

Management changes

It was announced on October 8, 2001 that Gareth Jones will be resigning from the Board of Abbey National plc and Abbey National Treasury Services plc with effect from October 31, 2001.

As a result Mark Pain, currently Group Finance Director of Abbey National plc has been appointed Managing Director Wholesale Banking and Abbey National Treasury Services plc and Andrew Newell has been appointed to the role of Head of Finance.

Scottish Provident

On September 6, 2000, Abbey National entered into an agreement with The Scottish Provident Institution ("Scottish Provident"), a mutual insurance group based in Edinburgh, to transfer Scottish Provident's business to the Group for approximately £1.8 billion. Around £1.6 billion of this amount is payable by Abbey National to compensate members for loss of membership rights, while approximately £0.2 billion is to be paid into Scottish Provident's with profit fund (all of these figures being subject to calculation of the value of the business as at August 1, 2001). The Scheme for the transfer of Scottish Provident's business took effect on August 1, 2001 and compensation for loss of membership rights is expected to be paid early next year. Scottish Provident's main activity is the provision of life products in the United Kingdom and it is intended that the transfer will increase the Group's presence in the life protection market.

Ratings

The Issuer's outstanding long-term senior debt is rated Aa2 by Moody's Investors Service, Inc. and AA by Standard & Poor's Ratings Services and Fitch Ratings Ltd.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the relevant rating agency.

Directors of Abbey National

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

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
Chairman	The Lord Tugendhat	Non-Executive Director, Eurotunnel plc Non-Executive Director, Rio Tinto PLC
Deputy Chairman	Keith Woodley, FCA	
Chief Executive	Ian Harley, FCA, FCIB	Non-Executive Director, Rentokil Initial plc
Executive Directors	Tim Ingram, FCIB	
	Yasmin Jetha, FCMA	
	Gareth Jones, FCA, FCT	Non-Executive Director, Somerfield plc
	John King	
	Malcolm Millington	
	Mark Pain, FCA	
	Andrew Pople	
	Ian Treacy, FCA	
Non-Executive Directors	Leon Allen	Non-Executive Chairman, Braes Group Limited
	The Lord Currie, FRICS	Non-Executive Director, Joseph Rowntree Reform Trust Limited
	Richard Hayden	Executive Chairman, GSC Partners Europe Limited
	Peter Ogden	Director, Computacenter plc Chairman, Omnia Limited and Computasoft Limited
	The Lord Shuttleworth, FRICS	Non-Executive Director, The Rank Foundation Limited

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

ABBEY NATIONAL TREASURY SERVICES plc

ANTS is a wholly-owned subsidiary of Abbey National and is an authorised institution under the Banking Act 1987 of the United Kingdom. ANTS was incorporated in England and Wales on January 24, 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:

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
Chairman	Ian Harley, FCA, FCIB	Chief Executive of the Guarantor
Executive Directors	Gwen Batchelor, FCCA, FCT	Finance Director
	Alex Braun, ACA, MCT	Director, Funding and Asset Management
	Robin Garratt, ACA, MCT	Director, Credit
	John Hasson	Director, IT
	Tony Hibbitt	Chief Executive, Cater Allen International Limited
	Gareth Jones, FCA, FCT	Managing Director, Wholesale Banking of the Guarantor and Chief Executive of ANTS
	Anna Merrick	Director, Special Finance
Non-Executive Directors	Brian Morrison	Director, Treasury Services and International
	Steve Warr, ACA, MCT	Director, Financial Products
	Antony Elliott, FCIB	Group Risk Director
	Mark Pain, FCA	Group Finance Director
	Graham Pottinger, ACMA	Chief Executive, Scottish Mutual Assurance plc
Independent Non-Executive Directors	Rodney Galpin, FCIB	Deputy Chairman of ANTS
	Raphael Hodgson	
	Keith Woodley, FCA	Non-Executive Director of the Guarantor

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

ABBEY NATIONAL FIRST CAPITAL B.V.

Incorporation and business

First Capital B.V. is an indirectly wholly-owned subsidiary of Abbey National. It was incorporated in Amsterdam, The Netherlands, on July 7, 1989 and its statutory seat is The Hague, the Netherlands. It is registered at The Hague Chamber of Commerce and Industry for Haaglanden under number 27134050. It was established to raise finance for the Group. Article 2 of the Articles of Association of First Capital B.V. contains its objects clause. The Articles of Association of First Capital B.V. were last amended on November 16, 1993.

CAPITALISATION AND INDEBTEDNESS OF FIRST CAPITAL B.V.⁽³⁾⁽⁴⁾

The following table sets out the capitalisation and indebtedness of First Capital B.V. at August 31, 2001.

Shareholders' Funds		(Unaudited)
<i>Description of Share Capital</i>		(Dfls.)
Authorised share capital comprises 200 ordinary shares of Dfls. 1,000 each		
Issued share capital comprises 40 fully paid ordinary shares of Dfls. 1,000 each		40,000
Borrowings⁽¹⁾		
<i>Subordinated Notes and Bonds:</i>		U.S.\$
U.S.\$137,000,000 Subordinated Guaranteed Floating Rate Notes due 2004	.. ..	137,000,000
LUF 1,000,000,000 9 per cent. Subordinated Guaranteed Bonds due 2002 ⁽²⁾	22,000,000
U.S.\$75,000,000 Subordinated Guaranteed Floating Rate Notes due 2002	.. ..	75,000,000
NLG 200,000,000 8 per cent. Subordinated Guaranteed Bonds 1992 due 2002 ⁽²⁾	82,000,000
U.S.\$100,000,000 Subordinated Guaranteed Bonds due 2002 ⁽²⁾	100,000,000
CS\$100,000,000 Subordinated Collared FRN due 2004 ⁽²⁾	65,000,000
CHF130,000,000 Subordinated Guaranteed Floating Rate Step-Up Notes due 2009 ⁽²⁾	78,000,000
US\$500,000,000 Guaranteed Subordinated Notes due 2004	.. ..	500,000,000
Total of Subordinated Notes and Bonds	.. ..	1,059,000,000

Notes:—

1. All borrowings are unsecured.
2. Translated into U.S. dollars at market exchange rates prevailing at August 31, 2001.
3. There has been no material change in the capitalisation and indebtedness of First Capital B.V. since August 31, 2001.
4. As at October 10 First Capital B.V., did not have any contingent liabilities or guarantees which were material.

Board of Directors

As at the date hereof, the following are the members of the Board of Managing Directors (*Directie*) of First Capital B.V.:—

Mrs. G.M. Batchelor	:	Finance Treasurer, Abbey National Treasury Services plc
Mr. B. van Eesteren	:	Other directorships outside the Group: Eesterhage Beheer B.V., Van Tour de Groot Groep B.V., N.V. Exploitiemaatschappij De Wittenburg, Hotel Maatschappij De Wittenburg, B.V., Rexel Nederland B.V.
Mr. J. Terpstra	:	Other directorships outside the Group: None

The business address of Ms. Batchelor is Abbey House, Baker Street, London NW1 6XL. The business address of Messrs. van Eesteren and Terpstra is Lange Voorhout 86, apt. 22, 2514 EJ Den Haag. The Netherlands. All of the directors are executive directors of First Capital B.V.

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 December 31, 2000 and as at August 31, 2001⁽⁸⁾⁽⁹⁾:

	<i>As at December 31, 2000 (audited)</i>	<i>As at August 31, 2001 (unaudited)</i>
	<i>(in £ million)</i>	
SHARE CAPITAL		
ANTS		
Authorised share capital comprising ordinary shares of £1 each	1,500	1,500
Issued and fully paid	1,175	1,175
GUARANTOR		
Authorised share capital:		
Sterling Ordinary shares of 10p each	175	175
Sterling Preference shares of £1 each	1,000	1,000
USD Preference shares of \$0.01	7	7
Issued and fully paid comprising ordinary shares of 10p each	142	144
Issued and fully paid sterling preference shares of £1 each	325	325
GROUP SHAREHOLDERS' FUNDS		
Equity		
Issued and fully paid share capital	143	144
Share premium	1,484	1,589
Reserves	618	604 ⁽¹⁾
Profit and loss account	4,134	4,568 ⁽¹⁾
Non-Equity		
Issued and fully paid preference share capital	325	325
Trust Preferred Securities eligible as Tier 1 Capital ⁽²⁾	672	689
Share premium ⁽²⁾	125	125
Total Shareholders' Funds	7,501	8,044
GROUP INDEBTEDNESS⁽³⁾		
Subordinated Bonds/Notes⁽²⁾⁽⁴⁾		
Due within one year	134	115
Due after more than one year and less than five years	1,371	1,284
Due after five years	4,303	5,328
Exchangeable capital securities ⁽⁵⁾	200	200
	6,008	6,927
Medium-Term Note Programme⁽⁴⁾		
Due within one year	5,919	4,361
Due after more than one year and less than five years	3,142	3,911
Due after five years	1,459	1,323
	10,520	9,595
Other Loan Capital⁽⁴⁾		
Floating/Variable Rate Bonds/Notes		
Due within one year	722	1,361
Due after more than one year and less than five years	1,348	—
Due after five years	368	369
	2,438	1,730
Fixed Rate Bonds/Notes⁽⁴⁾		
Due within one year	1,812	1,549
Due after more than one year and less than five years	9,739	9,839
Due after five years	1,481	1,206
	13,032	12,594
Total Indebtedness⁽⁶⁾	31,998	30,846
Total Capitalisation⁽⁷⁾	39,499	38,890

Notes:

- (1) As at June 30, 2001.
- (2) The preference share premium and subordinated bonds/notes are stated after the deduction of issue costs of £8 million and £51 million respectively and the trust preferred securities are stated after the deduction of issue costs of £7 million.
- (3) All the bonds and notes are unsecured indebtedness of ANTS and are guaranteed by Abbey National plc, apart from £5,406 million and £6,454 million at December 31, 2000 and August 31, 2001 respectively which is unsecured indebtedness of Abbey National plc which is not guaranteed by any entity outside the Group.
- (4) Liabilities in foreign currencies are translated into Pounds Sterling at market exchange rates prevailing at December 31, 2000, August 31, 2001 and September 28, 2001, detailed below.

										<i>December 31, 2000</i>	<i>August 31, 2001</i>	<i>September 28, 2001</i>
Currency												
U.S. Dollar	..	..	..	..	..	..	..	..	..	1.4891	1.4512	1.4712
United Arab Emirate Dirham	..	..	..	..	..	..	..	..	..	5.4803	5.3310	5.4030
Austrian Schilling	..	..	..	..	..	..	..	..	..	22.0509	21.9747	22.2021
Australian Dollar	..	..	..	..	..	..	..	..	..	2.6908	2.7481	2.9698
Belgian Franc	..	..	..	..	..	..	..	..	..	64.6447	64.4195	65.0881
Canadian Dollar	..	..	..	..	..	..	..	..	..	2.2350	2.2486	2.3252
Swiss Franc	..	..	..	..	..	..	..	..	..	2.4397	2.4215	2.3744
Czech Krona	..	..	..	..	..	..	..	..	..	56.1645	54.6915	54.6995
Deutschmark	..	..	..	..	..	..	..	..	..	3.1342	3.1234	3.1557
Danish Krone	..	..	..	..	..	..	..	..	..	11.9595	11.8916	12.0006
Spanish Peseta	..	..	..	..	..	..	..	..	..	266.6336	265.7002	268.4610
Euro	..	..	..	..	..	..	..	..	..	1.6025	1.5971	1.6137
Finnish Markka	..	..	..	..	..	..	..	..	..	9.5281	9.4965	9.5946
French Franc	..	..	..	..	..	..	..	..	..	10.5117	10.4754	10.5838
Greek Drachma	..	..	..	..	..	..	..	..	..	546.0525	554.1686	549.7943
HongKong Dollar	..	..	..	..	..	..	..	..	..	11.6375	11.3205	11.4739
Irish Punt	..	..	..	..	..	..	..	..	..	1.2621	1.2570	1.2707
Japanese Yen	..	..	..	..	..	..	..	..	..	171.3400	172.3100	175.4100
Italian Lire	..	..	..	..	..	..	..	..	..	3102.8727	3092.1500	3124.1500
Luxembourg Franc	..	..	..	..	..	..	..	..	..	64.6447	64.4376	65.0881
Netherlands Guilder	..	..	..	..	..	..	..	..	..	3.5315	3.5181	3.5561
Norwegian Krone	..	..	..	..	..	..	..	..	..	13.2511	12.8620	13.0523
New Zealand Dollar	..	..	..	..	..	..	..	..	..	3.3799	3.3094	3.6124
Polish Zloty	..	..	..	..	..	..	..	..	..	6.1631	6.1498	6.2053
Portuguese Escudo	..	..	..	..	..	..	..	..	..	321.2725	320.0100	323.4900
Swedish Krona	..	..	..	..	..	..	..	..	..	14.1694	15.1634	15.6880
Singapore Dollar	..	..	..	..	..	..	..	..	..	2.5928	2.5259	2.5985
European Currency Unit	..	..	..	..	..	..	..	..	..	1.6026	1.5971	1.6137

- (5) 200 million 10% per cent. Exchangeable Capital Securities, exchangeable into 200 million 10% 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 FRS5 Reporting the Substance of Transactions, and have issued £10,894 million of Notes. This amount has not been included in the indebtedness of the Group on the basis that the Group is under no obligation to support any loss that may be incurred by the companies.
- (7) The total capitalisation and indebtedness of the Group has decreased by £1,433 million between August 31, 2001 and October 10, 2001 as a result of issues and repayments of loan capital amounting to £299 million and £1,465 million, respectively and a £267 million decrease due to foreign exchange movements.
- (8) As at October 10, 2001, no undertaking within the Group either individually or collectively, had any contingent liabilities or guarantees outside of the Group, which were material in the context of the 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 August 31, 2001.

GENERAL INFORMATION

1. ANTS and the Guarantor were incorporated in England and Wales on January 24, 1989 and September 12, 1988, respectively, and with registered numbers 2338548 and 2294747, respectively. First Capital B.V. was incorporated in Amsterdam, The Netherlands on July 7, 1989 and is registered at The Hague Chamber of Commerce and Industry for Haaglanden under number 27134050.

2. The listing of a Series of Notes on the Official List of the UK Listing Authority will be expressed as a percentage of their principal amount (exclusive of accrued interest, if any). It is expected that each Series of Notes which is to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange will be admitted separately, as and when issued, subject only to the issue of the Note or Notes of that Series. The listing of the Programme in respect of the Notes to be issued in the 12-month period commencing on the date of this document is expected to be granted on October 15, 2001.

3. Save as disclosed herein, there has been no significant change in the financial or trading position of First Capital B.V., the ANTS Group or the Group since June 30, 2001, and there has been no material adverse change in the financial position or prospects of First Capital B.V., the ANTS Group or the Group, since December 31, 2000.

4. None of First Capital B.V., the ANTS Group or the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the previous twelve months, a significant effect on the financial position of First Capital B.V., the ANTS Group or the Group nor, so far as First Capital B.V., ANTS or the Guarantor is aware, are any such legal or arbitration proceedings pending or threatened.

5. 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. As at December 31, 2000, additional interest in relation to the demand could amount to approximately £18 million (1999: £13 million).

6. The consolidated accounts of ANTS and the Guarantor for the year ended December 31, 1998 were audited by PricewaterhouseCoopers, Chartered Accountants in accordance with auditing standards and have been reported on without qualification. The address of PricewaterhouseCoopers is Southwark Towers, 32 London Bridge Street, London SE1 9SY. The consolidated accounts of ANTS and the Guarantor for the year ended December 31, 1999, and December 31, 2000 were audited by Deloitte & Touche, Chartered Accountants in accordance with auditing standards and have been reported on without qualification. The address of Deloitte & Touche is Stonecutter Court, 1 Stonecutter Street, London, EC4A 4TR. The accounts of First Capital B.V. for the year ended December 31, 1998 were audited by PricewaterhouseCoopers, Chartered Accountants and for the year ended December 31, 1999, and December 31, 2000 were audited by Deloitte & Touche, Chartered Accountants in accordance with auditing standards and have been reported on without qualification. The address of Deloitte & Touche is Van Alkemadeaan 700, 2597 AW The Hague, Netherlands.

7. The Notes have been accepted for clearance through Euroclear and Cedel. The appropriate common code and ISIN allocated by Euroclear and Cedel in respect of each Series of Notes will be contained in the applicable Pricing Supplement.

8. The issue of the Notes was authorised pursuant to resolutions of the Board of Directors by Abbey National, ANTS and First Capital B.V. passed on January 23, 2001, January 15, 2001 and January 22, 2001 respectively and by approvals and authorisations of Abbey National and ANTS passed on January 30, 2001.

9. Throughout the duration of the Programme and from the date hereof, copies of the following documents (and, in the case of First Capital B.V., an English Translation thereof, where applicable) may be inspected at the registered office of each of the Issuers, at the office in London of the Principal Faying Agent referred to below and at the specified office of the London Listing Agent, in each case during usual business hours, on any weekday (Saturdays and public holidays excepted) at any time whilst any Note is outstanding:—

- (i) The Memorandum and Articles of Association of ANTS, First Capital B.V. and the Guarantor;
- (ii) the most recent Directors' Reports and Accounts of the Group;

- (iii) The Annual Report and Accounts of ANTS (Consolidated ANTS Group Accounts) and First Capital B.V. for the period ended December 31, 1998, 1999 and 2000;
- (iv) the Directors' Report and Accounts of Abbey National and its subsidiaries (Consolidated Group Accounts) for the period ended 31 December, 1998, 1999 and 2000;
- (v) the Distribution Agreement;
- (vi) the Senior Indenture and the Subordinated Indenture;
- (vii) the Master Agency Agreement;
- (viii) the Deposit and Custody Agreement;
- (ix) the Listing Particulars and any supplement hereto (excluding the Pricing Supplements in connection with Notes not listed on any stock exchange); and
- (x) in the case of a syndicated issue of listed Notes, the underwriting agreement (or equivalent document).

10. For as long as any of the Notes remain outstanding, the Issuers, or failing whom the Guarantor, will maintain a paying agent in the United Kingdom.

11. The holder of any debt security can claim any unpaid amounts of principal and interest from the Issuer and the Guarantor directly and indefinitely, unless otherwise barred by applicable laws or regulations.

**REGISTERED OFFICE OF ANTS AND
ABBEY NATIONAL**

Abbey House
Baker Street
London NW1 6XL

REGISTERED OFFICE OF FIRST CAPITAL B.V.

Lange Voorhout 86, apt. 22
2514 EJ The Hague
Netherlands

**TRUSTEE IN RELATION TO
SENIOR NOTES**

Bankers Trust Company
4 Albany Street
New York, New York 10006

**TRUSTEE IN RELATION TO
SUBORDINATED NOTES**

Bank of New York
101 Barclay Street
New York, New York 10286

PRINCIPAL PAYING AGENT

Citibank, N.A.
111 Wall Street
New York, NY 10043

PAYING AGENTS

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

Citibank, N.A.
Building 726
1931 Br cargo Belgium

UNITED KINGDOM LEGAL ADVISORS

Slaughter and May
35 Basinghall Street
London EC2V 5DB

UNITED STATES LEGAL ADVISERS

Cleary, Gottlieb, Steen & Hamilton
City Place House
55 Basinghall Street
London EC2V 5EH

DUTCH LEGAL ADVISERS

De Brauw Blackstone and Westbroek
Tripolis 300
Burgerweeshuispad 301
PO Box 75084
1070 AM Amsterdam
The Netherlands

REGISTERED AUDITORS OF ANTS AND ABBEY NATIONAL

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

REGISTERED AUDITORS OF FIRST CAPITAL B.V.

Deloitte & Touche
Van Alkemade laan 700
2597 AW The Hague
Netherlands

LISTING AGENT

Abbey National Treasury Services plc
Abbey House
Baker Street
London NW1 6XL

PROSPECTUS

The Abbey National Group

U.S.\$7,000,000,000

Abbey National plc

Abbey National Treasury Services plc

Abbey National First Capital B.V.

DEBT SECURITIES

From time to time, Abbey National plc ("Abbey National"), Abbey National Treasury Services plc ("ANTS") and Abbey National First Capital B.V. ("First Capital B.V.") may offer debt securities. We are collectively referred to in this prospectus as the "issuers." The aggregate initial offering price of the debt securities we offer may not exceed \$7,000,000,000, including equivalent amounts in other currencies, subject to reduction as a result of the sale under certain circumstances of other securities.

Abbey National and First Capital B.V. may offer subordinated debt securities through this prospectus, and ANTS may offer senior debt securities through this prospectus. Each debt security issued by either ANTS or First Capital B.V. will be unconditionally and irrevocably guaranteed by Abbey National. Guarantees of ANTS debt securities will be senior guarantees, and guarantees of First Capital B.V. debt securities will be subordinated guarantees.

We will provide the specific terms of the securities that we are offering in supplements to this prospectus. These terms may include the specific designation, aggregate principal amount, ranking as senior or subordinated, authorized denominations, interest rates or their methods of calculation, interest payment dates and redemption provisions, among others. The prospectus supplement will also contain the names of the underwriters, dealers or agents involved in the sale of the debt securities, together with any applicable commissions or discounts. You should read this prospectus and any prospectus supplement carefully before you make a decision to invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined whether this Prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

February 20, 2001

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the "Commission") utilizing the "shelf" registration process. Under the shelf registration process, we may sell the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the debt securities we may offer. Each time we sell securities, we will provide prospective investors with a prospectus supplement that will contain specific information about the terms of the securities. The prospectus supplement may also add to or update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Obtain More Information."

In this prospectus, we use a number of short-hand terms in order to simplify the discussion of our operations. In particular:

- "Guarantor" refers to Abbey National;
- "Society" refers to the Abbey National Building Society;
- "ANTS Group" refers to ANTS and its subsidiaries;
- "Group" refers to Abbey National and its subsidiaries;
- "pounds", "sterling", "£", "pence" and "p" refer to the currency of the United Kingdom;
- "U.S. dollars", "dollars", "U.S.\$", "\$" and "¢" refer to the currency of the United States;
- "Conversion" refers to the transfer of the business of the Society to Abbey National under Section 91 of the Building Societies Act 1986 of Great Britain which became effective on July 12, 1989 when we completed the initial public offering of shares of Abbey National and Abbey National shares were admitted to the Official List of the U.K. Listing Authority (formerly the London Stock Exchange); and
- the "Tier 1" or "Tier 2" capital ratio refers to the Group's Tier 1 or Tier 2 capital ratio calculated in accordance with the standards of the Bank for International Settlements, European Community directives and the U.K. Financial Services Authority.

The selected financial information relating to the Group in this prospectus for each of the five financial years ended December 31, 1999 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 of Great Britain. Instead, it has been derived from the audited consolidated accounts of the Group for each of those years. The statutory consolidated accounts for each of those years were delivered to the Registrar of Companies in England and Wales. The Group's auditors have made reports under Section 235 of the Companies Act 1985 in respect of each set of statutory consolidated accounts for each of the five financial years ended December 31, 1999 and each such report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

LIMITATIONS ON ENFORCEMENT OF U.S. LAWS — AS AGAINST ABBEY NATIONAL, ANTS, FIRST CAPITAL B.V., THEIR RESPECTIVE MANagements AND OTHERS

Each of Abbey National and ANTS is a public limited company incorporated in England and Wales. First Capital B.V. is a private company with limited liability organized under the laws of the Netherlands with its statutory seat at The Hague. All of our directors are residents of the United Kingdom, the Netherlands or countries other than the United States. As a result, you should note that it may be difficult or impossible to serve legal process on Abbey National, ANTS, First Capital B.V., or their managers, and to force them to appear in a U.S. court. Abbey National's and ANTS's legal counsel in England, Slaughter and May, and First Capital B.V.'s legal counsel in the Netherlands, De Brauw Blackstone Westbroek N.V., have advised them that there is doubt as to the enforceability in those countries, in original actions or in actions to enforce judgments of U.S. courts, of civil liabilities based on U.S. securities laws. Finally, a Netherlands court may refuse to allow an original action based on U.S. securities laws.

De Brauw Blackstone Westbroek N.V. has further advised that the United States and the Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a civil judgment by a U.S. court would not necessarily be directly enforceable in the Netherlands, although it could be enforceable in certain circumstances.

We have consented to service of process in the Borough of Manhattan, the City of New York, for claims based on the documents underlying the particular debt securities that each of us will issue or guarantee, which include the related indentures, deposit and custody agreements, the terms of the debt securities and guarantees themselves and the related global receipts.

WHERE YOU CAN OBTAIN MORE INFORMATION

Abbey National files annual reports and special reports, proxy statements and other information with the Commission. You may read and copy any document Abbey National files at the Commission's public reference room at Room 1024, 450 Fifth Street, N.W., Washington D.C. 20549 and at the Commission's regional offices. Please call the Commission at (800) SEC-0330 for further information about the public reference room.

The Commission allows Abbey National to "incorporate by reference" in this prospectus the information in the documents that Abbey National files with the Commission. This means that Abbey National can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and includes the following documents:

- Abbey National's Annual Report on Form 20-F for the fiscal year ended December 31, 1999;
- Abbey National's Report of Foreign Issuer on Form 6-K dated September 29, 2000;
- Abbey National's Report of Foreign Issuer on Form 6-K dated February 15, 2001; and
- all documents filed in the future by Abbey National under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), any future reports on Form 6-K that indicate that they are incorporated into this registration statement and any future Annual Reports on Form 20-F that Abbey National may file with the Commission until we sell all of the securities that may be offered through this prospectus.

You should consider any statement incorporated by reference to be modified by any statement subsequently incorporated by reference to the extent that subsequent statement modifies the prior statement.

You may request a copy of these documents at no cost to you, by writing or telephoning us at the following address: Secretariat, Abbey National plc, Abbey House, Baker Street, London NW1 6XL, England, telephone: 44 870 607 6000.

FORWARD-LOOKING STATEMENTS MAY NOT BE ACCURATE

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the Commission, including this prospectus or any prospectus supplement, documents incorporated herein by reference, reports to shareholders and other communications. The U.S. Private Securities Litigation Reform Act of 1995 contains a safe-harbor for forward-looking statements on which we rely in making such disclosures. Certain factors may cause actual results to differ materially from those contained in any forward-looking statement made by us or on our behalf. Such factors are identified in filings with the Commission. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

ABBEY NATIONAL GROUP

General

Abbey National and its subsidiaries constitute a major financial services group in the United Kingdom. With total assets of £180.7 billion and income before taxes of £1,783 million as at and for the year ended December 31, 1999, the Abbey National Group ranked as the fourth largest banking group incorporated in the United Kingdom in terms of total assets. It is the U.K.'s second largest residential mortgage lender and third largest retail deposit taker. The Group's total assets were £162.8 billion and income before taxes was £1,520 million as at and for the year ended December 31, 1998.

The Group's principal businesses are U.K. Retail Banking, Wholesale Banking, Life Insurance, Finance House and General Insurance, which are described below:

- Abbey National's U.K. Retail Banking focuses on the personal sector and provides residential mortgages, liquid savings products and personal banking services. In addition, it distributes insurance and investment products.
- Wholesale Banking primarily consists of ANTS, an authorized U.K. banking institution, and also includes Abbey National Financial Products and Cater Allen International Limited. It manages the liquidity needs of the Group, provides the Group with wholesale funding through its activities in the international capital markets and with risk management services, and makes a significant contribution to the Group's profit predominantly through investing in high quality assets and securities.
- Life Insurance principally consists of Abbey National Life plc and Scottish Mutual Assurance plc, each of which sells a range of life insurance, pension and long-term savings and investment products.
- Finance House comprises Abbey National's unsecured lending operations and those of First National Bank, which is a market leader in the provision of finance for the purchase of new and used vehicles and point-of-sale furniture and appliance finance.
- General Insurance provides Abbey National-branded general and motor insurance products through Abbey National branches and over the telephone.

The Group's other business segments are Continental Europe (consisting primarily of the Group's retail banking businesses in France and Italy), Wealth Management (providing retail financial services to individuals with above-average sums to invest and comprising the Group's other offshore and certain onshore operations), cahoot (the Group's separately branded, self-contained virtual banking service) and Group Central Holdings.

Abbey National Treasury Services

Abbey National Treasury Services plc, a wholly-owned subsidiary of Abbey National and an authorized U.K. banking institution, conducts most of the treasury activities of the Group and takes wholesale deposits.

Abbey National First Capital

Abbey National First Capital B.V., a Netherlands corporation, is an indirect wholly owned subsidiary of Abbey National whose principal purpose is raising funds for the Group.

The principal executive offices of each of Abbey National and ANTS are located at Abbey House, Baker Street, London NW1 6XL, England; the telephone number for Abbey National is 44-870-607-6000 and for ANTS is 44-171-612-4000. The principal executive offices of First Capital B.V. are located at Lange Voorhout 86, apartment 22, 2514 EJ, The Hague, The Netherlands; telephone number 31-70-356-0939.

Management Restructuring

In May 2000, a new management structure was announced, creating four customer facing divisions responsible for increasing revenue growth. These are Retail Banking, Business to Consumer Banking, Business to Business Banking and Wholesale Banking. Of the new divisions, Business to Consumer Banking has been created to take forward the e-commerce enabled businesses using a range of brands and distribution channels focused on higher net worth customers. Business to Business Banking has been created to enhance the Group's relationships with intermediaries. The divisions are supported by four infrastructure areas spanning the whole Group. The reorganisation is aimed at developing new income streams and completing the radical transformation of the businesses to sustain revenue growth, and increase cost and capital efficiency; these remain key strategic priorities.

Management structure

Retail Banking	UK Retail Banking, Abbey National Life and General Insurance
Wholesale Banking	Wholesale Banking
Business to Consumer	Wealth Management, Cahoot and Inscape
Business to Business	Finance House, Scottish Mutual and Continental Europe Operations
Group Infrastructure	Group Central Holdings and Financial Holdings

Recent Developments

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

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

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

Bank of Scotland

On November 3, 2000, Abbey National announced that it had "made an approach to the Board of the Bank of Scotland which may or may not lead to an offer for Bank of Scotland by Abbey National."

On December 15, 2000, Abbey National and Bank of Scotland made the following joint announcement: "Abbey National and Bank of Scotland confirm that they are continuing to progress discussions regarding a merger of the two groups. A merger would be subject to the usual conditions, including clearance by the regulatory authorities. Abbey National and Bank of Scotland believe that it is appropriate to begin the UK merger clearance process now. Consequently, Abbey National has today submitted a draft Merger Notice to the Office of Fair Trading and intends to file a formal Merger Notice at the beginning of next week. Submission of a Merger Notice at this stage will ensure that the process of obtaining clarity on the views of the competition authorities on the combination will not delay the timetable for implementing the transaction."

On December 18, 2000, Standard & Poor's announced that it had placed the long-term credit ratings of Abbey National on credit watch with negative implications. Standard & Poor's rating of Abbey National's long-

term senior debt is "AA" and its rating of Abbey National's short-term debt, which was affirmed at the same time, is "A-1+." At the same time Standard & Poor's announced that it had placed its ratings of Bank of Scotland, which are "A+" for long-term senior debt and "A-1" for short-term debt, on credit watch with positive implications.

On December 19, 2000, the Office of Fair Trading announced that a Merger Notice had been given under Section 75A of the Fair Trading Act 1973 in respect of arrangements for the proposed merger between Abbey National and Bank of Scotland, and that the period for considering this Notice would expire on January 18, 2001 unless extended by the Director General of Fair Trading under Section 75B(3) of the Act.

On January 12, 2001, the Director General of Fair Trading announced that, in accordance with Section 75(B)(3) of the Fair Trading Act 1973, the period for consideration of the Merger Notice announced on December 19, 2000 in respect of the proposed merger between Abbey National and Bank of Scotland had been extended for a further period of 15 working days. The period for considering the Notice will therefore now expire on February 8, 2001.

On February 5, 2001, the Secretary of State for Trade and Industry announced that he had decided, on the information at present before him, and in accordance with the recommendation of the Director General of Fair Trading, not to refer the proposed merger between Abbey National plc and Bank of Scotland to the Competition Commission under the provisions of the Fair Trading Act 1973.

On February 6, 2001, Bank of Scotland announced that: "Discussions are continuing between BoS and Abbey National concerning a possible combination of the two groups. The outcome of these discussions is not yet certain."

Lloyds TSB Group plc

On December 5, 2000, Abbey National made the following announcement: "In response to recent press speculation, the Board of Abbey National announces that on December 4 its Chairman and Chief Executive met the Chairman and Chief Executive of Lloyds TSB at Lloyds TSB's request. Lloyds TSB talked generally about its view of the business merits of a combination of the two groups. Earlier this afternoon, Lloyds TSB sent Abbey National a letter containing further details which the Board of Abbey National will now consider. Meanwhile, Abbey National's talks with Bank of Scotland about a possible combination continue to make good progress."

On December 7, 2000, Abbey National announced that: "The Board of Abbey National has considered the contents of the letter sent to Abbey National by Lloyds TSB on December 5, 2000 about a takeover of Abbey National by Lloyds TSB. The Board has concluded that the proposals contained in the letter are unattractive, and accordingly it does not intend to enter into discussions with Lloyds TSB."

On December 12, 2000, Abbey National announced that: "The Board of Abbey National plc confirms that it has received a second letter from Sir Brian Pitman, Chairman of Lloyds TSB plc. The letter sets out a further proposal for the acquisition of Abbey National by Lloyds TSB". It added that: "The Board of Abbey National has met today to consider the Lloyds TSB proposal and unanimously agreed to reject it as inadequate and uncertain. In reaching this conclusion the Board has had particular regard to the advice it has received on shareholder value, deliverability and regulatory risk."

On December 13, 2000, Lloyds TSB announced that it was "disappointed that Abbey National has rejected its proposal without choosing to discuss the proposal with Lloyds TSB". It added that: "Lloyds TSB will now consider the reaction of shareholders to the position adopted by Abbey National's Board and any announcement by Abbey National relating to Bank of Scotland. Accordingly, Lloyds TSB continues to keep its options open."

On January 5, 2001, the Office of Fair Trading announced that a Merger Notice had been given under Section 75A of the Fair Trading Act 1973 in respect of arrangements for the proposed acquisition by Lloyds TSB of Abbey National, and that the period for considering this Notice would expire on February 2, 2001 unless extended by the Director General of Fair Trading under Section 75B(3) of the Act.

On January 26, 2001, the Director General of Fair Trading announced that, in accordance with Section 75B(3) of the Fair Trading Act 1973, the period of consideration of the Merger Notice announced on January 5, 2001 in respect of the proposed acquisition by Lloyds TSB of Abbey National had been extended for a further period of 15 working days. The period for considering the Notice will therefore now expire on February 23, 2001.

On January 31, 2001, Lloyds TSB announced its firm intention, subject to pre-conditions, to make an offer to acquire Abbey National. It announced that: "Lloyds TSB will offer 1.5 New Lloyds TSB Shares plus 260 pence in cash for each Abbey National Share. The Offer will also include a Mix and Match Election and a Loan Note Alternative." It added that: "The making of the Offer and the posting of the Offer documentation will take place following satisfaction or waiver of the pre-conditions set out in appendix I to this announcement, namely confirmation that the proposed transaction will not be referred to the Competition Commission and the Abbey National Board agreeing to recommend the Offer. Both of these pre-conditions may be waived at Lloyds TSB's discretion. If the pre-conditions are not satisfied, Lloyds TSB will make its decision with regard to the waiver of these pre-conditions once it has heard the terms of the final decision by the Secretary of State for Trade and Industry as to whether or not the proposed acquisition will be referred to the Competition Commission, and once it has had the opportunity to meet with Abbey National Shareholders which it intends to do following this announcement." It further added that: "The Offer will also be subject to the terms and conditions set out in appendix III to this announcement and to the further terms to be set out in the formal Offer Document and the Form of Acceptance. In particular, the Offer will be conditional on approval by Lloyds TSB Shareholders and satisfaction of certain regulatory conditions."

On January 31, 2001, Abbey National made the following announcement: "Abbey National plc notes the announcement by Lloyds TSB of a pre-conditional offer on the same terms as the proposal put by Lloyds TSB to Abbey National in early December 2000. The terms announced today were considered fully by the Board in December. At that time, the Board unanimously concluded that the proposal should be rejected as both inadequate and uncertain. Abbey National has arranged to meet Lloyds TSB to give Lloyds TSB an opportunity to explain its proposal. The Board of Abbey National will meet to consider its response."

On February 7, 2001, Abbey National made the following announcement: "The Board of Abbey National plc has met to consider the pre-conditional offer for Abbey National announced by Lloyds TSB plc on 31st January, 2001. The Board noted that the terms of the pre-conditional offer are the same as those proposed by Lloyds TSB in December. The Board has considered the additional information provided by Lloyds TSB. It has also taken advice from Lehman Brothers, UBS Warburg and Morgan Stanley Dean Witter. It has concluded that the proposed offer terms remain inadequate and subject to material uncertainties."

There can be no certainty as to the outcome of discussions between Abbey National and the Bank of Scotland or as to the reaction of Lloyds TSB Group plc to such an outcome or as to the impact of any merger or other business combination with Bank of Scotland or Lloyds TSB Group plc on the business or financial condition of the Group.

USE OF PROCEEDS

Unless otherwise disclosed in the accompanying prospectus supplement, the net proceeds from the sale of the debt securities will be used to fund the business of the Group and, with respect to subordinated debt securities, to strengthen the Group's capital base.

EXCHANGE RATES

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for pounds sterling based on the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York, expressed in U.S. dollars per £1.00. More recent information relating to the Noon Buying Rate may be set forth in the accompanying prospectus supplement. No representation is made that amounts in pounds sterling have been, could have been or could be converted into U.S. dollars at the Noon Buying Rate or at any other rate.

<u>Calendar Period</u>	<u>High</u>	<u>Low</u>	<u>Average ⁽¹⁾</u>	<u>Period End</u>
			(dollars per pound)	
2000	1.65	1.40	1.51	1.50
1999	1.68	1.56	1.61	1.62
1998	1.72	1.61	1.66	1.66
1997	1.70	1.58	1.64	1.64
1996	1.71	1.49	1.57	1.71

- (1) The average of the Noon Buying Rates on the last business day of each month during the relevant period.
On February 15, 2001 the Noon Buying rate was \$1.45:£1.00.

SELECTED CONSOLIDATED FINANCIAL AND STATISTICAL DATA

The financial information set forth below for the twelve month periods ended December 31, 1999, 1998 and 1997, and as at December 31, 1999 and 1998 has been derived from the Consolidated Financial Statements of the Group appearing in the Group's Annual Report on Form 20-F for the year ended December 31, 1999. The information should be read in connection with, and is qualified in its entirety by reference to, the Group's Consolidated Financial Statements and the notes thereto, as appearing in the 1999 Form 20-F. Financial information set forth below for the twelve month periods ended December 31, 1996 and 1995, and as at December 31, 1997, 1996 and 1995, has been derived from the audited consolidated financial statements of the Group for 1997, 1996 and 1995. The financial information in this Selected Consolidated Financial and Statistical Data does not constitute statutory accounts within the meaning of the Companies Act 1985. The auditors' reports in the accounts for each of the five years ended December 31, 1999 was unqualified and did not include a statement under sections 237(2) or 237(3) of the Companies Act 1985. The consolidated financial statements of the Group for the year ended December 31, 1999 have been audited by Deloitte & Touche, independent auditors. The consolidated financial statements of the Group for each of the four years ended December 31, 1998 have been audited by PricewaterhouseCoopers (formerly Coopers & Lybrand), independent accountants. The Group's Consolidated Financial Statements, as appearing in the 1999 Form 20-F, have been prepared in accordance with U.K. GAAP, which differ in certain significant respects from U.S. GAAP. Certain significant differences between U.K. GAAP and U.S. GAAP are discussed in Note 54 to the Consolidated Financial Statements, appearing in the 1999 Form 20-F, which includes reconciliations of certain amounts calculated in accordance with U.K. GAAP to U.S. GAAP.

Year ended/as at December 31,

	1999 (1)	1999	1998	1997	1996	1995
	(in millions, except per share data)					
U.K. GAAP income statement data						
Net interest income (6)	\$ 4,298	£ 2,661	£ 2,241	£ 2,038	£ 1,815	£ 1,579
Commissions, fees and other income (6)	1,768	1,095	877	722	534	404
Total operating income	6,066	3,756	3,118	2,760	2,349	1,983
Other operating expenses	(2,574)	(1,594)	(1,285)	(1,168)	(977)	(870)
Provisions for bad and doubtful debts	(489)	(303)	(201)	(121)	(127)	(72)
Provisions for contingent liabilities and commitments	(37)	(23)	(16)	(16)	(4)	(7)
Amounts written off fixed asset investments	(42)	(26)	(28)	(3)	(13)	(8)
Income before taxes and exceptional items	2,924	1,810	1,588	1,452	1,228	1,026
Exceptional items (2)	(44)	(27)	(68)	(173)	(61)	—
Income before taxes	2,880	1,783	1,520	1,279	1,167	1,026
Net income (3)	1,975	1,223	1,024	919	754	681
Per ordinary share information (basic)						
(including exceptional items) (4)	139.2¢	86.2p	72.4p	65.2p	56.5p	51.7p
Per ordinary share information (diluted)						
(including exceptional items) (4)	138.1¢	85.5p	71.7p	64.7p	56.0p	51.3p
Dividends	65.0¢	40.25p	35.3p	30.7p	26.1p	21.8p

U.S. GAAP income statement data

Net income (3)	\$ 1,633	£ 1,011	£ 825	£ 781	£ 636	£ 615
Per ordinary share (basic) (including exceptional items) (4)	115.1¢	71.3p	58.3p	55.4p	47.6p	46.7p
Per ordinary share (diluted) (including exceptional items) (4)	114.3¢	70.8p	57.9p	55.0p	47.4p	46.5p

U.K. GAAP balance sheet data

Loans and advances to banks and customers and net investment in finance leases	\$149,686	£ 92,685	£ 85,015	£ 79,804	£ 71,362	£ 57,513
Total assets (5)	291,902	180,744	162,753	144,130	124,011	103,132
Deposits by banks, customer accounts and debt securities in issue	227,944	141,142	131,523	119,734	102,589	86,450
Subordinated liabilities	7,495	4,641	3,333	2,463	2,374	2,127
Shareholders' funds	9,816	6,078	5,407	4,878	4,393	3,941
Book value of equity shareholders' funds per ordinary share	639.2¢	395.8p	349.8p	313.4p	289.4p	290.8p

U.S. GAAP balance sheet data

Shareholders' funds	\$ 11,219	£ 6,947	£ 6,373	£ 6,044	£ 5,456	£ 4,874
Book value of equity shareholders' funds per ordinary share	737.9¢	456.9p	418.0p	395.9p	365.0p	361.5p
Total assets (5)	\$283,906	£175,793	£163,267	£145,009	£124,830	£104,095

(1) Amounts stated in dollars have been translated from sterling at the rate of £1.00 = \$1.6150, the Noon Buying Rate on December 31, 1999.

(2) In 1999, 1998 and 1997, costs incurred in preparing the Group for Year 2000 and Economic and Monetary Union have been treated as exceptional items. Prior year comparatives were restated for consistency. In addition, in 1997, the U.K. Government announced a package of measures which represented a significant change to the U.K. tax regime. The effects of these measures were shown as exceptional items in the profit and loss account. In 1996, exceptional items represented costs incurred on the integration of the business of the National and Provincial Building Society.

(3) Net income equals profit on ordinary activities after tax, minority interests and dividends attributable to non-equity interests.

(4) Net income divided by the average number of ordinary shares outstanding, unless diluted which includes effect of share options outstanding.

(5) Following an accounting presentation change, Assets and Liabilities under stock borrowing and lending agreements secured against non-cash collateral are no longer reported as on-balance sheet items, but as contractual commitments. Accordingly, total assets have been reduced by £15,026 million as at December 31, 1998, and £6,678 million as at December 31, 1997, with an equivalent reduction in Total liabilities. No restatement prior to 1997 is necessary, because the Group did not have any stock borrowing and lending business prior to 1997.

(6) In prior years, dealing profits (included within commissions, fees and other income) also included interest receivable on trading securities and interest payable on their associated funding. Following an accounting presentation change, such interest is now included in net interest income. The prior year comparative balances have been restated with the effect being a £12 million increase (1998), £16 million increase (1997), £21 million increase (1996), and a £5 million decrease (1995) in net interest income and a corresponding increase/decrease in dealing profits for these years.

	Year ended/as at December 31,				
	1999	1998	1997	1996	1995
	(percent, except ratio of earnings to fixed charges)				
Selected U.K. GAAP financial statistics					
Profitability ratios:					
Return on average total assets (1)(9).....	0.69	0.66	0.69	0.66	0.67
Return on average ordinary shareholders' funds (2)	22.48	21.07	20.85	18.52	17.65
Return on average risk weighted assets (3)	1.65	1.60	1.70	1.58	1.55
Net interest margin (excluding exceptional items) (4)(9).....	1.76	1.66	1.71	1.76	1.71
Cost:income ratio (including exceptional items) (5)	43.07	43.27	45.69	44.19	43.87
Cost:income ratio (excluding exceptional items) (5).....	42.44	41.21	42.32	41.59	43.87
Capital ratios:					
Ordinary Dividends as a percentage of net income.....	46.77	48.93	47.23	47.75	42.29
Average ordinary shareholders' funds as a percentage of average total assets (9)...	3.09	3.15	3.30	3.57	3.81
Risk asset ratios:					
Total	11.6	10.2	11.1	11.7	11.7
Tier 1	7.7	7.3	8.4	8.5	8.4
Credit quality data: (6)					
Non-performing loans as a percentage of loans and advances to customers excluding					
finance leases (6)(7).....	2.90	3.69	3.44	4.22	5.47
Allowances as a percentage of loans and advances to customers excluding finance leases (6).....	0.69	0.77	0.69	0.82	0.94
Allowances as a percentage of non-performing loans (6)(7)	24.11	20.86	19.73	19.55	17.12
Provisions charge for bad and doubtful debts as a percentage of average loans and advances to customers excluding finance leases (6).....	0.41	0.29	0.18	0.22	0.14
Ratio of earnings to fixed charges: (8)					
Excluding interest on retail deposits	1.38	1.31	1.30	1.40	1.35
Including interest on retail deposits.....	1.27	1.20	1.19	1.24	1.21
Selected U.S. GAAP financial statistics					
Return on average total assets (1)(9).....	0.58	0.53	0.58	0.55	0.60
Return on average ordinary shareholders' funds (2)	16.28	13.92	14.14	12.54	13.65
Dividends as a percentage of net income.....	51.83	55.39	49.81	48.11	41.46
Average ordinary shareholders' funds as a percentage of average total assets (9).....	3.57	3.82	4.11	4.41	4.43
Ratio of earnings to fixed charges: (8)					
Excluding interest on retail deposits	1.32	1.24	1.25	1.35	1.31
Including interest on retail deposits.....	1.22	1.16	1.16	1.21	1.19

(1) Net income divided by average total assets.

(2) Net income divided by average equity shareholders' funds.

(3) Net income divided by average risk weighted assets.

(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.

(5) Cost:income ratio equals operating expenses divided by total operating income.

(6) All credit quality data is calculated using period-end balances, except for provisions for bad and doubtful debts as a percentage of average loans and advances to customers.

(7) The non-performing loans used in these statistics are calculated in accordance with conventional U.S. definitions. The value of non-performing loans represents the aggregate outstanding balance of all loans and advances 90 days or more overdue or, for unsecured loans less than 90 days overdue, the balance of loans where a provision has been made or interest suspended. Interest continues to be debited to substantially all of these loans and advances for collection purposes. The proportion of this interest whose collectability is in doubt is then suspended and excluded from the income statement. Accordingly, the interest income figures included in the income statement are the same as would be reported in the United States. However, the value of non-performing loans is higher by the cumulative amount of this suspended interest.

In cases where borrowers have made arrangements to pay off their arrears over a period of time, the arrears remain on the loan accounts until cleared and as a result the loans are included in non-performing loans even though the customers are currently performing and may ultimately discharge their loans fully.

Abbey National generally holds a first mortgage over the properties securing the U.K. residential mortgage loans. The value of the security will in many cases completely cover the value of the loan and the arrears and in the remainder will considerably reduce the size of the loss incurred.

Non-performing loans also include the full value of loans for which Abbey National has enforced its security by taking into possession the borrowers' properties. In many such cases the value of the losses expected to result on sale of the security is known with some certainty and is included in the specific allowances. However, the value of the losses is not charged off until the properties are sold and the losses have thus been determined precisely. Other banks, including those in the United States, may charge off losses more rapidly. Although Abbey National's practice does not affect net income or the carrying value of loans and advances to customers, it does increase the reported value of non-performing loans.

For these reasons, the value of the non-performing loans is not necessarily indicative of the value of losses which Abbey National is likely to suffer. Management believes that it is important to consider the quality of Abbey National's U.K. residential mortgage portfolio compared with those of its competitors. Over the reporting periods covered by this table, the number of mortgage loans which are six months or more in arrears as a percentage of the total number of outstanding mortgage loans has been broadly comparable with the U.K. Council of Mortgage Lenders' ("CML") industry average. As at December 31, 1999, Abbey National's percentage was 1.01% compared with a CML percentage of 0.79%. The value of these Abbey National non-performing loans as a percentage of its total U.K. residential mortgage loan assets was 1.18%. Non-performing loans in this table also include the value of arrears cases between three and six months in arrears and the value of properties in possession. On this basis, the non-performing U.K. residential mortgage loans are 1.9% of its total U.K. residential loans and advances. If the remainder of the Group's loans and advances (excluding finance leases) are included, this ratio increases to 2.75%.

- (8) For the purpose of calculating the ratios of earnings to fixed charges, earnings consists of income before taxes plus fixed charges. Fixed charges consists of interest payable, which includes the amortization of discounts and premiums on debt securities in issue and interest payable on finance lease obligations.
- (9) These ratios have been restated for years ending December 31, 1997 and 1998. The restatement is to reflect the change in accounting policy whereby the stock lending and borrowing balances are now treated as off-balance sheet items (see note (5) on page 4).

DESCRIPTION OF THE DEBT SECURITIES AND GUARANTEES

The following description sets forth certain general terms and provisions of the debt securities to which any prospectus supplement may relate. The particular terms of each series of debt securities offered by any prospectus supplement and the extent, if any, to which the general provisions described below may apply to the debt securities so offered will be described in the prospectus supplement relating to those debt securities. As used in this description, the holder of a debt security is, with respect to a debt security in registered form, the registered owner of that debt security and, with respect to a debt security in global bearer form, the Custodian of that global bearer debt security.

The senior debt securities and the senior guarantees will be issued under a senior indenture, dated as of November 4, 1994 (as supplemented or amended from time to time) among ANTS, Abbey National and Bankers Trust Company, as senior trustee. A copy of the senior indenture is filed as an exhibit to the Registration Statement of which this prospectus is a part. The subordinated debt securities and the subordinated guarantees will be issued under a subordinated indenture, dated as of October 25, 1994 (as supplemented or amended from time to time and, together with the senior indenture, referred to in this description as the "indentures"), among Abbey National, First Capital B.V. and The Bank of New York, as subordinated trustee (together with the senior trustee, the "trustees"). A copy of the subordinated indenture is filed as an exhibit to the Registration Statement of which this prospectus is a part.

The following summaries of the material provisions of the debt securities, the guarantees and the indentures do not purport to be complete and are qualified in their entirety by reference to all the provisions of the applicable indenture, including the definitions of certain terms which are provided in the indentures. Wherever particular defined terms of the applicable indenture are referred to and those terms are not defined in this prospectus, such defined terms shall have the meanings assigned in the applicable indenture and are incorporated by reference into this prospectus.

General

The indentures do not limit the amount of the debt securities that can be issued thereunder and provide that debt securities may be issued thereunder from time to time in one or more series. Subordinated debt securities may:

- (1) have a fixed Stated Maturity or date of redemption ("Term Subordinated Securities"),
- (2) have no fixed Stated Maturity or date of redemption and be subordinated debt securities to which the provisions set forth under the heading "Perpetual Capital Securities" do not apply ("Perpetual Subordinated Securities") or
- (3) have no fixed Stated Maturity or date of redemption and be subordinated debt securities to which the provisions set forth under the heading "Perpetual Capital Securities" apply ("Perpetual Capital Securities").

The following terms of the particular series of debt securities and guarantees, if any, being offered will be described in the relevant prospectus supplement:

- (1) whether the debt securities are senior debt securities or subordinated debt securities, and if subordinated debt securities, whether they are Term Subordinated Securities, Perpetual Subordinated Securities or Perpetual Capital Securities;
- (2) the designation, aggregate principal amount and authorized denominations of the series of debt securities;
- (3) the percentage or percentages of principal amount at which the debt securities of the series will be issued;

- (4) with respect to subordinated debt securities, whether subordinated debt securities of the series are to be issuable as Registered Securities, Bearer Securities or both, and whether and on what terms subordinated debt securities of the series in one form may be exchanged for subordinated debt securities of the series in another form;
- (5) certain dates or periods, including:
 - (a) the original issue date or dates or periods during which the debt securities may be issued,
 - (b) the date or dates (or manner of determining the same), if any, on which, or the range of dates, if any, within which, the principal of (and premium, if any, on) the debt securities of the series is payable and
 - (c) the record dates, if any, for the determination of holders of Registered Securities of such series to whom such principal (and premium, if any) is payable;
- (6) information with regard to interest, including:
 - (a) the rate or rates per annum (or the manner of calculation thereof) at which the debt securities of the series shall bear interest (if any),
 - (b) the date or dates from which such interest shall accrue,
 - (c) the Interest Payment Dates on which such interest shall be payable (or manner of determining the same) and
 - (d) the Regular Record Date for the interest payable on any Registered Securities on any Interest Payment Date;
- (7) the place or places where:
 - (a) the principal of (and premium, if any, on) and interest or Arrears of Interest (as defined below), if any, on debt securities of the series shall be payable,
 - (b) debt securities of the series may be presented for transfer or exchange, and
 - (c) notices and demands to or upon the applicable issuer or the guarantor, if any, may be served;
- (8) the terms and conditions, if any, upon which debt securities of the series may be redeemed, in whole or in part, at the option of the applicable issuer or otherwise;
- (9) the obligation, if any, of the applicable issuer to redeem, purchase or repay debt securities of the series pursuant to any sinking fund or analogous provisions or at the option of a holder thereof, and the terms and conditions in respect thereof;
- (10) if the currency in which the debt securities of the series shall be issuable is dollars, the denominations in which any Registered Securities of that series shall be issuable, if other than the denominations of \$1,000 and any integral multiples thereof;
- (11) with respect to debt securities other than Perpetual Capital Securities, if other than the principal amount thereof, the portion of the principal amount of such debt securities of the series which shall be payable upon a declaration of acceleration of the Maturity, if any, thereof;
- (12) with respect to the senior debt securities of a series, any additional Events of Default (as defined below) and, with respect to the subordinated debt securities of a series, any additional Events of Default, Defaults, or Payment Events (each as defined below);

- (13) any additional covenants or agreements of the applicable issuer or the guarantor with respect to the debt securities of the series;
- (14) with respect to senior debt securities, if a person other than Bankers Trust Company is to act as trustee for the debt securities of the series or, with respect to subordinated debt securities, if a person other than The Bank of New York is to act as trustee for the debt securities of the series, the name and location of the Corporate Trust Office of such trustee and, with respect to any debt securities of a series, if a person other than Citibank, N.A. is to act as principal paying agent for the debt securities of the series, the name and location of the Principal Office of such principal paying agent;
- (15) if other than U.S. dollars, the currency or currency unit in which any payments on the debt securities of the series shall be made or in which the debt securities of the series shall be denominated;
- (16) if the principal of (and premium, if any, on) and interest and Arrears of Interest, if any, on the debt securities of the series are to be payable, at the election of the applicable issuer or a holder thereof, in a currency or currency unit other than that in which such debt securities are denominated or stated to be payable, the period or periods within which (including the Election Date), and the terms and conditions upon which, such election may be made;
- (17) the designation of the original Currency Determination Agent, if any, and in what circumstances a Currency Determination Agent's Certificate or an Exchange Rate Officers' Certificate shall be delivered for debt securities of the series;
- (18) the index, if any, used to determine the amount of payments of principal of (and premium, if any, on) and interest and Arrears of Interest, if any, on the debt securities of the series;
- (19) if applicable, the fact that the terms of the applicable indenture described below under "Satisfaction and Discharge" will not apply with respect to the debt securities of the series;
- (20) the date as of which any global Security representing outstanding debt securities of the series shall be dated if other than the date of original issuance of the first security of the series to be issued;
- (21) if applicable, the fact that the terms of the applicable indenture described under "Redemption and Repurchase — Redemption for Tax Reasons" and "Payment of Additional Amounts" below will not apply with respect to the debt securities of the series;
- (22) whether the debt securities of the series shall be issued in whole or in part in the form of a global security or securities and, in such case, the Depositary for such global security or securities;
- (23) with respect to subordinated debt securities, whether the subordinated debt securities of the series shall be issued to a Custodian in the form of a global debt security or securities in bearer form (a "global Bearer Security" or "global Bearer Securities") and, in such case, the Custodian, the Global Bearer Security Depositary and the Depositary for any Global Receipt or Receipts to be issued by the Global Bearer Security Depositary in respect of any such global Bearer Security or Securities and other material provisions in respect of any such subordinated debt securities;
- (24) information with respect to book-entry procedures, if any; and
- (25) any other terms of that series (which terms shall not be inconsistent with the provisions of the applicable indenture).

All debt securities of any one series need not be issued at the same time, and need not bear interest at the same rate or mature on the same date.

If the purchase price of any of the debt securities is denominated in a foreign currency or currencies or foreign currency unit or units or if the principal of (and premium, if any, on) or interest, if any, on any series of

debt securities is payable in a foreign currency or currencies or foreign currency unit or units, the restrictions, elections, tax consequences, specific terms and other information with respect to such issue of debt securities and such foreign currency or currencies or foreign currency unit or units will be set forth in the related prospectus supplement.

Some of the debt securities may be issued as "Discounted Securities" (providing that upon any redemption prior to maturity or acceleration of the Maturity thereof, an amount less than the principal thereof shall become due and payable) to be sold at a substantial discount below their stated principal amount. United States federal income tax consequences, United Kingdom tax consequences, Netherlands tax consequences and other special considerations applicable to any Discounted Securities will be described in the related prospectus supplement.

Unless otherwise indicated in the prospectus supplement relating to the debt securities of a series, the provisions of the indentures and the debt securities and the guarantees do not afford you protection in the event of a highly leveraged or other transaction involving the applicable issuer or the guarantor, if any, as the case may be, which might adversely affect you.

Denominations, Registration and Transfer

The debt securities of a series will only be issuable as "Registered Securities" except in the case of subordinated debt securities in the form of one or more global Bearer Securities issued to a Custodian. Debt securities of a series may be issuable in the form of one or more global securities, as described under "Global Securities" below. Unless otherwise provided in related prospectus supplement, Registered Securities denominated in U.S. dollars will be issued only in denominations of \$1,000 or any integral multiple thereof. In order to ensure that the debt securities will be exempt from certain requirements of The Netherlands Securities Act, debt securities issued by First Capital B.V. will be issued in minimum denominations of \$100,000 (or the equivalent in another currency or currency unit) and integral multiples of \$1,000 in excess thereof. Unless otherwise provided in the applicable prospectus supplement, a global security will be issued in a denomination equal to the aggregate principal amount of outstanding debt securities of the series represented by such global security. The prospectus supplement relating to the debt securities denominated in a foreign currency or currency unit will specify the denominations thereof.

Registered Securities of any series will be exchangeable for other Registered Securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations. Registered Securities (other than a global security) may be presented for registration of transfer (with the form of transfer duly executed), at the office of the Security Registrar or at the office of any transfer agent designated by the applicable issuer for such purpose with respect to any series of debt securities and referred to in an applicable prospectus supplement, without service charge but subject to payment of any taxes and other governmental charges as described in the applicable indenture. Such transfer or exchange will be effected after the Security Registrar or transfer agent, as the case may be, is satisfied with the documents of title and identity of the person making the request. The senior issuer and the subordinated issuers each have initially appointed the principal paying agent as the Security Registrar under the applicable indenture. If a prospectus supplement refers to any transfer agents (in addition to the Security Registrar) initially designated by the applicable issuer with respect to any series of debt securities, the applicable issuer may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that (other than with respect to subordinated debt securities in the form of one or more global Bearer Securities issued to a Custodian) the applicable issuer will be required to maintain a transfer agent in each place of payment for such series. The applicable issuer may at any time designate additional transfer agents with respect to any series of debt securities.

If the debt securities of a series are redeemed in part, the applicable issuer shall not be required to

- (1) issue, register the transfer of or exchange debt securities of any such series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of debt securities of that series selected to be redeemed and ending at the close of business on the day of mailing of the relevant notice of redemption;

- (2) register the transfer of or exchange any Registered Security, or portion hereof, called for redemption, except the unredeemed portion of any Registered Security being redeemed in part; or
- (3) with respect to subordinated debt securities in the form of one or more global Bearer Securities issued to a Custodian, exchange any global Bearer Security called for redemption, except to exchange such global Bearer Security for another global Bearer Security of that series and like tenor representing the aggregate principal amount of subordinated debt securities of that series that have not been redeemed.

Global Securities

The debt securities of a series may be issued in whole or in part in the form of one or more global securities (each a "global Security") that will be deposited with, or on behalf of, a Depositary or, solely in the case of subordinated debt securities issued in the form of global Bearer Securities and to be represented by Global Receipts, a Custodian identified in the applicable prospectus supplement. Except for global Bearer Securities issued to a Custodian, global Securities will be issued in registered form. Unless and until it is exchanged for securities in definitive form, a global Security in registered form may not be transferred except as a whole by the relevant Depositary to its nominee or vice versa or by a nominee to or another nominee of such Depositary or in either case, to a successor of such Depositary or a nominee of such successor. In respect of subordinated debt securities in the form of global Bearer Securities issued to a Custodian, such Custodian shall instruct the applicable Global Bearer Security Depositary to issue one or more Global Receipts in registered form in respect of such global Bearer Securities to a Depositary for such Global Receipts or its nominee. See "Description of the Global Receipts Representing Global Bearer Securities" below. In the case of a global Bearer Security issued to a Custodian, such global Bearer Security may not be transferred except as a whole to a successor of the Custodian.

The specific terms of the depositary arrangement with respect to a series of debt securities will be described in the related prospectus supplement. We anticipate that the following provisions will apply to all depositary arrangements.

Upon the issuance of a global Security, the Depositary for such global Security or its nominee will credit the accounts of persons held with it with the respective principal amounts of the debt securities represented by such global Security. Such accounts shall be designated by the underwriters or agents with respect to such debt securities or by the applicable issuer if such debt securities are offered and sold directly by its issuer. Ownership of beneficial interests in a global Security will be limited to persons that have accounts with the Depositary for such global Security or its nominee ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in the global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary or its nominee (with respect to interests of participants) for such global Security and on the records of participants (with respect to interests of persons who hold interests through participants). The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair your ability to transfer beneficial interests in a global Security.

So long as the relevant Depositary, or its nominee, is the registered owner of such global Security, it will be considered the sole owner or holder of the debt securities represented by such global Security for all purposes under the applicable indenture governing the debt securities. So long as the Custodian for a global Bearer Security is the holder of such global Bearer Security, it will be considered the sole owner or holder of the subordinated debt securities represented by such global Bearer Security for all purposes under the subordinated indenture. Except as provided below, owners of beneficial interests in a global Security will not be entitled to have debt Securities of the series represented by such global Security registered in their names, will not receive or be entitled to receive physical delivery of securities of such series in definitive form and will not be considered the owners or holders thereof under the applicable indenture governing such debt securities.

Any payments of principal, premium or interest on debt securities registered in the name of a Depositary or its nominee will be made to it as the registered owner of the global Security representing such debt securities. Any payments of principal, premium or interest on subordinated debt securities in the form of a global Bearer

Security held by a Custodian will be made to the Custodian. None of the applicable issuer, Custodian, if any, guarantor, if any, trustee, principal paying agent or Security Registrar for such debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a global Security for such debt securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that the Depositary for a global Security or its nominee, upon receipt of any payment of principal, premium or interest, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the debt securities of such a series represented by such global Security as shown on the records of such Depositary or its nominee. We also expect that payments by participants to owners of beneficial interests in such global Security held through such participants will be governed by standing instructions and customary practices, as is now 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 participants.

If a Depositary for a global Security in respect of a series of debt securities is at any time unwilling or unable to continue as depositary, and a successor depositary is not appointed by the applicable issuer within 90 days, the applicable issuer will issue securities in respect of the debt securities of such series in definitive form in exchange for the global Security representing such series of debt securities.

In connection with any global Bearer Securities in respect of subordinated debt securities issued to a Custodian, if

- (1) at any time such Custodian notifies the applicable subordinated issuer that it is unwilling or unable to continue as custodian as the case may be, or
- (2) if at any time such Custodian shall no longer be eligible under the subordinated indenture, the applicable subordinated issuer shall appoint a successor custodian with respect to such subordinated debt securities or Global Receipts, as the case may be.

If a successor Custodian is not appointed by the applicable subordinated issuer within 90 days after the applicable subordinated issuer receives such notice or becomes aware of such ineligibility or if any Event of Default with respect to such global Bearer Securities shall occur, the applicable subordinated issuer will issue definitive Registered Securities in respect of the subordinated debt securities of such series in exchange for such global Bearer Securities and Global Receipts representing such series of subordinated debt securities.

The applicable issuer may at any time and in its sole discretion determine that the Registered Securities in respect of the debt securities of any series issued in the form of one or more global Securities, or the global Bearer Securities in respect of the subordinated debt securities of any series issued to a Custodian, shall no longer be represented by such global Security or Securities. In such event the applicable issuer will issue Registered Securities in respect of the debt securities of such series in definitive form. Further, if the applicable issuer so specifies with respect to the debt securities of a series, you may, on terms acceptable to the applicable issuer and the Depositary for such global Security, receive debt securities of such series in securities in definitive form. In the case of a global Bearer Security issued to a Custodian, any such global Bearer Security or portion thereof may be exchanged for definitive Registered Securities if

- (1) the Global Bearer Security Depositary notifies the subordinated trustee in writing that you have requested in writing that definitive Registered Securities be issued in respect thereof and
- (2) the Global Bearer Security Depositary requests the subordinated trustee to issue such definitive Registered Securities and
- (3) the Custodian of such global Bearer Security surrenders to the subordinated trustee such global Bearer Security for exchange whether in whole or in part (such request being referred to herein as an "Optional Definitive Security Request"). In any such instance, you will be entitled to physical delivery in definitive form of securities of the series of debt securities represented by such global Security or a

Global Receipt, as the case may be, equal in principal amount to your beneficial interest, and to have such securities registered in your name. Debt securities of such series so issued in definitive form will be issued as Registered Securities in denominations, unless otherwise specified by the applicable issuer, of \$1,000 and integral multiples thereof.

You should be aware that under current United Kingdom tax law, upon the issuance of Registered Securities in definitive form with respect to the subordinated debt securities of a series originally issued in the form of global Bearer Securities and represented by such a Global Receipt, United Kingdom income tax at the lower rate (currently 20%) may be required to be withheld on any payments of interest on such subordinated debt securities as set forth under "Taxation — United Kingdom Tax Considerations" in the prospectus supplement. If such definitive Registered Securities are issued pursuant to an Optional Definitive Security Request, the applicable subordinated issuer will not be obligated to pay any additional amounts on such subordinated debt securities. See "Payment of Additional Amounts" below. In no event will definitive subordinated debt securities in bearer form with respect to such subordinated debt securities be issued.

Guarantees

The guarantor will irrevocably and unconditionally guarantee the due and punctual payment of principal, premium, if any, interest and Arrears of Interest, if any, other additional amounts (as provided in the indentures), if any, and mandatory sinking fund payments, if any, in respect of

- (1) the senior debt securities, and
- (2) the subordinated debt securities issued by First Capital B.V.

when and as the same shall become due and payable and in the coin or currency in which the same are payable whether at the Stated Maturity, if any, by declaration of acceleration, call for redemption or otherwise. Each of the senior debt securities issued by ANTS and the subordinated debt securities issued by First Capital B.V. will have endorsed thereon the senior guarantee or the subordinated guarantee, respectively, of the guarantor.

Status

Status of the Senior Debt Securities and the Senior Guarantees

The senior debt securities will constitute direct, unconditional, unsubordinated and (subject to the provisions set forth under "— Senior Debt Securities — Negative Pledge" below) unsecured obligations of the senior issuer. The senior guarantees will constitute direct, unconditional, unsubordinated and (subject to the provisions set forth under "— Senior Debt Securities — Negative Pledge" below) unsecured obligations of the guarantor. In each case these obligations shall be without any preference among themselves and will rank at least equally with deposits and all other unsecured and unsubordinated obligations of ANTS or the guarantor, as the case may be. This will be subject, in the event of insolvency, to laws of general applicability relating to or affecting creditors' rights. In addition, other unsecured and unsubordinated indebtedness may contain covenants, Events of Default and other provisions which are different from or which are not contained in the senior debt securities and the senior guarantees.

Senior Debt Securities — Negative Pledge

So long as any senior debt security remains outstanding (as defined in the senior indenture), Abbey National will not create or have outstanding, or permit ANTS to 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, except as described in the following sentence. Such security interests may be created only if ANTS or Abbey National, as the case may be, shall, at the same time as or before creating such a security interest, either:

- (1) takes any and all action necessary to procure that all amounts payable by it in respect of such Senior Debt Security are secured equally and rateably with the Relevant Indebtedness of guarantee secured by such security interest or
- (2) such other security interest is provided as shall be approved by the holders of not less than 66⅔% in aggregate principal amount of the senior debt securities then outstanding.

"*Relevant Indebtedness*" means any indebtedness for Borrowed Money (as defined below) 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, but excluding any such indebtedness which upon the issuance thereof had a stated maturity not exceeding one year.

"*Borrowed Money*" means:

- (1) borrowed money and any fixed or minimum premiums payable on final redemption thereof and accrued interest in respect thereof,
- (2) liabilities under or in respect of any acceptance or acceptance credit and
- (3) the principal and such premium as aforesaid (if any) and accrued interest in respect of any notes, bonds, debentures, loan stock or other securities whether issued in whole or in part for cash or other consideration.

Status of the Subordinated Debt Securities and the Subordinated Guarantees

General. If the applicable subordinated issuer becomes bankrupt or is wound up or liquidated, the claims of the holders of subordinated debt securities will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of all Senior Creditors (as defined below) of the applicable subordinated issuer. If the guarantor becomes bankrupt or is wound up or liquidated, the claims of the holders of any subordinated debt securities benefitting from the subordinated guarantee of the guarantor will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of all depositors and other creditors (other than holders of subordinated indebtedness (as defined below), if any) of the guarantor (in each case subject to laws of general applicability relating to or affecting creditors' rights). The subordinated debt securities do not have the benefit of any negative pledge covenant.

As a result of this subordination, no amount will be payable in a bankruptcy, winding up or liquidation in England and Wales or The Netherlands, as the case may be, of the applicable subordinated issuer in respect of claims under the subordinated debt securities of any series issued by such subordinated issuer until all the claims of the Senior Creditors of such subordinated issuer admitted in such bankruptcy, winding up or liquidation have been satisfied. No amount will be payable in a bankruptcy, winding up or liquidation in England and Wales of the guarantor in respect of claims under the subordinated debt securities of any series benefitting from the subordinated guarantees until the claims of all depositors and other creditors (other than holders of subordinated indebtedness, if any) of the guarantor admitted in such bankruptcy, winding up or liquidation have been satisfied. Also, by reason of subordination, in the event of a bankruptcy, winding up or liquidation in England and Wales or The Netherlands, as the case may be, of the applicable subordinated issuer or the guarantor, if any, as the case may be, creditors of the applicable subordinated issuer or the guarantor, if any, as the case may be, who are holders of such senior claims as described above may recover more, rateably, than holders of any such subordinated debt securities and holders of other claims ranking *pari passu* therewith.

Currently there is no limitation on the issuance of indebtedness which would constitute claims of Senior Creditors of the applicable subordinated issuer, or claims of depositors and other creditors of the guarantor, as the case may be.

"*Senior Creditors*" means all unsubordinated creditors of the applicable subordinated issuer or the guarantor and all subordinated creditors of the applicable subordinated issuer or the guarantor whose claims against such

subordinated issuer or the guarantor rank or are expressed to rank ahead of the claims of the holders of subordinated debt securities.

"Subordinated Indebtedness" means all indebtedness of the guarantor which by its terms is subordinated in the event of the winding up of the guarantor in right of payment to the claims of depositors and other unsubordinated creditors of the guarantor and so that, for the purpose of this definition, indebtedness shall include all liabilities, whether actual or contingent, under guarantees or indemnities.

Term Subordinated Securities and Perpetual Subordinated Securities. The Term Subordinated Securities and Perpetual Subordinated Securities will constitute unsecured subordinated obligations of the applicable subordinated issuer and the subordinated guarantees of such debt securities, if any, will constitute unsecured subordinated obligations of the guarantor, in each case without any preference among themselves.

If, in any bankruptcy, winding up or liquidation of the applicable subordinated issuer or the guarantor, as the case may be, the amounts payable with respect to the Term Subordinated Securities or Perpetual Subordinated Securities and any claims ranking *pari passu* with any such debt securities are not paid in full, the holders of any such debt securities and holders of other claims ranking *pari passu* with any such debt securities will share ratably in any distribution of assets of the applicable subordinated issuer or the guarantor, if any, as the case may be, in proportion to the respective amounts to which they are entitled.

Perpetual Capital Securities. The Perpetual Capital Securities will constitute unsecured subordinated obligations of the applicable subordinated issuer and the subordinated guarantees of such debt securities, if any, will constitute unsecured subordinated obligations of the guarantor, in each case without any preference among themselves.

If the applicable subordinated issuer or the guarantor, if any as the case may be, becomes bankrupt or is wound up or liquidated, the amount payable with respect to the Perpetual Capital Securities shall be determined by calculating the amount, if any, as would have been payable in respect thereof as if, on the day prior to the commencement of the winding up and thereafter, the holders of the Perpetual Capital Securities were the holders of preference shares in the capital of the guarantor having a preferential right to a return of assets in the winding up over the holders of all issued shares (including all classes of preference shares of the guarantor) for the time being in the share capital of the guarantor, assuming that such preference shares were entitled (to the exclusion of all other rights or privileges) to receive as a return of capital in such winding up an amount equal to the principal amount of the Perpetual Capital Securities then outstanding together with premium, if any, interest accrued to the date of repayment, if any, and any Arrears of Interest, if any (as defined below). If such amounts and any claims ranking *pari passu* with are not paid in full, the holders of such debt securities and claims will share ratably in any such distribution of assets of the applicable subordinated issuer or the guarantor, if any, as the case may be, in proportion to the respective amounts to which they are entitled. See "— Status of the Subordinated Debt Securities and the Subordinated Guarantees — Term Subordinated Securities and Perpetual Subordinated Securities" above.

The effect of using this method to calculate the amount payable with respect to the Perpetual Capital Securities is that, in the event of a bankruptcy or similar event, the claims of the holders of Perpetual Capital Securities will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of the holders of Term Subordinated Securities and Perpetual Subordinated Securities and any claims ranking *pari passu* with such Term Subordinated Securities and Perpetual Subordinated Securities.

Status of the Debt Securities — General

Holding Company Structure. Because Abbey National is a holding company as well as an operating company, its rights and the rights of its creditors (including the holders of the subordinated debt securities of any series issued by Abbey National or the holders of senior debt securities or subordinated debt securities benefitting from the senior guarantees or the subordinated guarantees, respectively, of Abbey National) to participate in the assets of any of its subsidiaries (as identified under "— Redemption and Repurchase — Repurchase" below)

upon the latter's liquidation or recapitalization will be subject to the prior claims of such subsidiary's creditors, including, in the case of ANTS, its depositors, except to the extent that Abbey National may itself be a creditor with recognized claims against such subsidiary. Under the terms of a guarantee dated January 28, 1998, ANTS agreed to guarantee the obligations of Abbey National. The effect of this guarantee is that creditors of ANTS would rank *pari passu* with Abbey National's direct creditors in the event of the insolvency of the Group.

Currency. To the extent that holders of the debt securities are entitled to any recovery with respect to the debt securities in any bankruptcy, winding up or liquidation, it is unclear whether such holders would be entitled in such proceedings to a recovery in dollars and may be entitled only to a recovery in pounds sterling or Dutch guilders, as the case may be, and, as a general matter, the right to claim for any amounts payable on debt securities may be limited by applicable insolvency law.

Payments on Subordinated Debt Securities

Term Subordinated Debt Securities and Perpetual Subordinated Debt Securities

Unless otherwise provided in the applicable prospectus supplement, if the applicable subordinated issuer (or the guarantor, if applicable) does not pay an installment of interest on an Interest Payment Date with respect to any Term subordinated debt securities or Perpetual subordinated debt securities, or does not pay all or any part of the principal of (or premium, if any, on) any such subordinated debt securities on the Stated Maturity (if any) or any other date set for redemption, the obligation to make such payment and such Interest Payment Date, Stated Maturity or other date set for redemption, as the case may be, shall be deferred until:

- (1) in the case of a payment of interest, the date upon which a dividend is paid on any class of share capital of Abbey National (a "Deferred Interest Payment Date") and
- (2) in the case of a payment of principal (or premium, if any), the first Business Day after the date that falls six months after such payment was originally due (a "Deferred Principal Payment Date").

Each payment so deferred will accrue interest at the rate or rates per annum at which such subordinated debt securities bear interest, if any. No payment so deferred shall be treated as due for any purpose until the Deferred Interest Payment Date or Deferred Principal Payment Date, as the case may be, and accordingly, no such deferral will constitute a Default or an Event of Default. For the avoidance of doubt, the obligation to pay an installment of interest on a Deferred Interest Payment Date, or to pay principal (or premium, if any) on a Deferred Principal Payment Date, may not be deferred.

Perpetual Capital Securities

Interest on the Perpetual Capital Securities will be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest, if any, accrued in the period beginning on the previous Interest Payment Date (or, as the case may be, the issue date of such Perpetual Capital Securities) and ending on the day immediately preceding such date.

In addition, on any Optional Interest Payment Date (as defined below) a subordinated issuer or the guarantor may pay (subject to the provisions described under "— Status — Status of the Subordinated Debt Securities and the Subordinated Guarantees — Perpetual Capital Securities" above and to the Solvency Condition (as defined below)) the interest accrued, if any, in the period beginning on the previous Interest Payment Date (or, as the case may be, the issue date of such Perpetual Capital Securities) and ending on the day immediately preceding such date. For the avoidance of doubt, the applicable subordinated issuer (or the guarantor, if applicable) will have no obligation to make such payment on an Optional Interest Payment Date, and any failure to pay shall not constitute an Event of Default, Default or Payment Event.

Any interest not paid on any Optional Interest Payment Dates shall, so long as the same remain unpaid, constitute collectively "Arrears of Interest". See "— Events of Default and Defaults — Subordinated Debt Securities" below. Arrears of Interest may at the option of the applicable subordinated issuer (or the guarantor, if applicable) be paid in whole or in part at any time following at least seven days' notice to such effect given to the

holders of such debt securities in accordance with the provisions described under “— Notices” below. However, if the applicable subordinated issuer has more than one series of outstanding Perpetual Capital Securities, such issuer or the guarantor, if any, may not pay all or part of the Arrears of Interest in respect of any such series unless such issuer or the guarantor, if any, pays all or (as near as practicable) an equivalent proportion of the Arrears of Interest in respect of each such outstanding series. If notice is given by the applicable subordinated issuer (or the guarantor, if applicable) of its intention to pay the whole or any part of Arrears of Interest, the applicable subordinated issuer (or the guarantor, if applicable) will be obliged, subject to the provisions described above under “— Status — Status of the Subordinated Debt Securities and the Subordinated Guarantees — Perpetual Capital Securities” and to the Solvency Condition, to do so upon the expiration of such notice.

In any event, all Arrears of Interest on all outstanding Perpetual Capital Securities of a series shall, subject to the provisions described above under “— Status — Status of the Subordinated Debt Securities and the Subordinated Guarantees — Perpetual Capital Securities” and to the Solvency Condition, become due in full on whichever is the earliest of

- (1) the next Compulsory Interest Payment Date,
- (2) the date, if any, set for any redemption or repayment, or repurchase by Abbey National or any of its subsidiaries of the Perpetual Capital Securities of such series, and
- (3) the occurrence of an Event of Default with respect to the Perpetual Capital Securities of such series. Arrears of Interest shall not themselves bear interest.

“*Optional Interest Payment Date*” means, in respect of the Perpetual Capital Securities, any Interest Payment Date other than a Compulsory Interest Payment Date.

“*Compulsory Interest Payment Date*” means, in respect of the Perpetual Capital Securities, any Interest Payment Date if, in the six months ending on the date immediately preceding such Interest Payment Date, any dividend has been declared or paid on any class of share capital of Abbey National.

“*Solvency Condition*” means that, at the relevant time, Abbey National is solvent by virtue of:

- (1) it being able to pay its debts as they fall due and
- (2) its Assets (as defined below) exceeding its Liabilities (as defined below) other than its Liabilities to persons who are not Senior Creditors (except where the Solvency Condition applies in regard to an optional redemption of Perpetual Capital Securities by the applicable subordinated issuer or a purchase of Perpetual Capital Securities beneficially by or for the account of Abbey National or any of its subsidiaries, when the Liabilities of Abbey National to persons who are not Senior Creditors shall be included).

Any payments of principal, premium, if any, interest, if any, or Arrears of Interest, if any, by the applicable subordinated issuer or the guarantor, if any, in respect of the Perpetual Capital Securities of any series are conditional upon Abbey National satisfying the Solvency Condition at the time of any such payment, and no principal, premium, if any, interest, if any, or Arrears of Interest, if any, shall be payable in respect of the Perpetual Capital Securities of any series and no redemption or repurchase of the Perpetual Capital Securities of any series by Abbey National, First Capital B.V. or any of the subsidiaries of Abbey National may be made except to the extent that Abbey National would satisfy the Solvency Condition both at the time of, and immediately after, any such payment, redemption or repurchase.

A report as to the solvency of Abbey National by two directors of Abbey National or, in certain circumstances as provided in the subordinated indenture, the auditors of Abbey National or, if Abbey National is in winding up in England and Wales, its liquidator shall in the absence of proven error be treated and accepted by Abbey National, First Capital B.V., the subordinated trustee and the holders of any such Perpetual Capital Securities as correct and sufficient evidence thereof. Any such report shall be made to the subordinated trustee

within 14 days before any such payment is to be made or within six months before any such purchase or redemption is to be made.

If the Solvency Condition is not satisfied, the amount of principal, premium, if any, or interest or Arrears of Interest, if any, which could otherwise be payable in respect of the Perpetual Capital Securities of any series will be available to meet the losses of Abbey National.

"Assets" means the total amount of the unconsolidated gross tangible assets of Abbey National as shown by the latest published audited balance sheet of Abbey National but adjusted, if the aggregate amount included in such balance sheet in respect of the investment of Abbey National in all subsidiary Undertakings (each as defined below) and Associated Companies of Abbey National exceeds the aggregate of the net tangible assets of such Subsidiary Undertakings and Associated Companies attributable to Abbey National (calculated on a consolidated basis where any of such Subsidiary Undertakings and Associated Companies itself has Subsidiary Undertakings) as shown by their latest relevant audited balance sheets, by deducting therefrom an amount equal to such excess and adjusted also for contingencies and subsequent events in such manner as the person or persons giving the relevant Solvency Condition report may determine.

"Associated Company" means any body corporate, not being a Subsidiary Undertaking, which shall be specified in a certificate of a firm of independent public accountants to be an associated company for the purpose of the Statement of Standard Accounting Practice/Financial Reporting Standard for the time being in effect relating to accounting for the results of associated companies adopted or published by the Accounting Standards Board Limited of Great Britain.

"Subsidiary Undertaking" means any subsidiary undertaking of Abbey National within the meaning of Section 258 of the Companies Act 1985 of Great Britain as amended ("Section 258"). Section 258 provides that an undertaking will be a Subsidiary Undertaking of Abbey National where Abbey National either:

- (1) holds a majority of the voting rights in such undertaking or
- (2) is a member of such undertaking and has the right to appoint or remove a majority of such undertaking's board of directors or
- (3) has the right to exercise a dominant influence over such undertaking by virtue of provisions contained in such undertaking's memorandum or articles or by virtue of a control contract, or
- (4) is a member of such undertaking and controls alone, or pursuant to an agreement with other shareholders or members, a majority of the voting rights in such undertaking.

"Liabilities" means the total amount of the unconsolidated gross liabilities of Abbey National as shown by the latest published audited balance sheet of Abbey National but adjusted for contingencies and subsequent events in such manner as the person or persons giving the relevant Solvency Condition report may determine.

Redemption and Repurchase

Perpetual Subordinated Securities and Perpetual Capital Securities

The Perpetual Subordinated Securities and Perpetual Capital Securities will be undated and, accordingly, will have no final maturity and may not be repaid except in accordance with the provisions set forth below under "— Redemption for Tax Reasons", "— Repurchase" and "Events of Default and Defaults — Subordinated Debt Securities" or in any applicable prospectus supplement.

Redemption for Tax Reasons

Subject, in the case of Perpetual Capital Securities of any series, to the Solvency Condition being satisfied by Abbey National on any applicable date set for redemption, the debt securities of any series may be redeemed, as a whole but not in part, at the option of the applicable issuer, upon not more than 60 days' nor less than 30 days' prior notice to the holders of such debt securities, at a redemption price equal to 100% of the principal

amount thereof (and premium, if any, thereon), together with accrued interest, if any, and any Arrears of Interest thereon to the date fixed for redemption, if on the next succeeding Interest Payment Date,

- (1) the applicable issuer will be obligated to
 - (a) pay any additional amounts as provided in the applicable indenture and as described under "Payment of Additional Amounts" below or
 - (b) account to any taxing authority in the country in which the applicable issuer is organized for any amount (other than any tax withheld or deducted from interest payable on a debt security of such series) in respect of any payment made or to be made on any debt security of such series,
- (2) the guarantor, if any, would be unable, for reasons outside its control, to procure payment by the applicable issuer without such additional amounts being payable or being required to account as aforesaid and in making such payment itself would be required to pay additional amounts as provided in the applicable indenture and as described under "Payment of Additional Amounts" below or to account as aforesaid or
- (3) the guarantor, if any, 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 First Capital B.V. as the applicable issuer required to enable First Capital B.V. as the applicable issuer to make a payment in respect of the debt securities 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 First Capital B.V.,

provided, that debt securities of any such series may not be so redeemed if such obligation of the applicable issuer or the guarantor, if any, as the case may be, to pay such additional amounts or to account as aforesaid arises

- (x) except in the case of subordinated debt securities, in respect of United Kingdom taxation, by reason of ANTS no longer being a bank authorized under the Banking Act 1987 or interest paid on the debt securities of any such series not being paid in the ordinary course of its business, in each case as a consequence of any action taken by ANTS, or
- (y) because of the official application or interpretation of the laws or regulations affecting taxation of the country in which the applicable issuer or the guarantor, if any, is organized, or any political subdivision thereof or therein, as a result of any event referred to in (A) or (B) below, which law or regulation is in effect on the date of
 - (A) the assumption by any wholly owned subsidiary of Abbey National of the applicable issuer's obligations under the debt securities of any such series and under the applicable indenture or
 - (B) the consolidation, amalgamation or merger of the applicable issuer or the guarantor, if any, as the case may be, with or into, or the conveyance, transfer or lease by the applicable issuer or the guarantor, if any, as the case may be, of its properties and assets substantially as an entirety to, any Person.

If the applicable issuer or the guarantor, if any, as the case may be, provides a written opinion of independent legal counsel of recognized standing in the appropriate jurisdiction who are reasonably acceptable to the applicable trustee, dated as of the date of the relevant event referred to in (A) or (B) of clause (y) above, that no obligation to pay any additional amount or to account as aforesaid arises, then that opinion of counsel will be final and binding, solely for purposes of this paragraph, on the applicable issuer, the guarantor, if any, the applicable trustee and the holders of the debt securities of any such series as to the law of the relevant jurisdiction at the date of such opinion of counsel.

In the event that the applicable issuer elects to redeem the debt securities of any series pursuant to the provisions set forth in the preceding paragraph, the applicable issuer will deliver to the applicable trustee a certificate, signed by two authorized officers of the applicable issuer, evidencing compliance with such provisions and stating that the applicable issuer is entitled to redeem the debt securities of any such series pursuant to the terms of such debt securities and the applicable indenture.

Notice of intention to redeem the debt securities of any series will be given in accordance with the provisions described under "Notices" below and pursuant to the terms of the applicable indenture. If such notice has been given, and subject, in the case of Perpetual Capital Securities of any series, to the Solvency Condition being satisfied by Abbey National on the applicable redemption date, and subject, in the case of subordinated debt securities of any series, to the prior consent of the U.K. Financial Services Authority being obtained (see below), the debt securities of any such series shall become due and payable on the redemption date specified in such notice and, upon presentation and surrender of such debt securities at the place or places specified in such notice, such debt securities shall be paid and redeemed by the applicable issuer or the guarantor, if any, as the case may be, at the places and in the manner therein specified and at the redemption price therein specified together with accrued interest, if any, and Arrears of Interest, if any, to the redemption date. From and after the redemption date, unless the applicable issuer and the guarantor, if any, shall default in the payment of the redemption price together with accrued interest, if any, the debt securities of any such series called for redemption shall cease to bear interest. If any such debt security called for redemption shall not be so paid upon surrender thereof for redemption, the principal thereof (and premium, if any, thereon) shall, until paid, bear interest from the redemption date at such rate per annum equal to the rate borne by such debt security or, in the case of Discounted Securities, such debt security's Yield to Maturity.

Repurchase

Subject to applicable law (including, without limitation, U.S. federal securities law), and subject, in the case of Perpetual Capital Securities of any series, to the Solvency Condition being satisfied by Abbey National on the relevant date, the applicable issuer, Abbey National or any subsidiary of Abbey National may at any time repurchase debt securities of any series in any manner and at any price. Debt securities of any such series purchased by the applicable issuer, Abbey National or any subsidiary of Abbey National may be held, resold or surrendered by the purchaser thereof through the applicable issuer to the applicable trustee or any paying agent for cancellation.

"*Subsidiary*" means a subsidiary, within the meaning of Section 736 of the Companies Act 1985 of Great Britain as amended by the Companies Act 1989 of Great Britain ("Section 736"), for the time being of the guarantor. Section 736 provides that a company will be a subsidiary of the guarantor where:

- (1) the guarantor holds a majority of the voting rights in it,
- (2) the guarantor is a member of it and has the right to remove a majority of its board of directors,
- (3) the guarantor is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it or
- (4) such company is a subsidiary of any company which is a subsidiary of the guarantor.

Financial Services Authority Consents

Under U.K. regulatory requirements at the date of this prospectus, any such optional tax redemption or repurchase or any other optional redemption or purchase by the applicable Issuer, Abbey National or any subsidiary of Abbey National of subordinated debt securities of any series may be made only with the prior consent of the U.K. Financial Services Authority and subject to such conditions as the U.K. Financial Services Authority may impose at the time of any consent.

Payment of Additional Amounts

The applicable issuer or the guarantor, if any, as the case may be, will pay to the holder of any debt security such additional amounts as may be necessary in order that every net payment of the principal of (and premium, if any, on) and interest, if any, and Arrears of Interest, if any, on any such debt security after deduction or other withholding for or on account of any present or future tax, assessment, duty or other governmental charge of any nature whatsoever imposed, levied or collected by or on behalf of the country in which the applicable issuer or the guarantor, if any, as the case may be, is organized, or any political subdivision or taxing authority thereof or therein having power to tax, will not be less than the amount provided for in any such debt security to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts will not apply on account of any tax, assessment, duty or other governmental charge which is payable

- (1) otherwise than by deduction or withholding from payments of principal of (or premium, if any, on) or interest, if any, or Arrears of Interest, if any, on any such debt security
- (2) by reason of such holder having, or having had, some personal or business connection with the country in which the applicable issuer or the guarantor, if any, as the case may be, is organized and not merely by reason of the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in, such country;
- (3) by reason of a change in law or official practice of any relevant taxing authority that becomes effective more than 30 days after the Relevant Date (as defined below) for payment of principal (or premium, if any) or interest, if any, or Arrears of Interest, if any, in respect of such debt security; or
- (4) by reason of any estate, excise, inheritance, gift, sales, transfer, wealth or personal property tax or any similar assessment or governmental charge;
- (5) as a result of the failure of a holder to satisfy any statutory requirements or make a declaration of non-residence or other similar claim for exemption;
- (6) by reason of such holder holding a Registered Security that was issued pursuant to an Optional Definitive Security Request; or
- (7) owing to any combination of clauses (1) through (6) above.

No additional amounts will be paid as provided above with respect to any payment of principal of (or premium, if any, on) or interest, if any, on or Arrears of Interest, if any, on any such debt security to any holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of any such debt security.

"Relevant Date" means the date on which the payment of principal of (or premium, if any, on) or interest, if any, on or Arrears of Interest, if any, on any debt security first becomes due and payable but, if the full amount of the monies payable on such date has not been received by the relevant paying agent or as it shall have directed on or prior to such date, the *"Relevant Date"* means the date on which such monies shall have been so received.

Payment and Paying Agents

Unless otherwise indicated in an applicable prospectus supplement, payment of principal of (and premium, if any, on) and interest, if any, and Arrears of Interest, if any, on Registered Securities (other than a global Security) will be made at the office of such paying agent or paying agents as the applicable issuer or the guarantor, if any, as the case may be, may designate from time to time, except that at the option of the applicable issuer payment of any interest may be made

- (1) by check mailed or delivered to the address of the person entitled thereto as such address shall appear in the Security Register or
- (2) by wire transfer to an account maintained with a bank located in the United States by the person entitled thereto as specified in the Security Register.

Unless otherwise indicated in an applicable prospectus supplement, payment of any installment of interest on Registered Securities will be made to the person in whose name such Registered Security is registered at the close of business on the Regular Record Date for such interest payment. With respect to subordinated debt securities issued in the form of one or more global Bearer Securities to a Custodian any payments will be made to such Custodian as holder of the global Bearer Securities. See "Description of the Global Receipts Representing Global Bearer Securities" below.

Unless otherwise indicated in an applicable prospectus supplement, Citibank, N.A. will act as the principal paying agent for each series of senior debt securities pursuant to a Supplemental Agency Agreement (as supplemented or amended from time to time) among Abbey National, ANTS, the senior trustee and Citibank, N.A. and for each series of subordinated debt securities pursuant to a Supplemental Agency Agreement (as supplemented or amended from time to time) among Abbey National, First Capital B.V., the subordinated trustee and Citibank, N.A. Each such Supplemental Agency Agreement supplements and modifies a Master Agency Agreement, dated October 25, 1994 (as supplemented or amended from time to time) among Abbey National, ANTS, First Capital B.V., the senior trustee and the subordinated trustee.

Unless otherwise indicated in an applicable prospectus supplement, the London office of the principal paying agent will be designated as the sole paying agency of the issuer and the guarantor, if any, for payments with respect to senior debt securities. Unless otherwise indicated in an applicable prospectus supplement, the London office of the principal paying agent will be designated the sole paying agency of the applicable issuer and the guarantor, if any, for payments with respect to subordinated debt securities. Any other paying agents outside the United States and any other paying agents in the United States initially designated by the applicable issuer or the guarantor, if any, as the case may be, for the debt securities of a series will be named in the related prospectus supplement. The applicable issuer or the guarantor, if any, as the case may be, may at any time designate additional paying agents or rescind the designation of any paying agents or approve a change in the office through which any paying agent acts, except that the applicable issuer and the guarantor, if any, will be required to maintain a paying agent in each Place of Payment for such series; provided that if the debt securities of such series are listed on any stock exchange located outside the United States and such stock exchange shall so require, the applicable issuer and the guarantor, if any, will each maintain a paying agent in any such required city located outside the United States, as the case may be, for the debt securities of such series.

All moneys paid by the applicable issuer or the guarantor, if any, as the case may be, to a paying agent for the payment of principal of (and premium, if any, on) and interest, if any, and Arrears of Interest, if any, on any debt security or in respect of any other additional payments thereon which remains unclaimed at the end of two years after such principal, premium or interest or additional payments shall have become due and payable will (subject to applicable laws) be repaid to the applicable issuer or the guarantor, if any, as the case may be, and the holder of such debt security will thereafter look only to the applicable issuer or the guarantor, if any, as the case may be, for payment thereof.

Events of Default and Defaults — Senior Debt Securities

An "*Event of Default*" with respect to each series of senior debt securities means any one of the following events:

- (1) default in the timely payment of the principal of (or premium, if any, on) any senior debt security of that series at its Maturity or default in the deposit of any sinking fund payment when and as due by the terms of any senior debt security of that series;

- (2) default is made for a period of 14 days or more in the payment of any interest due in respect of any senior debt security of that series;
- (3) if the senior issuer or the guarantor fails to perform or observe any of its other obligations under the senior indenture (other than an obligation included in the senior indenture solely for the benefit of senior debt securities other than the senior debt securities of any such particular series) or the senior debt securities of that series and such failure continues for the period of 30 days after the date on which there has been given, by registered or certified mail, to the senior issuer and the guarantor by the senior trustee or to the senior issuer, the guarantor and the senior trustee by the holders of at least 25% in principal amount of the outstanding senior debt securities of that series a written notice specifying such default or breach and requiring it to be remedied;
- (4) 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 (as defined below)) of the senior issuer, the guarantor or any Principal Subsidiary (as defined below) becomes or become due and repayable prematurely by reason of an Event of Default (however described) or the senior 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 senior 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;
- (5) if the senior 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 senior issuer, 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 of Great Britain 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 senior issuer, the guarantor and wholly owned subsidiaries of the guarantor), or the senior issuer, the guarantor or any Principal Subsidiary stops payment of, or admits inability to pay, its debts as they fall due;
- (6) if an administrative or other receiver or an administrator or other similar official is appointed in relation to the senior 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 or 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;
- (7) if an effective resolution is passed or an order is made for the winding up or dissolution of the senior issuer or the guarantor;
- (8) 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 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 senior issuer, the guarantor and wholly owned subsidiaries of the guarantor); or
- (9) any other Event of Default provided with respect to senior debt securities of that series.

"Cross Default Amount" means the greater of:

- (1) £25,000,000 or its equivalent in any other currency or currency unit and

- (2) such amount in pounds sterling as is equal to 1% of the Adjusted Tangible Net Worth (as defined below) of the guarantor and its subsidiaries or the equivalent of such amount in any other currency or currency unit.

A certificate of a firm of independent public accountants of the guarantor as to the amount of any Cross Default Amount will, in the absence of manifest error, be conclusive and binding on the senior issuer, the guarantor, the senior trustee and all holders and beneficial owners of senior debt securities for the purposes of this definition.

"Adjusted Tangible Net Worth" means the aggregate of

- (1) the nominal amount of the share capital of the guarantor for the time being issued and paid up or credited as paid up;
- (2) the amounts standing to the credit of the reserves (including any share premium account and profit and loss account) of the guarantor and its subsidiaries; and
- (3) any amounts attributable to minority interests in subsidiaries,

all as shown in the latest audited consolidated balance sheet of the guarantor and its subsidiaries prepared in accordance with U.K. GAAP, but adjusted to the extent that the following items have not already been deducted or excluded in arriving at the figures referred to in clauses (1), (2) or (3) above by deducting therefrom:

- (a) any distribution of cash or tangible assets declared, recommended or made by the guarantor or any of its subsidiaries (other than any distribution attributable to the guarantor or another Subsidiary) out of profits accrued prior to the date of, and not provided for in, the latest consolidated balance sheet of the guarantor and its subsidiaries,
- (b) any amounts attributable to intangible assets; and
- (c) the amount of any debit on the profit and loss account, in each case as determined in accordance with U.K. GAAP.

"Principal Subsidiary" means at any time a subsidiary of the guarantor

- (1) whose total assets (consolidated in the case of such a subsidiary which itself has subsidiaries) attributable to the guarantor represent (or, in the case of such a subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated accounts of the guarantor and its subsidiaries relate, are equal to) not less than 10% of the consolidated total assets of the guarantor and its subsidiaries attributable to the guarantor, all as calculated respectively by reference to the then latest audited accounts (consolidated or unconsolidated, as the case may be) of such subsidiary and the then latest audited consolidated accounts of the guarantor and its subsidiaries;

provided that

- (a) in the case of such a subsidiary acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculations above shall, until accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the auditors of the guarantor, and
- (b) if, in the case of such a subsidiary which itself has subsidiaries, no consolidated accounts are prepared and audited, its consolidated total assets shall be determined on the basis of pro forma consolidated accounts of the relevant subsidiary and its subsidiaries prepared and audited for this purpose by the auditors of the guarantor or the auditors for the time being of the relevant subsidiary of the guarantor; or

- (2) to which is transferred all or substantially all of the assets and undertaking of a subsidiary which immediately prior to such transfer is a Principal Subsidiary, *provided* that the transferor subsidiary will upon such transfer forthwith cease to be a Principal Subsidiary and the transferee subsidiary shall cease to be a Principal Subsidiary pursuant to this clause (2) on the date on which the consolidated accounts of the guarantor and its subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee subsidiary may be a Principal Subsidiary on or at any time after such date by virtue of the provisions of clause (1) above or before, on or at any time after such date by virtue of the provisions of clause (3) below; or
- (3) to which is transferred assets attributable to the guarantor which, taken together with the assets of the transferee subsidiary attributable to the guarantor, represent (or, in the case of the transferee subsidiary being acquired after the end of the financial period to which the then latest relevant audited consolidated accounts of the guarantor and its subsidiaries relate, are equal to) not less than 10% of the consolidated total assets of the guarantor and its subsidiaries attributable to the guarantor, all as calculated as referred to in clause (i) above and in the penultimate sentence of this paragraph;

provided that, if applicable, the transferor subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its assets represent (or, in the case aforesaid, are equal to) not less than 10% of the consolidated total assets of the guarantor and its subsidiaries, all as calculated as referred to in clause (1) above, and the transferee subsidiary shall cease to be a Principal Subsidiary pursuant to this clause (3) on the date on which the consolidated account of the guarantor and its subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor subsidiary, if applicable, or such transferee subsidiary may be a Principal Subsidiary on or at any time after such date by virtue of the provisions of clause (1) above or before, on or at any time after such date by virtue of the provisions of clause (2) above. For the purposes of this definition, in relation to total assets of a subsidiary and consolidated total assets of the guarantor and its subsidiaries, "attributable to the guarantor" means respectively such total assets and consolidated total assets after deducting amounts attributable directly or indirectly, assuming there are no liabilities to be deducted, to outside interests in such Subsidiary and such subsidiaries respectively. A certificate of a firm of independent public accountants of the guarantor that states that in their opinion a subsidiary is or is not or was or was not at any particular time a Principal Subsidiary will, in the absence of manifest error, be conclusive and binding on the senior issuer, the guarantor, the senior trustee and all holders and beneficial owners of senior debt securities hereto for the purposes of this definition.

If an Event of Default with respect to any particular series of senior debt securities occurs and is continuing, the senior trustee or the holders of at least 25% in aggregate principal amount of the outstanding senior debt securities of that series may exercise any right, power or remedy permitted by law and shall have, in particular, without limiting the generality of the foregoing, the right to declare the entire principal amount of (including premium, if any, on), or (in the case of Discounted Securities) such lesser amount as may be provided for with respect to such debt securities, all the senior debt securities of that series to be due and payable immediately, by a notice in writing to the senior issuer and the guarantor (and to the senior trustee if given by holders), and upon any such declaration of acceleration such principal or such lesser amount, as the case may be, including premium, if any, thereon, together with any accrued interest and all other amounts owing thereunder, shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which have been expressly waived by the senior issuer and the guarantor. However, at any time after such a declaration of acceleration has been made, but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in aggregate principal amount of the outstanding senior debt securities of that series may, under certain circumstances, rescind and annul such acceleration.

The senior issuer has also covenanted that if

- (1) default is made in the payment of any interest upon any senior debt security of a series when such interest becomes due and payable and such default continues for a period of 14 days or

- (2) default is made in the timely payment of the principal of (or premium, if any, on) any senior debt security of a series at its Maturity,

the senior issuer will, upon demand of the senior trustee for the senior debt securities of such series, pay to it, for the benefit of the holders of such senior debt securities, the whole amount then due and payable on such senior debt securities for principal (and premium, if any) and interest, if any, with interest upon the overdue principal (and premium, if any) and, to the extent that payment of such interest shall be legally enforceable, upon any overdue installments of interest at a rate per annum equal to the rate borne by such senior debt securities (or, in the case of Discounted Securities, the debt securities' Yield to Maturity); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the senior trustee, its agents and counsel.

If the senior issuer fails to pay such amounts forthwith upon such demand, the senior trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceedings to judgment or final decree, and may enforce the same against the senior issuer or the guarantor, or any other obligor upon the senior debt securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the senior issuer or the guarantor, or any other obligor upon the senior debt securities, wherever situated.

Holders of senior debt securities of any series may not enforce the senior indenture, senior debt securities or senior guarantees, except as described in the preceding paragraphs; provided that each holder of senior debt securities will have the right to institute suit for the enforcement of payment of the principal of (and premium, if any, on) and interest, if any, on such senior debt securities on the respective Stated Maturities thereof as provided in the senior indenture. The senior trustee may require indemnity satisfactory to it before it enforces the senior indenture, senior debt securities or senior guarantees, if any. Subject to certain limitations, holders of a majority in aggregate principal amount of the outstanding senior debt securities of any series may direct the senior trustee in its exercise of any trust or power. The senior issuer and the guarantor each will furnish the senior trustee with an annual certificate of certain of its officers certifying, to the best of their knowledge, whether the senior issuer or the guarantor, as the case may be, is, or has been, in default and specifying the nature and status of any such default. The senior trustee may withhold from holders of senior debt securities of any series notice of any continuing default (except a default in payment) if it determines in good faith that the withholding of such notice is in the interest of such holders.

Events of Default and Defaults — Subordinated Debt Securities

An "*Event of Default*" with respect to each series of subordinated debt securities shall only occur if an order is made by a court of competent jurisdiction and is not successfully appealed within 30 days of the making of such order, or an effective shareholders' resolution is validly adopted, for the winding up of the applicable subordinated issuer or the guarantor (other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency or on terms previously approved in writing by the holders of not less than a majority in aggregate principal amount of the outstanding subordinated debt securities). If any such Event of Default with respect to any particular series of subordinated debt securities occurs and is continuing, the subordinated trustee or the holders of at least 25% in aggregate principal amount of the outstanding subordinated debt securities of that series may declare the entire principal amount of (including premium, if any, on), or (in the case of Discounted Securities) such lesser amount as may be provided for with respect to such debt securities, all the subordinated debt securities of that series to be due and payable immediately, by a notice in writing to the subordinated issuer and the guarantor (and to the applicable trustee if given by holders).

Upon any such declaration of acceleration such, principal or such lesser amount, as the case may be, including premium, if any, thereon, together with any accrued interest, any Arrears of Interest and all other amounts owing thereunder, shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which have been expressly waived by the subordinated issuer and the guarantor. However, at any time after such a declaration of acceleration has been made, but before a judgment or decree for

payment of the money due has been obtained, the holders of a majority in aggregate principal amount of the outstanding subordinated debt securities of that series may, under certain circumstances, rescind and annul such acceleration.

The failure by the issuer of any subordinated debt security of a series to pay principal of (or premium, if any, on) or accrued interest, if any, on any such subordinated debt security when due, and continued for 14 days, shall be a "Default" with respect to the subordinated debt securities of such a series; *provided that*

- (A) unless otherwise provided in the applicable prospectus supplement, if the applicable subordinated issuer (or the guarantor, if applicable) does not pay an installment of interest on an Interest Payment Date with respect to any Term Subordinated Debt Securities or Perpetual Subordinated Debt Securities, or does not pay all or any part of the principal of (or premium, if any, on) any such subordinated debt securities on the Stated Maturity (if any) or any other date set for redemption, the failure to make such payment shall not constitute a Default and the obligation to make such payment shall be deferred until
 - (i) in the case of payment of interest, the applicable Deferred Interest Payment Date and
 - (ii) in the case of a payment of principal (or premium), the Deferred Principal Payment Date,
- (B) the failure to pay interest, if any, accrued on a Perpetual Capital Security on any Optional Interest Payment Date shall not constitute a "Default" and
- (C) a payment of principal of (or premium, if any, on) or accrued interest, if any, or any Arrears of Interest on a Perpetual Capital Security shall not be deemed to be due on any date on which the Solvency Condition has not been satisfied by Abbey National.

If the applicable subordinated issuer fails to make payment of accrued interest on a Perpetual Capital Security on any Compulsory Interest Payment Date or fails to pay Arrears of Interest, in either case when such payment would have become due but for the Solvency Condition, and such failure continues for fourteen days, such failure will not constitute a Default but instead will constitute a "Payment Event". For the avoidance of doubt, the obligation to pay an installment of interest on a Deferred Interest Payment Date, or to pay principal (or premium, if any) on a Deferred Principal Payment Date, may not be deferred.

In addition, failure to make any payment in respect of the subordinated debt securities shall not be a Default in respect of such subordinated debt securities if such payment is withheld or refused,

- (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or
- (2) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given with respect to validity or applicability of such law, regulation or order at any time during said period of 14 days by independent legal advisers acceptable to the subordinated trustee,

provided, however, that the subordinated trustee may by notice to the issuer require the issuer to take such action (including but not limited to proceedings for a declaration by a court of competent jurisdiction) as the subordinated trustee may be advised in an opinion of counsel, upon which opinion the subordinated trustee may conclusively rely, as appropriate and reasonable in the circumstances, to resolve such doubt, in which case the issuer shall promptly take and expeditiously proceed with such action and shall be bound by any final resolution of the doubt resulting therefrom. Subject to the provisions of the preceding paragraph, if any such resolution determines that the relevant payment can be made without violating any applicable law, regulation or order then the provisions of the preceding sentence shall cease to have effect and such payment shall become due and payable on the expiration of 14 days after the subordinated trustee gives written notice to the issuer informing it of such resolution.

If any Default shall occur, the subordinated trustee may commence

- (1) if First Capital B.V. is the applicable issuer, a proceeding in the Netherlands (but not elsewhere) for the bankruptcy of First Capital B.V.,

- (2) a proceeding in England and Wales (but not elsewhere) for the winding up of Abbey National, in its capacity as subordinated issuer or guarantor, as the case may be, or
- (3) a judicial proceeding for the collection of the sums so due and unpaid,

provided that the subordinated trustee may not declare the principal amount of any subordinated debt security to be due and payable.

On any Payment Event, the subordinated trustee may institute proceedings

- (1) if First Capital B.V. is the applicable issuer, in the Netherlands (but not elsewhere) for the bankruptcy of First Capital B.V. or
- (2) in England and Wales (but not elsewhere), for the winding up of Abbey National, in its capacity as subordinated issuer or the guarantor, as the case may be,

but may not pursue any other legal remedy, including a judicial proceeding for the collection of the sums so due and unpaid.

By acceptance of the subordinated debt securities, holders of such subordinated debt securities and the subordinated trustee, on behalf of such holders, will be deemed to have waived any right of set-off or counterclaim that such holders might otherwise have against the applicable subordinated issuer or the guarantor, as the case may be, whether prior to or in any such bankruptcy or winding up. Notwithstanding the preceding sentence, if any of the rights and claims of any holder of subordinated debt securities are discharged by set-off, such holder will immediately pay an amount equal to the amount of such discharge to the applicable subordinated issuer, the guarantor, if any, or, if applicable, the liquidator or trustee or receiver in bankruptcy of the applicable subordinated issuer or the guarantor, if any, as the case may be, and until such time as payment is made will hold a sum equal to such amount in trust for such subordinated issuer or the guarantor, if any, as the case may be, or, if applicable, the liquidator or trustee or receiver in bankruptcy of the applicable subordinated issuer or the guarantor. Accordingly, such discharge will be deemed not to have taken place.

If the subordinated issuer or the guarantor fails to perform or observe any of its respective obligations or covenants under any series of subordinated debt securities or the subordinated indenture (other than any obligation or covenant (1) with respect to the payment of any principal or interest on the subordinated debt securities of such series or (2) which has expressly been included in the subordinated indenture solely for the benefit of subordinated debt securities other than the subordinated debt securities of such series) and such failure continues for a period of 30 days after the date on which there has been given, by registered or certified mail, to the subordinated issuer and the guarantor by the subordinated trustee or to the subordinated issuer, the guarantor and the trustee by the holders of at least 25% in aggregate principal amount of the outstanding subordinated debt securities of such series a written notice specifying such default or breach and requiring it to be remedied, then the subordinated trustee or the holders of at least 25% in aggregate principal amount of the outstanding subordinated debt securities of such series may institute such proceedings or take such other actions as they shall determine in their sole discretion to enforce such obligation or covenant; *provided* that neither the subordinated issuer nor the guarantor shall as a consequence of such proceedings or other actions be obliged to pay any sum or sums representing or measured by reference to the principal or interest in respect of the subordinated debt securities of such series sooner than the same would otherwise have been due and payable by the subordinated issuer or the guarantor.

The subordinated indenture provides that the subordinated trustee will, within 90 days after the occurrence of an Event of Default, Default or Payment Event with respect to the subordinated debt securities, give to the holders of the subordinated debt securities notice of such Event of Default, Default or Payment Event known to it, unless such Event of Default, Default or Payment Event shall have been cured or waived; *provided* that the subordinated trustee shall be protected in withholding such notice if it determines in good faith that the withholding of such notice is in the interest of such holders.

Holders of subordinated debt securities of any series may not enforce the subordinated indenture, subordinated debt securities or subordinated guarantees, except as described in the preceding paragraphs; provided that each holder of subordinated debt securities will have the right to institute suit for the enforcement of payment of the principal of (and premium, if any, on) and interest, if any, on such subordinated debt securities on the respective Stated Maturities, if any, thereof or on the date any such payment is otherwise due and payable as provided in the subordinated indenture or the subordinated debt securities.

The subordinated trustee may require indemnity satisfactory to it before it enforces the subordinated indenture, subordinated debt securities or subordinated guarantees, if any. Subject to certain limitations, holders of a majority in aggregate principal amount of the outstanding subordinated debt securities of any series may direct the subordinated trustee in its exercise of any trust or power. The subordinated issuer and the guarantor each will furnish the subordinated trustee with an annual certificate of certain of its officers certifying, to the best of their knowledge, whether the subordinated issuer or the guarantor, as the case may be, is, or has been, in default and specifying the nature and status of any such default. The subordinated trustee may withhold from holders of subordinated debt securities of any series notice of any continuing default (except a default in payment) if it determines in good faith that the withholding of such notice is in the interest of such holders.

Judgment Currency

A judgment for money damages by courts in the United States, including a money judgment based on an obligation expressed in a foreign currency, will ordinarily be rendered only in U.S. dollars. The statutory law of the State of New York provides that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment or decree.

If, for the purpose of obtaining a judgment in any court with respect to any obligation of the applicable issuer or the guarantor, if any, under the applicable indenture, debt security or guarantee, if any, as the case may be, it shall become necessary to convert into any other currency or currency unit any amount due under such indenture, debt security or guarantee, if any, as the case may be, then the conversion shall be made by the Currency Determination Agent at the Market Exchange Rate as in effect on the date of entry of the judgment (the "Judgment Date"). If pursuant to any such judgment, conversion shall be made on a date (the "Substitute Date") other than the Judgment Date and there shall occur a change between the Market Exchange Rate as in effect on the Judgment Date and the Market Exchange Rate as in effect on the Substitute Date, the indentures require the applicable issuer or guarantor, if any, as the case may be, to pay such additional amounts (if any) as may be necessary to ensure that the amount paid is equal to the amount in such other currency or currency unit which, when converted at the Market Exchange Rate as in effect on the Judgment Date, is the amount then due under such indenture, debt security or guarantee, if any, as the case may be. Neither the applicable issuer nor the guarantor, if any, as the case may be, will, however, be required to pay more in the currency or currency unit due under such indenture, debt security or guarantee, if any, as the case may be, at the Market Exchange Rate as in effect on the Judgment Date than the amount stated in U.S. dollars to be due under such indenture, debt security or guarantee, if any, as the case may be, so that in any event the obligations of the applicable issuer or the guarantor, if any, as the case may be, under such indenture, debt security or guarantee, if any, as the case may be, will be effectively maintained as obligations in U.S. dollars and the applicable issuer or the guarantor, if any, as the case may be, shall be entitled to withhold (or be reimbursed for, as the case may be) any excess of the amount actually realized upon any such conversion on the Substitute Date over the amount due and payable on the Judgment Date.

Consolidation, Merger and Sale or Lease of Assets

So long as any debt security of a series remains outstanding, neither the applicable issuer nor the guarantor, if any, will consolidate or amalgamate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person (as defined in the indentures) unless

- (1) the corporation formed by such consolidation or amalgamation or into which the applicable issuer or the guarantor, if any, as the case may be, is merged, or the Person which acquires leases substantially all or all of the properties and assets of the applicable issuer or the guarantor, if any, shall
- (a) in the case of Abbey National or ANTS, be a corporation or other Person organized and validly existing under the laws of any country that is a member of the European Union (as the same may be constituted from time to time) or under the laws of the United States, Canada, Australia or New Zealand and
 - (b) in the case of the applicable issuer and the guarantor, if any, expressly assume, by an amendment to the applicable indenture that is executed and delivered in form reasonably satisfactory to the applicable trustee, with any amendments or revisions necessary to take account of the jurisdiction in which any such corporation or other Person is organized (if other than the Netherlands or England and Wales, as the case may be),
 - (i) in the case of the applicable issuer, the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on and Arrears of Interest, if any, on all of the debt securities of such a series
 - (ii) the performance of every covenant of the applicable indenture (other than a covenant included in the applicable indenture solely for the benefit of series of debt securities other than such debt securities) and of such debt securities on the part of the applicable issuer to be performed,
 - (iii) in the case of the guarantor, if any, the due and punctual performance of the guarantees and the performance of every covenant of the applicable indenture (other than a covenant included in the applicable indenture solely for the benefit of series of debt securities other than such debt securities) and of such debt securities on the part of the guarantor to be performed,
 - (iv) such assumption shall provide that such corporation or Person shall pay to the holder of any such debt securities such additional amounts as may be necessary in order that every net payment of the principal of (and premium, if any, on) and interest, if any, on and Arrears of Interest, if any, on such debt securities will not be less than the amounts provided for in such debt securities to be then due and payable and
 - (v) with respect to (iv) above, such obligation shall extend to any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment by the United Kingdom, the Netherlands or the country in which any such corporation or Person is organized or any district, municipality or other political subdivision or taxing authority thereof (it being understood that, except as aforesaid, no such corporation or Person shall be obligated to make any indemnification or payment in respect of any tax consequences to any holder as a result of such assumption of rights and obligations if such corporation or Person would not be obligated to pay an additional amount pursuant to the applicable indenture if such corporation or Person were the issuer or the guarantor, as the case may be);
- (2) immediately after giving effect to such transaction, no Event of Default with respect to senior debt securities of such a series or no Event of Default, Default or Payment Event with respect to subordinated debt securities of such a series, as the case may be, and no event which, after notice or lapse of time, or both, would become an Event of Default, Default or Payment Event, as the case may be, with respect to such debt securities, shall have occurred and be continuing; and

- (3) the applicable issuer or the guarantor, if any, as the case may be, has delivered to the applicable trustee a certificate signed by two duly authorized officers of the applicable issuer or the guarantor, if any, as the case may be, and an opinion of counsel each stating that such consolidation, amalgamation, merger, conveyance, transfer or lease and such amendment to the applicable indenture evidencing the assumption by such corporation or Person comply with the applicable indenture and that all conditions precedent provided for in the applicable indenture relating to such transaction have been complied with.

Upon any such consolidation, amalgamation or merger, or any such conveyance, transfer or lease, the successor corporation or Person will succeed to, and be substituted for, and may exercise every right and power of, the applicable issuer or the guarantor, if any, as the case may be, under the applicable indenture with the same effect as if such successor corporation or Person had been named as the issuer or the guarantor, if any, as the case may be, thereunder, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under the applicable indenture and such debt securities or the related guarantees, if any, as the case may be.

Assumption of Obligations

Abbey National or any wholly owned subsidiary of Abbey National may assume the obligations of ANTS as senior issuer or of First Capital B.V. as a subordinated issuer (or any corporation which shall have previously assumed the obligations of ANTS as senior issuer or of First Capital B.V. as a subordinated issuer), as the case may be, with respect to the debt securities of a series for the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on and Arrears of Interest, if any, or and any additional amounts required to be paid in accordance with the provisions of the applicable indenture or such debt securities in respect of such debt securities and the performance of every covenant of the applicable indenture (other than a covenant included in the applicable indenture solely for the benefit of series of debt securities other than such debt securities) and such debt securities on the part of ANTS as senior issuer or of First Capital B.V. as a subordinated issuer, as the case may be, to be performed or observed; *provided*, that

- (1) Abbey National or such subsidiary of Abbey National, as the case may be, shall expressly assume such obligations by an amendment to the applicable indenture, executed by it and delivered in a form satisfactory, to the applicable trustee, and, if such subsidiary assumes such obligations, Abbey National shall, by an amendment to the applicable indenture, confirm that its guarantees shall apply to such subsidiary's obligations under such debt securities and the applicable indenture, as so modified by such amendment;
- (2) Abbey National or such subsidiary, as the case may be, shall confirm in such amendment to the applicable indenture that it will pay to the holders such additional amounts as *provided* by, and subject to the limitations set forth in, such debt securities and the applicable indenture as may be necessary in order that every net payment of the principal of (and premium, if any, on) and interest, if any, on and Arrears of Interest, if any, on such debt securities will not be less than the amount provided for in such debt securities to be then due and payable and such obligation shall extend to the payment of any such additional amounts as necessary to compensate for or indemnify against any deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon such payment by the United Kingdom, the Netherlands or the country in which Abbey National or such subsidiary is organized or any district, municipality or other political subdivision or taxing authority therein (it being understood that, except as aforesaid, neither Abbey National nor such subsidiary shall be obligated to make any indemnification or payments in respect of any tax consequences to any holder as a result of such assumption of rights and obligations if Abbey National or such subsidiary would not be obligated to pay an additional amount pursuant to the applicable indenture if Abbey National or such subsidiary were the issuer); and
- (3) immediately after giving effect to such assumption of obligations, no Event of Default with respect to senior debt securities of such a series or no Event of Default, Default or Payment Event with respect to subordinated debt securities of such a series, as the case may be, and no event which, after notice or

lapse of time or both, would become an Event of Default, Default or Payment Event, as the case may be, shall have occurred and be continuing.

Upon any such assumption, Abbey National or such subsidiary, as the case may be, will succeed to, and be substituted for, and may exercise every right and power of, ANTS as senior issuer or First Capital B.V. as a subordinated issuer, as the case may be, under the applicable indenture with respect to such debt securities with the same effect as if it had been named as ANTS as senior issuer or First Capital B.V. as a subordinated issuer, as the case may be, under the applicable indenture, and ANTS as senior issuer or First Capital B.V. as a subordinated issuer, as the case may be, or any successor corporation thereto shall be released from all liability as obligor upon such debt securities.

Satisfaction and Discharge

Except as may otherwise be set forth in the prospectus supplement relating to the debt securities of a series, the indentures provide that the applicable issuer will be discharged from its obligations under the debt securities of a series (with certain exceptions) at any time prior to the Stated Maturity, if any, or redemption of such debt securities when

- (1) the applicable issuer has irrevocably deposited with or to the order of the applicable trustee, in trust,
 - (a) sufficient funds in the currency, currencies, currency unit or units in which such debt securities are payable (without consideration of any reinvestment thereof) to pay the principal of (and premium, if any, on) and interest, if any, on and Arrears of Interest, if any, on such debt securities to the Stated Maturity, if any (or redemption date), or
 - (b) such amount of U.S. Government Obligations (as defined below) as will, together with the predetermined and certain income to accrue thereon (without consideration of any reinvestment thereof), be sufficient to pay when due the principal of (and premium, if any, on) and interest, if any, and Arrears of Interest, if any, to the Stated Maturity, if any (or redemption date) on such debt securities, or
 - (c) such amount equal to the amount referred to in clause (a) or (b) in any combination of currency or currency unit or U.S. Government Obligations;
- (2) the applicable issuer has paid all other sums payable with respect to such debt securities;
- (3) the applicable issuer has delivered to the applicable trustee an opinion of counsel in form and substance acceptable to the trustee to the effect that
 - (a) the applicable issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or
 - (b) since the date of the applicable indenture there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based upon which such opinion of counsel shall confirm that, the holders of such debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such discharge and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such discharge had not occurred; and
- (4) certain other conditions are met.

Upon such discharge, the holders of the debt securities of such a series shall no longer be entitled to the benefits of the terms and conditions of the applicable indenture, debt securities and guarantees, if any, except for certain provisions, including registration of transfer and exchange of such debt securities and replacement of mutilated, destroyed, lost or stolen debt securities of such a series, and shall look for payment only to such deposited funds or obligations.

In addition, under the requirements of the U.K. Financial Services Authority at the date of this prospectus, any such discharge with respect to the subordinated debt securities of any series would require the consent of the U.K. Financial Services Authority.

"U.S. Government Obligations" means non-callable

- (1) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America for which its full faith and credit are pledged or
- (2) obligations of a person controlled or supervised by, and acting as an agency or instrumentality of, the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America.

Supplemental Indentures

The indentures contain provisions permitting the applicable issuer or issuers, as the case may be, the guarantor and the applicable trustee

- (1) without the consent of the holders of any debt securities issued under the applicable indenture, to execute supplemental indentures for certain enumerated purposes, such as to cure any ambiguity or inconsistency or to make any change that does not have a materially adverse effect on the rights of any holder of such debt securities, and
- (2) with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each series of debt securities issued under the applicable indenture and affected thereby

to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the applicable indenture or of modifying in any manner the rights of holders of any such debt securities under the applicable indenture; *provided*, that no such supplemental indenture may, without the consent of the holder of each such outstanding debt security affected thereby

- (1) change the Stated Maturity, if any, of the principal of or interest on any such debt security, or change the terms of any Perpetual Subordinated Security or Perpetual Capital Security to include a Stated Maturity of the principal amount of any such debt security, or reduce the principal amount of any such debt security or the rate of interest thereon, if any, or the Arrears of Interest thereon, if any, or any premium or principal payable upon redemption thereof, or change any obligation of the applicable issuer to pay additional amounts thereon, or change any Place of Payment where, or change the currency in which, any such debt security or the interest, if any, thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity, if any, thereof or the date any such payment is otherwise due and payable (or, in the case of redemption, on or after the redemption date);
- (2) reduce the percentage in aggregate principal amount of such outstanding debt securities of any particular series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the applicable indenture or certain defaults thereunder and their consequences) provided for in the applicable indenture;
- (3) change any obligation of the applicable issuer and the guarantor, if any, to maintain an office or agency in the places and for the purposes specified in the applicable indenture;
- (4) modify certain of the provisions of the applicable indenture pertaining to the waiver by holders of such debt securities of past defaults, supplemental indentures with the consent of holders of such debt securities and the waiver by holders of such debt securities of certain covenants, except to increase any

specified percentage in aggregate principal amount required for any actions by holders of debt securities or to provide that certain other provisions of the applicable indenture cannot be modified or waived without the consent of the holder of each such debt security affected thereby;

- (5) in the case of subordinated debt securities, change in any manner adverse to the interests of the holders of such outstanding subordinated debt securities the subordination provisions of such subordinated debt securities; or
- (6) in the case of all debt securities, change in any manner adverse to the interests of the holders of any such outstanding debt securities the terms and conditions of the obligations of the guarantor, if any, in respect of the due and punctual payment of the principal thereof (and premium, if any, thereon) and interest and Arrears of Interest thereon or any additional amounts or any sinking fund payments provided in respect thereof.

In addition, material variation in the terms and conditions of the subordinated debt securities of any series, which may include modifications relating to the status, subordination, redemption, repurchase, Events of Default, Defaults or Payment Events with respect to such subordinated debt securities, may require the consent of the U.K. Financial Services Authority.

Waivers

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each series of debt securities issued under the applicable indenture and affected thereby, may on behalf of the holders of all such debt securities waive compliance by the applicable Issuer or the guarantor, if any, with certain restrictive provisions of the applicable indenture as pertain to the corporate existence of the applicable issuer and the guarantor, if any, the maintenance of certain agencies by the applicable issuer and the guarantor, if any, or, solely with respect to senior debt securities, as pertain to the negative pledge covenant as described under "Senior Debt Securities — Negative Pledge" above. The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of a series issued under the applicable indenture may on behalf of the holders of all such debt securities of such series waive any past default under the applicable indenture, except a default in the payment of the principal of (and premium, if any, on) and interest, if any, on any such debt security or in respect to a covenant or a provision which under the applicable indenture cannot be modified or amended without the consent of the holder of each outstanding debt security of such a series.

Further Issuances

The applicable issuer may from time to time, without notice to or the consent of the holders of the outstanding debt securities of a series, create and issue under the applicable indenture further debt securities ranking *pari passu* with such outstanding debt securities in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further debt securities or except for the first payment of interest following the issue date of such further debt securities) and so that such further debt securities shall be consolidated and form a single series with such outstanding debt securities and shall have the same terms as to status, redemption or otherwise as such outstanding debt securities.

Notices

Notices to holders of Registered Securities will be given by mail to the addresses of such holders as they appear in the Security Register. Notices pertaining to subordinated debt securities issued in the form of one or more Global Bearer Securities will be given by mail to the applicable Custodian as holder of the Global Bearer Security.

Title

We, the trustees and any of our agents or of the trustees may treat the registered owner of any Registered Security as the absolute owner thereof (whether or not such security shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

Governing Law

The senior indenture, the senior debt securities and the senior guarantees shall be governed by and construed in accordance with the laws of the State of New York.

In accordance with the guidelines of the U.K. Financial Services Authority, the subordination provisions in the subordinated indenture, the subordinated debt securities and the subordinated guarantees will be governed by and construed in accordance with the laws of England and Wales, with the intention that such provisions be given full effect in any insolvency proceeding relating to Abbey National in England and Wales. All other provisions in the subordinated indenture, the subordinated debt securities and the subordinated guarantees will be governed by and construed in accordance with the laws of the State of New York.

Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than U.S. dollars. If a debt security is denominated in a currency other than U.S. dollars, any judgment under New York law will be rendered in the currency of the underlying obligation and converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment or decree.

Consent to Service

Each of us has designated and appointed CT Corporation System at 111 Eighth Avenue, in the Borough of Manhattan, The City of New York, New York, as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the applicable debt securities, guarantees or indenture which may be instituted in any State or Federal court located in the Borough of Manhattan, The City of New York, New York, and has submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such court in which any such suit or proceeding is so instituted. Each of us has agreed, to the fullest extent that we lawfully may do so, that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon us and may be enforced in the courts of England and Wales (or any other courts to the jurisdiction of which we are subject).

First Capital B.V. has designated and appointed Abbey National at Abbey House, Baker Street, London NW1 6XL, England, as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the subordination provisions of the subordinated debt securities issued by it which may be instituted in any court located in England and Wales and has submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such court in which any such suit or proceeding is so instituted. First Capital B.V. has agreed, to the fullest extent that it lawfully may do so, that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon it and may be enforced in the courts of the Netherlands (or any other courts to the jurisdiction of which First Capital B.V. is subject).

Notwithstanding the foregoing, any actions arising out of or relating to the applicable debt securities, guarantees or indenture may be instituted by us, the trustees or the holder of any debt security in any competent court in England and Wales, the Netherlands or such other competent jurisdiction, as the case may be.

Concerning the Senior Trustee

The senior indenture provides that, except during the continuance of an Event of Default, the senior trustee will have no obligations other than the performance of such duties as are specifically set forth in such senior indenture. If an Event of Default has occurred and is continuing, the senior trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it by the senior indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

Concerning the Subordinated Trustee

The subordinated indenture provides that, except during the continuance of an Event of Default, Default or Payment Event, the subordinated trustee will have no obligations other than the performance of such duties as are specifically set forth in such subordinated indenture. If an Event of Default, Default or Payment Event has occurred and is continuing, the subordinated trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it by the subordinated indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

DESCRIPTION OF THE GLOBAL RECEIPTS REPRESENTING GLOBAL BEARER SECURITIES

The following is a summary of certain terms and provisions of the amended and restated Deposit and Custody Agreement dated as of February 9, 1996 (as supplemented or amended from time to time, the "Deposit and Custody Agreement") pursuant to which global receipts (the "Global Receipts") representing the global Bearer Securities in respect of a series of subordinated debt securities will be issued. The Deposit and Custody Agreement in respect of a series of subordinated debt securities is among the Global Bearer Security Depositary (the "Global Bearer Security Depositary"), the Custodian (the "Custodian") and the respective subordinated issuer (and, in the case of debt securities issued by First Capital B.V., the guarantor), for the benefit of the holder of the Global Receipts (which will be the nominee of DTC or a successor thereof) and the beneficial owners from time to time of interests in the Global Receipts. The summary set forth below does not purport to be complete and is subject to and qualified in its entirety by reference to the Deposit and Custody Agreement, a copy of which has been filed as an exhibit to the Registration Statement of which this prospectus is a part.

Global Receipts

Upon deposit of the global Bearer Securities of a series of subordinated debt securities with the Custodian, on behalf of the Global Bearer Security Depositary, subject to the terms of the Deposit and Custody Agreement, the Global Bearer Security Depositary will issue one or more Global Receipts representing the aggregate principal amount of such global Bearer Securities. The Global Receipts in respect of such global Bearer Securities shall be delivered to and registered in the name of DTC's nominee. So long as DTC or its nominee is the holder of the Global Receipt, any owner of a beneficial interest in the subordinated debt securities of a series represented by Global Receipts must rely upon the procedures of DTC and institutions having accounts with DTC to exercise or be entitled to any rights of a holder of such Global Receipts. See "Description of the Debt Securities and Guarantees — Global Securities" above.

Book-Entry

Ownership of beneficial interests in a Global Receipt representing the global Bearer Securities in respect of a series of subordinated debt securities will be limited to participants of DTC ("participants") or persons that may hold interests through participants. In addition, ownership of beneficial interests will be evidenced only by, and the transfer of that ownership interest will be effected only through, records maintained by DTC or its nominee and participants until such time, if any, as definitive debt securities are issued as set forth under "Description of the Debt Securities and Guarantees — Global Securities" above. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a Global Receipt.

The subordinated issuers have been advised by DTC that upon the issuance of a Global Receipt by the Global Bearer Security Depositary, and the deposit of such Global Receipt with DTC, DTC will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of such beneficial interests in such Global Receipt to the accounts of participants. The accounts to be credited shall be designated by the soliciting placement agent or, to the extent that the subordinated debt securities represented by such Global Receipt are offered and sold directly, by the respective subordinated issuer.

Payment of principal of and any premium and interest in respect of beneficial interests in any Global Receipt registered in the name of or held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered holder of the Global Receipt. None of the subordinated issuers, the guarantor, the subordinated trustee, the Global Bearer Security Depositary, the Custodian or any agent of any of them will have any responsibility or liability for any aspect of DTC's records or any participant's records relating to, or payments made on account of, beneficial ownership interests in a Global Receipt or for maintaining, supervising or reviewing any of DTC's records or any participant's records relating to such beneficial ownership interests. Payments by participants to owners of beneficial interests in a Global Receipt held through such participants will

be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the sole responsibility of such participants.

No Global Receipt may be transferred except by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or any successor thereof.

Owners of beneficial interests in a Global Receipt will not be entitled to receive physical delivery of Global Receipts in certificated form, and will not be considered the holders thereof for any purpose under the Deposit and Custody Agreement, the Global Receipts, the subordinated indenture or the subordinated debt securities. No Global Receipt shall be exchangeable, except for another Global Receipt of like denomination and tenor to be registered in the name of DTC or its nominee. Accordingly, each person owning a beneficial interest in such Global Receipt must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Deposit and Custody Agreement, the Global Receipts, the subordinated indenture or the subordinated debt securities. The subordinated issuers understand that under existing industry practices, in the event that a subordinated issuer requests any action of a holder or an owner of a beneficial interest in such Global Receipt desires to give or take action that a holder is entitled to give or take under the Deposit and Custody Agreement or the Global Receipts, DTC would authorize the participants holding the relevant beneficial interests to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instructions of beneficial owners owning through them.

We understand that DTC is a limited-purpose trust company organized under the laws of the State of New York, a "Banking Organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Access to DTC's 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 participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Commission.

The subordinated indenture and the subordinated debt securities require that payments in respect of the subordinated debt securities be made in immediately available funds. Interests in the Global Receipt are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the Global Receipts will be required to be settled in immediately available funds. No assurance can be given as to the effect, if any, of such settlement arrangements on trading activity in the Global Receipts or interests in the Global Receipts.

Issuance of Definitive Debt Securities

The Deposit and Custody Agreement provides that, upon the written request of the holder of the Global Receipt, the Depositary will request that the Custodian surrender the global Bearer Securities representing such Global Receipt for exchange and the Global Bearer Security Depositary will request that the principal paying agent issue definitive registered subordinated debt securities in the names and in the amounts as specified by the holder of the Global Receipt. Such request may be made in the circumstances and subject to the conditions described under "Description of the Debt Securities and Guarantees — Global Securities" above.

The exchange of interests in the Global Receipt for definitive subordinated debt securities of a particular series shall be made free of any fees of the Global Bearer Security Depositary to the holder, *provided, however*, that such person receiving subordinated debt securities in definitive form will be obligated to pay or otherwise bear the cost of any tax or other governmental charge as required by the subordinated indenture and any cost of insurance, postage, transportation and the like.

Payments on the Debt Securities

The Global Bearer Security Depositary will distribute all principal, premium and interest payments that are received by it from the Custodian in respect of the global Bearer Securities of a series of subordinated debt securities to the holder of the Global Receipt in respect of such global Bearer Securities on the relevant date of payment. All principal, premium and interest payments made on such global Bearer Securities shall be distributed to the holder of the Global Receipt without deduction or withholding for any taxes or other governmental charges, or if the Global Bearer Security Depositary or the Custodian is required to make any such deduction or withholding under the provisions of any applicable law or regulation, Abbey National or First Capital B.V., as the case may be, agrees that it shall pay or cause to be paid such additional amounts as may be necessary in order that the net amounts distributed to the holder of the Global Receipt, after such deduction or withholding, shall equal the amounts which were paid on such global Bearer Securities.

None of the subordinated trustee, the Custodian or the Global Bearer Security Depositary assume any responsibility for any failure by a subordinated issuer or the guarantor to make payments on or in respect of the subordinated debt securities or for any delay in receipt of payment due to a delay in sending payment by a subordinated issuer or the guarantor. The Global Receipts do not represent any separate or independent payment obligation of Citibank, N.A. as Global Bearer Security Depositary or in any other capacity, except to the extent of principal, premium and interest payments, if any, received by it from the Custodian.

Redemption

In the event that a subordinated issuer or the guarantor exercises any right of redemption in respect of the subordinated debt securities of a series, the Global Bearer Security Depositary will redeem, from the amount received by it in respect of the redemption of such subordinated debt securities, a portion of the relevant Global Receipts which represents the portion of such subordinated debt securities of a series so redeemed. The redemption price in connection with the redemption of a portion of such Global Receipts will be equal to the amount received by the Global Bearer Security Depositary in respect of the aggregate principal amount (or such other relevant amount as may be described in any applicable prospectus supplement) of such subordinated debt security so redeemed, net of any amounts required to be withheld or deducted in respect of taxes. Upon receipt of notice of redemption by the Global Bearer Security Depositary, such Depositary will forward such notice to the holder of the Global Receipt in accordance with the terms of the Deposit and Custody Agreement and, in accordance with any written instructions received from such holder, to all beneficial owners affected thereby.

Repayment

If a subordinated debt security becomes repayable at the option of the holder on a date or dates specified prior to its maturity date, if any, and the Global Bearer Security Depositary is so notified by the principal paying agent, the Global Bearer Security Depositary shall promptly notify the holder of the Global Receipt that such subordinated debt security has become repayable. In order for the repayment option in any subordinated debt security to be exercised by the Global Bearer Security Depositary, the owners of beneficial interests in the Global Receipt representing an interest in such subordinated debt security must instruct the broker or other direct or indirect participant through which it holds an interest in the Global Receipt relating to such subordinated debt security to notify the Global Bearer Security Depositary of its desire for the Global Bearer Security Depositary to exercise the Global Bearer Security Depositary's right to repayment. Different firms have different cut-off times for acceptance instructions from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds its beneficial interest in a Global Receipt representing an interest in a subordinated debt security in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the Global Bearer Security Depositary.

Record Date

Unless otherwise specified in the applicable prospectus supplement, or unless a subordinated issuer or the guarantor otherwise instructs the Global Bearer Security Depositary in writing, the Regular Record Date with respect to a Global Receipt shall, if practicable, be the date 15 calendar days prior to the applicable Interest

Payment Date in respect of the subordinated debt security represented thereby. Whenever any payment is made in respect of a subordinated debt security that is represented by a Global Receipt for which a Regular Record Date has not been fixed, or the Custodian shall receive notice of any action to be taken by the holder of such subordinated debt security or whenever the Global Bearer Security Depositary otherwise deems it appropriate in respect of any other matter, the Global Bearer Security Depositary will fix a record date for the determination of the holder of the Global Receipt who shall be entitled to receive such payment or to take any such action or to act in respect of any such matter.

Action by the Holder of the Subordinated Debt Securities

As soon as practicable after receipt by the Custodian of notice of any solicitation of consents or request for a waiver or other action by it as the holder of the subordinated debt securities of a series, the Custodian shall inform the Global Bearer Security Depositary who shall mail to the holder of the Global Receipt in respect of such subordinated debt securities a notice containing

- (a) such information as is contained in such notice,
- (b) a statement that such holder of the Global Receipt at the close of business on a specified record date will be entitled, subject to the provisions of the Deposit and Custody Agreement and of or governing such subordinated debt securities, to instruct the Global Bearer Security Depositary as to the consent, waiver or other action, if any, pertaining to the subordinated debt securities of such series, and
- (c) a statement as to the manner in which such instructions may be given.

Upon the written request of the holder of the Global Receipt, received on or before the date established by the Global Bearer Security Depositary for such purpose, the Global Bearer Security Depositary shall cause the Custodian to endeavor insofar as practicable and permitted under the provisions of or governing the subordinated debt securities of such series to take such action regarding the requested consent, waiver or other action in relation to such subordinated debt securities in accordance with any instructions set forth in such request. Neither the Global Bearer Security Depositary nor the Custodian will itself exercise any discretion in the granting of consents, waivers or taking other such action in respect of the subordinated debt securities of a series.

Reports

The Global Bearer Security Depositary will make available for inspection by the holder of the Global Receipt any notices, reports and other communications received from a subordinated issuer or the guarantor that are received by the Custodian as holder of the subordinated debt securities and are made generally available to holders of the subordinated debt securities by a subordinated issuer or the guarantor. The Global Bearer Security Depositary shall send promptly to the holder of the Global Receipt a copy of such notices furnished by a subordinated issuer or the guarantor.

Action by Global Bearer Security Depositary and Custodian

The Global Bearer Security Depositary and Custodian have agreed that upon the occurrence of an event of default under the subordinated debt securities of a particular series, or in connection with any other right of the holder of subordinated debt securities under the subordinated indenture, if requested in writing by the holder of the Global Receipt in respect thereof, to request the subordinated trustee to take any such action as shall be requested in such notice in respect of such subordinated debt securities; *provided* that the Global Bearer Security Depositary and the Custodian have been offered reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by them in compliance with such request, *provided further* that such obligation of the Global Bearer Security Depositary and the Custodian shall cease following the automatic issuance of definitive registered subordinated debt securities upon the occurrence of an event of default.

Charges of Global Bearer Security Depositary and Custodian

The subordinated issuers and the guarantor have agreed to pay all charges of the Global Bearer Security Depositary and the Custodian under the Deposit and Custody Agreement. The subordinated issuers and the guarantor also have agreed to indemnify the Global Bearer Security Depositary and the Custodian against certain liabilities incurred by them under the Deposit and Custody Agreement.

Modification

The Deposit and Custody Agreement and the Global Receipts in relation to a series of subordinated debt securities may be amended by agreement among the Global Bearer Security Depositary, the Custodian and the respective subordinated issuer (and, in the case of subordinated debt securities issued by First Capital B.V., by the guarantor). The consent of the holder of the Global Receipt shall not be required in connection with any amendment to the Deposit and Custody Agreement

- (1) to cure any formal defect, omission, inconsistency or ambiguity in such Deposit and Custody Agreement,
- (2) to add to the covenants and agreements of the Global Bearer Security Depositary, the Custodian, a subordinated issuer or the guarantor,
- (3) to effectuate the assignment of the Global Bearer Security Depositary's or the Custodian's rights and duties to a qualified successor,
- (4) to comply with the Securities Act or the U.S. Investment Company Act of 1940, as amended, or any other applicable securities law,
- (5) to modify the Deposit and Custody Agreement in connection with an amendment of the subordinated indenture that does not require the consent of the holders of the subordinated debt securities, or
- (6) to modify, alter, amend, or supplement the Deposit and Custody Agreement in any other respect not inconsistent with the Deposit and Custody Agreement which, in the opinion of counsel acceptable to the subordinated issuers and the guarantor, is not adverse to the holder of the Global Receipt.

Except as set forth above, no amendment which adversely affects the holder of the Global Receipt may be made to the Deposit and Custody Agreement without the consent of the holder of the Global Receipt.

Termination

The Global Bearer Security Depositary in respect of a series of subordinated debt securities will at any time at the written direction of the respective subordinated issuer (or, in the case of subordinated debt securities issued by First Capital B.V., of the guarantor) thereof terminate the Deposit and Custody Agreement in respect of such subordinated debt securities by mailing a notice of such termination to the holder of the Global Receipt and requesting, on behalf of the Custodian in accordance with the subordinated indenture, that the principal paying agent issue definitive subordinated debt securities in respect of such series of subordinated debt securities in registered form to the persons and in the amounts as specified by the holder of the Global Receipt. Upon the issuance of such subordinated debt securities in definitive form, the Deposit and Custody Agreement in relation to such series of subordinated debt securities shall terminate. The Deposit and Custody Agreement in relation to a series of subordinated debt securities may also be terminated upon the resignation of the Global Bearer Security Depositary or the Custodian if no successor has been appointed within 90 days as set forth under "— Resignation or Removal of Global Bearer Security Depositary or Custodian" below.

Resignation or Removal of Global Bearer Security Depositary or Custodian

The Global Bearer Security Depositary may at any time resign as Global Bearer Security Depositary for a series of subordinated debt securities by written notice delivered to the subordinated trustee and the respective subordinated issuer (and in the case of subordinated debt securities issued by First Capital B.V., to the guarantor),

such resignation to take effect upon the appointment by the respective subordinated issuer (and, in the case of subordinated debt securities issued by First Capital B.V., by the guarantor) of a successor depositary (approved by the subordinated trustee and the holder of the subordinated debt securities, such approval not to be unreasonably withheld) and its acceptance of such appointment. If at the end of 90 days after delivery of such notice, no successor depositary has been appointed or accepted such appointment, the Global Bearer Security Depositary may terminate the Deposit and Custody Agreement in relation to such series of subordinated debt securities, *provided* that such termination will not be effective with respect to the Custodian unless and until definitive subordinated debt securities in registered form in respect of such series shall have been issued in accordance with the Deposit and Custody Agreement.

The Custodian may at any time resign as Custodian for a series of subordinated debt securities by written notice delivered to the Global Bearer Security Depositary, the subordinated trustee and the respective subordinated issuer (and, in the case of subordinated debt securities issued by First Capital B.V., to the guarantor), such resignation to take effect upon the appointment by the respective subordinated issuer (and, in the case of subordinated debt securities issued by First Capital B.V., by the guarantor) of a successor custodian (approved by the Global Bearer Security Depositary, such approval not to be unreasonably withheld) and its acceptance of such appointment and the transfer of the subordinated debt securities of such series in accordance with the Deposit and Custody Agreement. If at the end of 90 days after delivery of such notice, no successor custodian has been appointed or accepted such appointment, the Custodian may request that definitive subordinated debt securities of such series in registered form be issued and, upon the issuance of such subordinated debt securities, may terminate the Deposit and Custody Agreement.

In the event that a subordinated issuer (or, in the case of subordinated debt securities issued by First Capital B.V., the guarantor) determines that it would become obligated to pay any amount in respect of any deduction or withholding for any taxes or other governmental charges as set forth under "Payment on the subordinated debt securities" above, or a subordinated issuer (or, in the case of subordinated debt securities issued by First Capital B.V., the guarantor) in its absolute discretion wishes to replace the Global Bearer Security Depositary or the Custodian, such subordinated issuer (or the guarantor) may remove the Global Bearer Security Depositary or the Custodian by written notice of such removal effective upon the appointment of a successor depositary or successor custodian, as the case may be, and its acceptance of such appointment.

Obligations of Global Bearer Security Depositary and Custodian

The Global Bearer Security Depositary and the Custodian assume no obligation or liability under the Deposit and Custody Agreement other than to act in good faith without gross negligence or wilful misconduct in the performance of their respective duties under the Deposit and Custody Agreement.

Governing Law and Consent to Service

The Deposit and Custody Agreement and the Global Receipts will be governed by and construed in accordance with the laws of the State of New York. Each of Abbey National, ANTS and First Capital B.V. has designated and appointed CT Corporation System at 111 Eighth Avenue, in the Borough of Manhattan, The City of New York, New York, as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Global Receipts or the Deposit and Custody Agreement which may be instituted in any State or Federal court located in The City of New York, New York, and has submitted (for the purposes of any such suit or proceeding) to the jurisdiction of any such court in which any such suit or proceeding is so instituted.

PLAN OF DISTRIBUTION

General

We may sell all or part of the debt securities from time to time on terms determined at the time such debt securities are offered for sale to or through underwriters or through selling agents. We may also sell such debt securities directly to other purchasers. The names of any such underwriters or selling agents in connection with the offer and sale of any series of debt securities will be set forth in the prospectus supplement relating thereto.

The distribution of the debt securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. If we use underwriters in the sale of debt securities, they will acquire those debt securities for their own account and such debt securities may be resold from time to time in one or more transactions. Such debt securities may be offered to the public either through underwriting syndicates represented by managing underwriters or underwriters without a syndicate. Unless otherwise set forth in the prospectus supplement, the underwriters' obligations to purchase such debt securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of such debt securities if any of such debt securities are purchased.

In connection with the sale of debt securities, the underwriters may receive compensation from the applicable issuer or from purchasers of debt securities for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell debt securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of debt securities may be deemed to be underwriters, and any discounts or commissions received by them from the applicable issuer and any profit on the resale of debt securities by them may be deemed to be underwriting discounts and commissions, under the Securities Act. Any such compensation received from the applicable issuer will be described in the prospectus supplement.

Underwriters, dealers, selling agents and other persons may be entitled, under agreements which may be entered into with the applicable issuer, to indemnification by the applicable issuer against certain civil liabilities, including liabilities under the Securities Act.

Each series of debt securities will be a new issue of securities with no established trading market. In the event that debt securities of a series offered hereunder are not listed on a national securities exchange, certain broker-dealers may make a market in the debt securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in the debt securities of any series or as to the liquidity of the trading market for the debt securities.

Each underwriter, dealer or selling agent will represent and agree that:

- (1) it has not offered or sold and will not offer or sell
 - (a) any debt securities, having a maturity of one year or more, in respect of which admission to listing in accordance with Part IV of the Financial Services Act 1986 (the "Act") is to be sought, to persons in the United Kingdom prior to admission of such debt securities to such listing, 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 or the Act; or
 - (b) prior to the date six months after their date of issue, any debt securities, having a maturity of one year or more, in respect of which admission to such listing is not to be sought, 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,

- (2) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the debt securities in, from or otherwise involving the United Kingdom, and
- (3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the debt securities, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Delayed Delivery Arrangements

If so indicated in the prospectus supplement, the applicable issuer may authorize underwriters or other persons acting as the applicable issuer's agents to solicit offers by certain institutions to purchase debt securities from the applicable issuer pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by the applicable issuer. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of the offered debt securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts.

LEGAL OPINIONS

Cleary, Gottlieb, Steen & Hamilton, our U.S. counsel, Slaughter and May, English solicitors for Abbey National and ANTS, and DeBrauw Blackstone Westbroek N.V., Netherlands counsel to Abbey National and First Capital B.V. will pass upon certain legal matters relating to the debt securities and the guarantees to be offered hereby for Abbey National, ANTS and First Capital B.V. Simpson Thacher & Bartlett will pass upon certain matters as to United States Law for the agents and underwriters.

EXPERTS

The consolidated balance sheet of Abbey National as of December 31, 1999 and the consolidated statements of income and cash flows of Abbey National for the year ended December 31, 1999 appearing in the 1999 Form 20-F and incorporated herein by reference were included in the 1999 Form 20-F and incorporated herein by reference in reliance on the report of Deloitte & Touche, independent auditors, given on the authority of that firm as experts in auditing and accounting.

The consolidated balance sheet of Abbey National as of December 31, 1998 and the consolidated statements of income and cash flows of Abbey National for each of the two years in the period ended December 31, 1998 appearing in the 1999 Form 20-F and incorporated herein by reference were included in the 1999 Form 20-F and incorporated herein by reference in reliance on the report of PricewaterhouseCoopers (formerly Coopers & Lybrand), independent chartered accountants, given on the authority of that firm as experts in auditing and accounting.

The unaudited consolidated balance sheet of Abbey National as of June 30, 2000 and the unaudited consolidated income and expenditure account for the six month period ended June 30, 2000 appearing in the Report of Foreign Issuer on Form 6-K dated September 29, 2000 and incorporated herein by reference were included in the Form 6-K.

With respect to the unaudited interim financial information for the period ended June 30, 2000 which is incorporated herein by reference, Deloitte & Touche have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their reports included in the Company's semi-annual report filed on Form 6-K for the period ended June 30, 2000 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information.

Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act."

No dealer, salesperson or any other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is, lawful to do so. The information contained in this prospectus is current only as of its date.

The Abbey National Group

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U.S.\$7,000,000,000

Abbey National plc

Deb: Securities

PRC SPECTUS
Dated February 20, 2001

The Abbey National Group

U.S.\$7,000,000,000
Senior Medium-Term Notes, Series 1A
Subordinated Medium-Term Notes, Series 1B
Due Nine Months or More from the Date of Issue

Abbey National plc

(as issuer and guarantor of subordinated notes and guarantor of senior notes)

Abbey National Treasury Services plc
(as issuer of senior notes)

Abbey National First Capital B.V.
(as issuer of subordinated notes)

Abbey National plc ("Abbey National"), Abbey National Treasury Services plc ("ANTS") and Abbey National First Capital B.V. ("First Capital B.V.") may offer from time to time their medium-term notes in one or more issues. We are collectively referred to in this prospectus supplement as the "issuers". The aggregate initial offering price of the notes, together with any other debt securities we offer pursuant to the prospectus, may not exceed \$7,000,000,000, including equivalent amounts in other currencies. We may reduce this amount so long as the reduction does not affect any such medium-term notes already issued or as to which an issuer has accepted an offer.

The notes will have maturities of nine months or more from the date of issuance. They may be redeemed at the option of the respective issuer or repaid at the option of the holder, in each case, in whole or in part, prior to their maturity date as set forth in a pricing supplement to this prospectus supplement. Each note will be denominated in a specified currency, which will be either U.S. dollars or another currency or composite currency.

Abbey National and First Capital B.V. may offer subordinated notes, and ANTS may offer senior notes. Each note issued by either ANTS or First Capital B.V. will be unconditionally and irrevocably guaranteed by Abbey National. Guarantees of ANTS debt securities will be senior guarantees, and guarantees of First Capital debt securities will be subordinated guarantees. Senior notes will be issued in registered form, and subordinated notes will be issued in bearer form and represented by a Global Receipt.

The notes will bear interest at either a fixed or a floating rate, which will be specified in the applicable pricing supplement. Fixed rate notes may bear interest at zero percent in the case of certain notes issued at a price which represents a discount from the amount payable at maturity. Unless otherwise specified, interest on each fixed rate note (other than an amortizing note) will accrue from its original issue date or the last day on which interest has been paid or provided for, and will be payable on each June 15 and December 15, and at maturity. Interest on floating rate notes may be determined with reference to:

- the CD Rate;
- the CMT Rate;
- the Commercial Paper Rate;
- the Eleventh District Cost of Funds Rate;
- the Federal Funds Rate;
- the J.J. Kenny Rate;
- LIBOR;
- the Prime Rate;
- the Treasury Rate; or
- another interest rate formula.

Neither the Securities and Exchange Commission nor any State Securities Commission has approved or disapproved these securities or determined whether this prospectus supplement, any pricing supplement or the prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

	Price to Public	Agents' Discount	Proceeds to Us (Before Expenses)
Per Note	100%	.125% - .750%	99.875% - 99.250%
Total	\$7,000,000,000	\$8,750,000 - \$52,500,000	\$6,991,250,000 - \$6,947,500,000

Unless otherwise specified in the applicable pricing supplement, each note will be issued at 100% of its principal amount.

LEHMAN BROTHERS

GOLDMAN, SACHS & CO.

MERRILL LYNCH & CO.

JP MORGAN

MORGAN STANLEY DEAN WITTER

SALOMON SMITH BARNEY

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We have not authorized any dealer, salesperson or other person to give any information or make any representation not contained in the prospectus or the prospectus supplement. If such information or representation is given or made, you must not rely on it. The prospectus and prospectus supplement are not an offer to sell or a solicitation of an offer to buy, any of the offered securities in any jurisdiction or to any person to whom that offer or solicitation would be illegal. The delivery of this prospectus or any sale of notes made using this prospectus does not mean that the information contained in the prospectus or the prospectus supplement is correct at any time after the date of those documents.

These securities are not deposits and are not insured by the United States Federal Deposit Corporation or any other government agency of the United States or the United Kingdom.

We are offering the notes on a continuous basis through the Agents, each of which has agreed to use its reasonable best efforts to solicit offers to purchase notes. We may also sell notes directly to investors on their own behalf, and we will not pay commissions on such sales. We may withdraw, cancel or modify the offer made hereby without notice and we, or our Agents, may reject any offer to purchase notes in whole or in part. See "Supplemental Plan of Distribution."

These securities have not been approved or disapproved by the Commissioner of Insurance for the State of North Carolina, nor has the Commissioner of Insurance ruled upon the accuracy or the adequacy of this document. If you are a buyer in North Carolina you understand that none of Abbey National, ANTS, First Capital B.V. or any of their subsidiaries are licensed in North Carolina pursuant to Chapter 58 of the North Carolina General Statutes nor could they meet the basic admissions requirements imposed by such chapter at the present time. These securities are not deposits and are not insured by the United States Federal Deposit Corporation or any other government agency of the United States or the United Kingdom.

DESCRIPTION OF THE NOTES AND GUARANTEES

The following description of the particular terms of the notes offered through this prospectus supplement, and to the extent inconsistent therewith or to the extent otherwise specified in an applicable pricing supplement, replaces the description of the general terms and provisions of the notes set forth under the heading "Description of the Debt Securities and Guarantees" in the accompanying prospectus, to which description reference is hereby made. Capitalized terms not defined in this prospectus supplement have the meanings assigned to such terms in the accompanying prospectus and the senior indenture (as defined below), in the case of senior notes, and the prospectus and the subordinated indenture (as defined below), in the case of the subordinated notes. The following description of the notes will apply unless otherwise specified in the applicable pricing supplement.

General

The senior notes offered hereby will be issued under an indenture, dated as of November 4, 1994, among Abbey National, ANTS and Bankers Trust Company, as senior trustee (as supplemented or amended from time to time, and referred to in this prospectus supplement as the "senior indenture"). The senior indenture is more fully described in the accompanying prospectus. The subordinated notes offered hereby will be issued under an indenture, dated as of October 25, 1994, among Abbey National, First Capital B.V. and The Bank of New York, as trustee (the "subordinated trustee" and together with the senior trustee, the "Trustees") (such indenture, as supplemented or amended from time to time, is referred to in this prospectus supplement as the "subordinated indenture"). The subordinated indenture together with the senior indenture, are collectively referred to herein as the indentures. The subordinated indenture is more fully described in the accompanying prospectus.

The following statements are summaries of the material provisions of the indentures and the notes. Such summaries do not purport to be complete and are qualified in their entirety by reference to the indentures, including the definitions therein of certain terms. The senior notes and the subordinated notes each constitute a single series for purposes of the applicable indenture and together are limited to an aggregate principal amount of up to \$7,000,000,000 (including, in the case of Notes denominated in one or more other currencies or composite currencies, the equivalent thereof at the Market Exchange Rate (as defined below) in the Specified Currency (as defined below) on the date of issuance) or, in the case of Original Issue Discount Notes and Indexed Notes, aggregate gross proceeds to us of up to \$7,000,000,000. This amount is subject to reduction by or pursuant to action of the Boards of Directors of the respective issuers and the guarantor, *provided* that no such reduction will affect any Note already issued or as to which an offer to purchase has been accepted by an issuer. This aggregate principal amount does not include the \$4,100,000,000 of senior notes outstanding or the \$3,150,000,000 of subordinated notes outstanding at February 12, 2001. See "Supplemental Plan of Distribution" below. We may increase the foregoing limits, by appropriate corporate action.

The Notes will be offered on a continuous basis. Each note will mature nine months or more from its date of issue, as selected by the initial purchaser and agreed to by the respective issuer of such Note. Each note may be subject to redemption at the option of the respective issuer of such Note or repayment at the option of the holder prior to the date, if any, on which the note will mature ("stated maturity"), if any, as set forth below under "Redemption at the Option of an Issuer" and "Repayment at the Option of the holder" respectively. Each note will be denominated in U.S. dollars or in such other Specified Currency as is specified in the applicable pricing supplement. Each note will be either

- (1) a fixed rate note, which may bear interest at a rate of zero in the case of a note issued at an Issue Price (as defined below) representing a discount from the principal amount payable at stated maturity (a "Zero Coupon Note"), or
- (2) a Floating Rate Note which will bear interest at a rate determined by reference to the interest rate basis or combination of interest rate bases specified in the applicable pricing supplement, which may be adjusted by a Spread and/or Spread Multiplier (each as defined below).

Interest rates, interest rate formulae and other variable terms of the Note: are subject to change by the respective issuers from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by an issuer.

Citibank, N.A. has been appointed as principal paying agent for purposes of the indentures. An issuer may at any time designate additional paying agents or rescind the designation of any paying agent.

Status

The senior notes will constitute direct, unconditional, unsubordinated and (subject to the provisions set forth under "Description of the Debt Securities and Guarantees — Status — Senior Debt Securities — Negative Pledge" in the prospectus) unsecured obligations of the senior issuer. The senior guarantees will constitute direct, unconditional, unsubordinated and (subject to the provisions set forth under "Description of the Debt Securities and Guarantees — Status — Senior Debt Securities — Negative Pledge" in the prospectus) unsecured obligations of the guarantor. In each case, these obligations will be without any preference among themselves and will rank at least equally with deposits and all other unsecured and unsubordinated obligations of ANTS or the guarantor, as the case may be, subject, in the event of insolvency, to laws of general applicability relating to or affecting creditors' rights, *provided* that such other unsecured and unsubordinated indebtedness may contain covenants, events of default and other provisions which are different from or which are not contained in the senior notes and the senior guarantees.

As part of the process of the conversion from a building society to a public limited company, the Building Societies Act 1986 of Great Britain required that each of the saving members of the Society (who satisfied certain conditions) should have a right to a distribution of the assets of Abbey National in the event of a liquidation or winding up of Abbey National, in priority to all other creditors and members (other than statutory preferential creditors but including holders of indebtedness issued or guaranteed by Abbey National). This right is calculated in accordance with statutory requirements and is secured by a first floating charge over the assets of Abbey National. Abbey National expects the aggregate amount to decrease progressively as a result of the method of calculation of the amount payable from time to time.

In the event of the winding up of the applicable subordinated issuer, the claims of the holders of subordinated notes will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of all Senior Creditors (as defined in the subordinated indenture) of the applicable subordinated issuer. In the event of the winding up of the guarantor, the claims of the holders of any subordinated notes benefitting from the subordinated guarantee of the guarantor will be subordinate to, and subject in right of payment to the prior payment in full of, all claims of all depositors and other creditors (other than holders of Subordinated Indebtedness (as defined in the subordinated indenture), if any) of the guarantor (in each case subject to laws of general applicability relating to or affecting creditors' rights). The subordinated notes do not have the benefit of the negative pledge covenant described under "Description of the Debt Securities and Guarantees — Status Senior Debt — Securities — Negative Pledge" in the prospectus.

The Term Subordinated Notes and Perpetual Subordinated Notes will constitute unsecured subordinated obligations of the applicable subordinated issuer and the subordinated guarantees with respect to such Notes, if any, will constitute unsecured subordinated obligations of the guarantor, in each case without any preference among themselves. The Perpetual Capital Notes will constitute unsecured subordinated obligations of the applicable subordinated issuer and the subordinated guarantees with respect to such Notes, if any, will constitute unsecured subordinated obligations of the guarantor, in each case without any preference among themselves. See "Description of the Debt Securities and Guarantees — Status — Status of the Subordinated Debt Securities and the Subordinated Guarantees" in the accompanying prospectus.

In the event of the winding up of the applicable subordinated issuer or the guarantor, if any, as the case may be, the amount, if any, that shall be payable with respect to the Perpetual Capital Notes shall be calculated as if, on the day prior to the commencement of the winding up and thereafter, the holders of the Perpetual Capital Notes were the holders of preference shares in the capital of the guarantor having a preferential right to a return of

assets in the winding up over the holders of all issued shares (including all classes of preference shares of the guarantor) for the time being in the share capital of the guarantor, on the assumption that such preference shares were entitled (to the exclusion of all other rights or privileges) to receive as a return of capital in such winding up an amount equal to the principal amount of the Perpetual Capital Notes then outstanding together with any interest accrued to the date of repayment and any Arrears of Interest. See "Description of the Debt Securities and Guarantees — Status — Status of the Subordinated Debt Securities and the Subordinated Guarantees" in the accompanying prospectus.

Pricing Supplements

The pricing supplement relating to each note will describe the following terms, as applicable:

- (1) the Specified Currency with respect to such note (and, if such Specified Currency is other than U.S. dollars, certain other terms relating to such note, including the authorized denomination);
- (2) the price (expressed as a percentage of the aggregate principal amount thereof) at which such note will be issued (the "Issue Price");
- (3) the date on which such note will be issued (the "Original Issue Date");
- (4) stated maturity and whether the stated maturity may be extended by the respective issuer of such note, and if so, the Extension Periods and the Final Extended Maturity Date (each as defined below);
- (5) whether such note is a fixed rate note or a floating rate note;
- (6) whether such note is an Amortizing Note (as defined below), and if so, the basis or formula for the amortization of principal and the payment dates for periodic principal payments;
- (7) if such note is a fixed rate note, the rate per annum at which such note will bear interest, if any, the Interest Payment Date or Dates and, if so specified in the applicable pricing supplement, that such rate may be changed by the respective issuer of such note prior to the stated maturity and, if so, the basis or formula for such change, if any;
- (8) if such note is a floating rate note:
 - (a) the Interest Rate Basis,
 - (b) the Initial Interest Rate, if available,
 - (c) the Interest Rate Reset Date or Dates,
 - (d) the Calculation Date or Dates,
 - (e) the Maximum Interest Rate, if any,
 - (f) the Minimum Interest Rate, if any,
 - (g) the Spread, if any,
 - (h) the Spread Multiplier, if any,
 - (i) the Interest Payment Date or Dates,
 - (j) the Index Maturity,

and any other terms relating to the particular method of calculating the interest rate for such note and, if so specified in the applicable pricing supplement, that any such Spread and/or Spread Multiplier may be changed by the respective issuer of such Note prior to the stated maturity and, if so, the basis or formula for such change, if any (certain of these terms are defined below);

- (9) whether such note is an Original Issue Discount Note (as defined below), and if so, the yield to maturity;
- (10) the regular record date or dates (a "Regular Record Date") if other than as set forth below with respect to fixed rate notes and floating rate notes;
- (11) whether such note may be redeemed at the option of the respective issuer of such note, or repaid at the option of the holder, prior to the stated maturity and, if so, the provisions relating to such redemption or repayment;

- (12) whether such note is an Indexed Note, and if so, the specific terms thereof;
- (13) certain specified United States Federal income tax consequences of the purchase, ownership and disposition of such note, if applicable;
- (14) whether such note will be listed on the Official List maintained by the U.K. Listing Authority or another or additional stock exchange or is to be unlisted; and
- (15) any other term of such note not inconsistent with the provisions of the respective indenture pursuant to which it has been issued.

Payment of Interest and Principal

Payments of principal, premium, if any, and interest, if any, to owners of beneficial interests in Book-Entry Notes are expected to be made in accordance with DTC's and its participants' procedures in effect from time to time as described below under "Book-Entry System."

Payments of principal, premium, if any, and interest, if any, to holders of beneficial interests in Global Receipts in respect of Global Subordinated Notes representing subordinated notes of an Issue are expected to be made in accordance with DTC's and its participants' procedures in effect from time to time as described below under "Special Procedures for Global Subordinated Notes in Bearer Form."

Unless otherwise specified in the applicable pricing supplement, payments of interest and, in the case of Amortizing Notes, principal with respect to any Certificated Note (other than interest and, in the case of Amortizing Notes, principal payable at maturity) will be made by mailing a check to the holder at the address of such holder appearing on the security register for the notes on the applicable Regular Record Date. Notwithstanding the foregoing, at the option of the respective issuer of such notes, all payments of interest and, in the case of Amortizing Notes, principal on the notes may be made by wire transfer of immediately available funds to an account at a bank located within the United States as designated by each holder not less than 15 calendar days prior to the applicable Interest Payment Date. A holder of \$10,000,000 or more in aggregate principal amount of notes of like tenor and terms with the same Interest Payment Date may demand payment by wire transfer but only if appropriate payment instructions have been received in writing by any paying agent with respect to such note appointed by the respective issuer, not less than 15 calendar days prior to the applicable Interest Payment Date. In the event that payment is so made in accordance with instructions of the holder, such wire transfer shall be deemed to constitute full and complete payment of such principal, premium and/or interest on the notes. Payment of the principal of, premium, if any, and interest, if any, due with respect to any Certificated Note at maturity will be made in immediately available funds upon surrender of such note at the principal office of any paying agent with respect to such notes appointed by the respective issuer of such note accompanied by wire transfer instructions, *provided* that the Certificated Note is presented to such paying agent in time for such paying agent to make such payments in such funds in accordance with its normal procedures.

Unless otherwise specified in the applicable pricing supplement, payments of principal, premium, if any, and interest, if any, with respect to any note to be made in a Specified Currency other than U.S. dollars will be made by wire transfer to such account with a bank located in the Principal Financial Center (as defined below) of the country issuing the Specified Currency (or, with respect to notes denominated in euro, Brussels) or such other jurisdiction acceptable to the respective issuer of such note and the principal paying agent as shall have been designated at least 15 days prior to the Interest Payment Date or maturity, as the case may be, by the holder of such note on the relevant Regular Record Date or at maturity, *provided* that, in the case of payment of principal of, and premium, if any, and interest, if any, due at maturity, the note is presented to the principal paying agent with respect to such note appointed by the respective issuer of such note in time for such principal paying agent to make such payments in such funds in accordance with its normal procedures. Such designation shall be made by filing the appropriate information with the principal paying agent at its Principal Office, and, unless revoked, any such designation made with respect to any note by a holder will remain in effect with respect to any further payments with respect to such note payable to such holder. If a payment with respect to any such note cannot be

made by wire transfer because the required designation has not been received by the principal paying agent on or before the requisite date or for any other reason, a notice will be mailed to the holder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon the principal paying agent's receipt of such a designation, such payment will be made within 15 days of such receipt. The respective issuer of the notes will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the holders of such notes in respect of which such payments are made.

If so specified in the applicable pricing supplement, except as provided below, payments of principal, premium, if any, and interest, if any, with respect to any note denominated in other than U.S. dollars will be made in U.S. dollars if the holder of such note on the relevant Regular Record Date or at maturity, as the case may be, has transmitted a written request for such payment in U.S. dollars to any paying agent with respect to such note appointed by the respective issuer of such note at its principal office on or prior to such Regular Record Date or the date 15 days prior to maturity, as the case may be. Such request may be delivered by mail, by hand or by cable, telex or any other form of facsimile transmission. Any such request made with respect to any note by a holder will remain in effect with respect to any further payments of principal, and premium, if any, and interest, if any, with respect to such note payable to such holder, unless such request is revoked by written notice received by such paying agent on or prior to the relevant Regular Record Date or the date 15 days prior to maturity, as the case may be (but no such revocation may be made with respect to payments made on any such note if an event of default or Default has occurred with respect thereto or upon the giving of a notice of redemption). holders of notes denominated in other than U.S. dollars whose notes are registered in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in U.S. dollars may be made.

The U.S. dollar amount to be received by a holder of a note denominated in other than U.S. dollars who elects to receive payments in U.S. dollars will be based on the highest indicated bid quotation for the purchase of U.S. dollars in exchange for the Specified Currency obtained by the Currency Determination Agent (as defined below) at approximately 11:00 A.M., New York City time, on the second Business Day (as defined below) next preceding the applicable payment date (the "Conversion Date") from the bank composite or multicontributor pages of the Quoting Source for three (or two if three are not available) major banks in The City of New York. The first three (or two) such banks selected by the Currency Determination Agent which are offering quotes on the Quoting Source will be used. If fewer than two such bid quotations are available at 11:00 A.M., New York City time, on the second Business Day next preceding the applicable payment date, such payment will be based on the Market Exchange Rate as of the second Business Day next preceding the applicable payment date. If the Market Exchange Rate for such date is not then available, such payment will be made in the Specified Currency. As used herein, the "Quoting Source" means Reuters Monitor Foreign Exchange Service, or if the Currency Determination Agent determines that such service is not available, Telerate Monitor Foreign Exchange Service, or if the Currency Determination Agent determines that neither service is available, such comparable display or other comparable manner of obtaining quotations as shall be agreed between the respective issuer of such Notes and the Currency Determination Agent. All currency exchange costs associated with any payment in U.S. dollars on any such Note will be borne by the holder thereof by deductions from such payment. Unless otherwise specified in the applicable pricing supplement, the currency determination agent (the "Currency Determination Agent") with respect to such notes will be Citibank, N.A.

Except as otherwise provided herein or in the applicable pricing supplement, if payment on a note is required to be made in a Specified Currency other than U.S. dollars or in any currency unit and such currency or currency unit is unavailable due to the imposition of exchange controls or other circumstances beyond the control of the respective issuer (and, if applicable, the guarantor) or if such currency is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of such note shall be made in U.S. dollars until such currency or currency unit is again available or so used. The amount of each payment of U.S. dollars shall be computed on the basis of the equivalent of the currency unit in U.S. dollars, which shall be determined by the Currency Determination Agent in the manner set forth in the preceding paragraph (with respect to any currency

which is unavailable or no longer used, as described above) or on the following basis (with respect to any currency unit which is unavailable). The component currencies of the currency unit for this purpose (the "Component Currencies") shall be the currency amounts that were component of the currency unit as of the Conversion Date. The equivalent of the currency unit in U.S. dollars shall be calculated by aggregating the U.S. dollar equivalents of the Component Currencies. The U.S. dollar equivalent of each of the Component Currencies shall be determined by the Currency Determination Agent on the basis of the Market Exchange Rate for each such Component Currency as of the Conversion Date. Any payment made in such circumstances in U.S. dollars will not constitute an event of default, Default, Payment Default or Payment Event under the notes.

If the official unit of any Component Currency is altered by way of combination or subdivision, the number of units of that currency as a Component Currency shall be divided or multiplied in the same proportion. If two or more Component Currencies are consolidated into a single currency, the amounts of those currencies as Component Currencies shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated Component Currencies expressed in such single currency. If any Component Currency is divided into two or more currencies, the amount of the original Component Currency shall be replaced by the amounts of such two or more currencies having an aggregate value on the date of division equal to the amount of the former Component Currency immediately before such division.

All determinations referred to above made by the Currency Determination Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on all Holders and beneficial owners of notes.

Interest and Interest Rates

Each note other than certain Original Issue Discount Notes will bear interest from its Original Issue Date or from the most recent Interest Payment Date to which interest on such note has been paid or duly provided for at a fixed rate or rates per annum, or at a rate or rates per annum determined pursuant to an Interest Rate Basis or Bases specified in the applicable pricing supplement that may be adjusted by a Spread and/or Spread Multiplier, until the principal thereof is paid or made available for payment. Unless otherwise specified in the applicable pricing supplement, interest will be payable on each Interest Payment Date and at Maturity. "Maturity" means the date on which the principal of a note becomes due and payable in full in accordance with its terms and the terms of the notes and the applicable indenture, whether at Stated Maturity, if any, (as defined above) or earlier by declaration of acceleration, call for redemption, repayment or otherwise. Unless otherwise specified in the applicable pricing supplement, interest (other than defaulted interest or Arrears of Interest (as defined in the prospectus) which may be paid on a special record date, as described above) will be payable to the holder at the close of business on the Regular Record Date next preceding such Interest Payment Date; *provided, however*, that interest payable at Maturity will be payable to the person to whom principal shall be payable. Unless otherwise specified in the applicable pricing supplement, the first payment of interest on any note originally issued between a Regular Record Date for such note and the succeeding Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date for such note to the holder on such next Regular Record Date.

Interest rates, Interest Rate Bases, Spreads and Spread Multipliers are subject to change by the respective issuers from time to time, but no such change will affect any Note already issued (except for any note for which the issuer thereof has an interest rate reset option) or as to which an offer to purchase has been accepted by an issuer. Unless otherwise specified in the applicable pricing supplement, the Interest Payment Dates and the Regular Record Dates for each fixed rate note shall be as described below under "Fixed Rate Notes." Unless otherwise specified in the applicable pricing supplement, the Interest Payment Dates for each floating rate note shall be as described below under "Floating Rate Notes" and in the applicable pricing supplement, and the Regular Record Dates for a floating rate note will be, unless otherwise specified in the applicable pricing supplement, the fifteenth day (whether or not a Business Day) next preceding each Interest Payment Date.

Interest rates offered by the applicable issuer with respect to the notes may differ depending upon, among other things, the aggregate principal amount of the notes purchased in any single transaction.

Fixed Rate Notes

Unless otherwise specified in the applicable pricing supplement, each fixed rate note will bear interest from its Original Issue Date at the annual rate or rates specified in the applicable pricing supplement. Unless otherwise specified in the applicable pricing supplement, payments of interest on any fixed rate note with respect to any Interest Payment Date will include interest accrued from and including the Original Issue Date, or the next preceding Interest Payment Date, to but excluding the applicable Interest Payment Date or the date of Maturity. Fixed rate notes may bear one or more annual rates of interest during the periods or under the circumstances specified therein and in the applicable pricing supplement. Unless otherwise specified in the applicable pricing supplement, interest on the fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months.

Unless otherwise specified in the applicable pricing supplement, the Interest Payment Dates for fixed rate notes other than Amortizing Notes will be June 15 and December 15 of each year. Unless otherwise specified in the applicable pricing supplement, the Regular Record Dates with respect to fixed rate notes will be the 15th day (whether or not a Business Day) next preceding each Interest Payment Date. Unless otherwise specified in the applicable pricing supplement, payments of principal and interest on Fixed Rate Amortizing Notes will be made either quarterly on each March 15, June 15, September 15 and December 15 or semiannually on each June 15 and December 15, as specified in the applicable pricing supplement, and at Maturity.

Unless otherwise specified in the applicable pricing supplement, if any Interest Payment Date or the Maturity for any fixed rate note falls on a day that is not a Business Day, payment of principal, premium, if any, and interest, if any, with respect to such note will be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest shall be payable on the date of payment for the period from and after the due date. Unless otherwise specified in the applicable pricing supplement, payments with respect to Fixed Rate Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table, formula or formulae setting forth repayment information with respect to each Fixed Rate Amortizing Note will be set forth in the applicable pricing supplement thereof and will be available upon request from the paying agent to the subsequent holders thereof.

Floating Rate Notes

Each floating rate note will bear interest at a rate determined by reference to one or more interest rate bases (each an "Interest Rate Basis"), which may be adjusted by adding to or subtracting from the Interest Rate Basis a Spread and/or by multiplying the Interest Rate Basis by a Spread Multiplier. The "Spread" is the number of basis points (one one-hundredth of a percentage point) specified in the applicable pricing supplement to be added to or subtracted from the Interest Rate Basis of such note, and the "Spread Multiplier" is the percentage specified in the applicable pricing supplement to be applied to the Interest Rate Basis for such note. Unless otherwise specified in the applicable pricing supplement, the applicable pricing supplement will designate one or more of the following Interest Rate Bases as applicable to each floating rate note:

- | | |
|--|---|
| (a) the CD Rate (a "CD Rate Note"), | (f) the J.J. Kenny Rate (a "J.J. Kenny Rate Note"), |
| (b) the CMT Rate (a "CMT Rate Note"), | (g) LIBOR (a "LIBOR Note"), |
| (c) the Commercial Paper Rate
(a "Commercial Paper Rate Note"), | (h) the Prime Rate (a "Prime Rate Note"), |
| (d) the Eleventh District Cost of Funds
Rate (an "Eleventh District Cost of
Funds Rate Note"), | (i) the Treasury Rate (a "Treasury
Rate Note"), or |
| (e) the Federal Funds Rate (a "Federal
Funds Rate Note"), | (j) such other Interest Rate Basis or interest
rate formula as is set forth in such
pricing supplement and in such floating
rate note. |

Unless otherwise specified in the applicable pricing supplement, each floating rate note will bear interest from its Original Issue Date to the first Interest Rate Reset Date (as defined below) for such Note at the Initial Interest Rate (the "Initial Interest Rate") specified therein and in the applicable pricing supplement. Thereafter, unless otherwise specified in the applicable pricing supplement, the interest rate on each floating rate note for each Interest Reset Period (as defined below) will be equal to the interest rate calculated by reference to the Interest Rate Basis or Bases specified therein and in the applicable pricing supplement plus or minus the Spread, if any, and/or multiplied by the Spread Multiplier, if any. The Spread and/or Spread Multiplier for a floating rate note may be subject to adjustment during an Interest Reset Period under circumstances specified therein and in the applicable pricing supplement.

Notwithstanding the foregoing, if a floating rate note is designated as a "Floating Rate/Fixed Rate Note" in the applicable pricing supplement, then, unless otherwise specified in the applicable pricing supplement, such floating rate note will bear interest at the rate determined by reference to the applicable Interest Rate Basis (1) plus or minus the applicable Spread, if any, and/or (2) multiplied by the applicable Spread Multiplier, if any.

Unless otherwise specified in the applicable pricing supplement, commencing on the first Interest Rate Reset Date, the rate at which interest on such floating rate/fixed rate note shall be payable shall be reset as of each Interest Rate Reset Date; *provided, however*, that

- (1) the interest rate in effect for the period from the Original Issue Date to the first Interest Rate Reset Date will be the Initial Interest Rate, and
- (2) the interest rate in effect commencing on, and including, the fixed rate commencement date (specified in the applicable pricing supplement) to maturity shall be the fixed interest rate specified in the applicable pricing supplement,

or if no such fixed interest rate is so specified, the interest rate in effect thereon on the day immediately preceding such fixed rate commencement date. If a floating rate note is designated as an "Inverse Floating Rate Note" in the applicable pricing supplement, then, except as described below and unless otherwise specified in the applicable pricing supplement, such floating rate note will bear interest equal to the fixed interest rate specified in the related pricing supplement minus the rate determined by reference to the applicable Interest Rate Basis (1) plus or minus the applicable Spread, if any, and/or (2) multiplied by the applicable Spread Multiplier, if any; *provided, however*, that unless otherwise specified in the applicable pricing supplement, the interest rate thereon will not be less than zero percent. Unless otherwise specified in the applicable pricing supplement, commencing on the first Interest Rate Reset Date, the rate at which interest on such Inverse Floating Rate Note is payable shall be reset as of each Interest Rate Reset Date; *provided, however*, that the interest rate in effect for the period from the Original Issue Date to the first Interest Rate Reset Date will be the Initial Interest Rate.

The respective issuer will appoint an agent (a "Calculation Agent") to calculate interest rates on floating rate notes. Unless otherwise specified in the applicable pricing supplement, the Calculation Agent for each floating rate note will be Citibank, N.A. All determinations to be made by the Calculation Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on all holders and beneficial owners of Notes.

Unless otherwise specified in the applicable pricing supplement, the interest rate on each floating rate note will be reset daily, weekly, monthly, quarterly, semiannually or annually, or at such other intervals (such type or period being the "Interest Reset Period" for such Note), in each case as specified therein and in the applicable pricing supplement, and such interest rate will be reset on the Interest Rate Reset Dates specified in the applicable pricing supplement (each date upon which interest is so reset an "Interest Rate Reset Date"). Unless otherwise specified in the applicable pricing supplement, the Interest Rate Reset Dates will be, in the case of floating rate notes that reset daily, each Business Day; in the case of floating rate notes (other than Treasury Rate Notes) that reset weekly, Wednesday of each week; in the case of Treasury Rate Notes that reset weekly, Tuesday of each week, except as provided below; in the case of floating rate notes that reset monthly, the third Wednesday of each month (with the exception of monthly reset Eleventh District Cost of Funds Rate Notes, which will reset on the

first calendar day of the month); in the case of floating rate notes that reset quarterly, the third Wednesday of each March, June, September and December; in the case of floating rate notes that reset semiannually, the third Wednesday of each of two months of each year specified in the applicable pricing supplement; and, in the case of floating rate notes that reset annually, the third Wednesday of the month of each year specified therein and in the applicable pricing supplement; *provided, however*, that

- (1) the interest rate in effect from the date of issue to the first Interest Rate Reset Date will be the Initial Interest Rate specified in the applicable pricing supplement for such floating rate note,
- (2) the interest rate in effect for the five calendar days immediately prior to Maturity will be the interest rate in effect on the fifth calendar day preceding such Maturity and
- (3) if a floating rate note is designated as a "Fixed Rate/Floating Rate Note" in the applicable pricing supplement, the interest rate commencing on and including the fixed rate commencement date (specified in the applicable pricing supplement) to but excluding the fixed rate termination date (specified in the applicable pricing supplement) will be the fixed interest rate specified therein.

Unless otherwise specified in the applicable pricing supplement, if an Interest Rate Reset Date for a floating rate note would otherwise be a day that is not a Market Day (as defined below), the Interest Rate Reset Date for such floating rate note shall be postponed to the next succeeding day that is a Market Day, except that, in the case of a LIBOR Note, if such Market Day is in the next succeeding calendar month, such Interest Rate Reset Date shall be the immediately preceding Market Day.

"*Market Day*" means, unless otherwise specified in the applicable pricing supplement, with respect to any Note other than a LIBOR Note, any Business Day (as defined below) and with respect to a LIBOR Note, any Business Day which is also a London Business Day.

"*London Business Day*" means any day on which dealings in deposits in the Designated LIBOR Currency are transacted in the London interbank market.

Unless otherwise specified in the applicable pricing supplement, the interest rate for each Interest Reset Period will be the rate determined as of the Interest Determination Date pertaining to the Interest Rate Reset Date for such Interest Reset Period. Unless otherwise specified in the applicable pricing supplement, the "Interest Determination Date" pertaining to an Interest Rate Reset Date for:

- (1) each of:
 - (a) a CD Rate Note (the "CD Rate Interest Determination Date"),
 - (b) a CMT Rate Note (the "CMT Rate Interest Determination Date"),
 - (c) a Commercial Paper Rate Note (the "Commercial Paper Rate Interest Determination Date"),
 - (d) a Federal Funds Rate Note (the "Federal Funds Interest Determination Date"),
 - (e) a J.J. Kenny Rate Note (the "J.J. Kenny Rate Interest Determination Date"), or
 - (f) a Prime Rate Note (the "Prime Rate Interest Determination Date"),will be the second Business Day prior to such Interest Rate Reset Date.
- (2) an Eleventh District Cost of Funds Rate Note (the "Eleventh District Cost of Funds Rate Interest Determination Date") will be the last business day of the month immediately preceding such Interest Rate Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below).

- (3) a LIBOR Note (the "LIBOR Interest Determination Date") will be the second London Business Day immediately preceding each Interest Rate Reset Date.
- (4) a Treasury Rate Note (the "Treasury Rate Interest Determination Date") will be the day of the week in which such Interest Rate Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Interest Determination Date pertaining to the Interest Rate Reset Period commencing in the next succeeding week. If an auction date shall fall on any Interest Rate Reset Date for a Treasury Rate Note, then such Interest Rate Reset Date shall instead be the first Business Day immediately following such auction date.

Unless otherwise specified in the applicable pricing supplement, the Interest Determination Date pertaining to a floating rate note the interest rate of which is determined with reference to two or more Interest Rate Bases will be the latest Business Day which is at least two Business Days prior to such Interest Rate Reset Date for such floating rate note on which each Interest Rate Basis is determined. Each Interest Rate Basis will be determined and compared on such date and the applicable interest rate will take effect on the related Interest Rate Reset Date.

Unless otherwise specified in the applicable pricing supplement, the "Calculation Date", if applicable, pertaining to any Interest Determination Date shall be the earlier of

- (1) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day, or
- (2) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

Except as provided below or in the applicable pricing supplement, interest on floating rate notes, including Floating Rate Amortizing Notes, will be payable

- (1) in the case of floating rate notes that reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified therein and in the applicable pricing supplement;
- (2) in the case of floating rate notes, including Floating Rate Amortizing Notes, that reset quarterly, on the third Wednesday of March, June, September and December of each year;
- (3) in the case of floating rate notes, including Floating Rate Amortizing Notes, that reset semiannually, on the third Wednesday of each of two months of each year specified therein and in the applicable pricing supplement; and
- (4) in the case of floating rate notes, including Floating Rate Amortizing Notes, that reset annually, on the third Wednesday of one month of each year specified therein and in the applicable pricing supplement (each such day being an "Interest Payment Date"); and
- (5) in each case, at maturity.

Unless otherwise specified in the applicable pricing supplement, if any Interest Payment Date, other than maturity, for any floating rate note would otherwise be a day that is not a Business Day, such Interest Payment Date shall be postponed to the next day that is a Business Day, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding Business Day. If the maturity for any floating rate note falls on a day that is not a Business Day, payment of principal, premium, if any, and interest with respect to such note will be made on the next succeeding Business Day with the same force and effect as if made on the due date, and no interest shall be payable on the date of payment for the period from and after the due date.

"Business Day" means, unless otherwise specified in the applicable pricing supplement, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions are authorized or obligated by law to close in:

- (1) London, England,
- (2) the place or places where the principal of (and premium, if any, on) and interest, if any on the notes of that Issue are payable which, in the case of notes denominated in U.S. dollars, shall only be The City of New York, unless otherwise specified in the applicable pricing supplement, or
- (3) in respect of any payment to be made in a Specified Currency other than U.S. dollars, the Principal Financial Center of the country issuing such Specified Currency (which, in the case of euro, shall be deemed to be Brussels).

Unless otherwise specified in the applicable pricing supplement, payments with respect to Floating Rate Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table, formula or formulae setting forth repayment information with respect to each Floating Rate Amortizing Note will be set forth in the applicable pricing supplement and will be available upon request from the paying agent to the subsequent Holders thereof.

Unless otherwise specified in the applicable pricing supplement, each payment of interest on a floating rate note will include interest accrued from and including the Original Issue Date, or the next preceding Interest Payment Date to which interest has been paid or duly provided for, to but excluding the applicable Interest Payment Date or the date of maturity. Unless otherwise specified in the applicable pricing supplement, accrued interest from the Original Issue Date, or from the last date to which interest has been paid or duly provided for, will be calculated by multiplying the face amount of a Note by an accrued interest factor computed by adding the interest factor calculated for each day from the Original Issue Date, or from the last date to which interest has been paid or duly provided for, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the applicable pricing supplement, the interest factor for each such day is computed by dividing the interest rate applicable to such date:

- (1) by 360, in the case of Commercial Paper Rate Notes, Federal Funds Rate Notes, CD Rate Notes, Prime Rate Notes, Eleventh District Cost of Funds Rate Notes and LIBOR Notes,
- (2) by the actual number of days in the year, in the case of Treasury Rate Notes or CMT Rate Notes, or
- (3) by 365 days in the case of a J.J. Kenny Rate Note.

All percentages resulting from any calculation on floating rate notes will be rounded, unless otherwise specified in the applicable pricing supplement, if necessary, to the nearest one hundred-thousandth of a percentage point with five or more one-millionths of one percentage point being rounded upward (e.g., 9.876545% or .09876545, being rounded to 9.87655% or .0987655, respectively), and all currency or composite currency amounts used in or resulting from such calculation on floating rate notes will be rounded to the nearest one-hundredth of a unit (with .005% of a unit rounded upwards).

The Calculation Agent will, upon the request of the holder of any floating rate note, provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next Interest Rate Reset Date with respect to such floating rate note.

Any floating rate note may also have either or both of the following:

- (1) a maximum numerical interest rate limitation, or ceiling, on the rate of interest that may accrue during any Interest Reset Period (the "Maximum Interest Rate") and

- (2) a minimum numerical interest rate limitation, or floor, on the rate of interest that may accrue during any Interest Reset Period (the "Minimum Interest Rate").

The interest rate on any Note will in no event be higher than the maximum rate permitted by New York law or other applicable law. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to Notes in which \$2,500,000 or more has been invested, including Notes purchased by an Agent or Agents in such aggregate principal amount or more for resale to investors.

"*Index Maturity*" means, with respect to a floating rate note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable pricing supplement.

CD Rate Notes

Each CD Rate Note will bear interest at the interest rate (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any), specified in such CD Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "*CD Rate*" means, with respect to any CD Rate Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity designated in the applicable pricing supplement as published in H.15(519) under the heading "CDs (Secondary Market)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate will be the rate on such CD Rate Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity designated in the applicable pricing supplement as published in H.15(519) Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "CDs (Secondary Market)." "H.15 Daily Update" means the daily update of H.15(519), available through the world wide web site of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.us/release/h15/update>, or any successor site or publication.

If such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, then the CD Rate for such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity designated in the applicable pricing supplement in an amount that is representative for a single transaction in that market at that time; *provided, however*, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate with respect to such CD Rate Interest Determination Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

CMT Rate Notes

Each CMT Rate Note will bear interest at the interest rate (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in the CMT Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "*CMT Rate*" means:

- (1) if CMT Telerate Page 7051 is specified in the applicable pricing supplement:
 - (a) the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index as published in H.15(519) under the caption "Treasury Constant Maturities", as the yield is displayed on Bridge Telerate, Inc. (or any

successor service) on page 7051 (or any other page as may replace the specified page on that service) ("Telerate Page 7051"), on such CMT Rate Interest Determination Date, or

- (b) if the rate referred to in clause (a) does not so appear on Telerate Page 7051, the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index and for such CMT Rate Interest Determination Date as published in H.15(519) under the caption "Treasury Constant Maturities", or
 - (c) if the rate referred to in clause (b) does not so appear in H.15(519), the rate on such CMT Rate Interest Determination Date for the period of the Designated CMT Maturity Index as may then be published by either the Federal Reserve System Board of Governors or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519), or
 - (d) if the rate referred to in clause (c) is not so published, the rate on the such CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on such CMT Rate Interest Determination Date of three leading primary United States government securities dealers in The City of New York (which may include the agents or their affiliates) (each a "Reference Dealer"), selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than 1 year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or
 - (e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or
 - (f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index, a remaining term to maturity closest to the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or
 - (g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or
 - (h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on such CMT Rate Interest Determination Date.
- (2) if CMT Telerate Page 7052 is specified in the applicable pricing supplement:

- (a) the percentage equal to the one-week or one-month, as specified in the applicable pricing supplement, average yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index as published in H.15(519) opposite the caption "Treasury Constant Maturities", as the yield is displayed on Bridge Telerate, Inc. (or any successor service) (on page 7052 or any other page as may replace the specified page on that service) ("Telerate Page 7052"), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls, or
- (b) if the rate referred to in clause (a) does not so appear on Telerate page 7052, the percentage equal to the one-week or one-month, as specified in the applicable pricing supplement, average yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index and for the week or month, as applicable, preceding such CMT Rate Interest Determination Date as published in H.15(519) opposite the caption "Treasury Constant Maturities", or
- (c) if the rate referred to in clause (b) does not so appear in H.15(519), the one-week or one-month, as specified in the applicable pricing supplement, average yield for United States Treasury securities at "constant maturity" having the Designated CMT Maturity Index as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls, or
- (d) if the rate referred to in clause (c) is not so published, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity equal to the Designated CMT Maturity Index, a remaining term to maturity no more than 1 year shorter than the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time, or
- (e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or
- (f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent from five Reference Dealers selected by the Calculation Agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index, a remaining term to maturity closest to the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at the time, or
- (g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on such CMT Rate Interest Determination Date calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained and neither the highest or the lowest of the quotations will be eliminated, or

- (h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on such CMT Rate Interest Determination Date.

If two United States Treasury securities with an original maturity greater than the Designated CMT Maturity Index have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

"Designated CMT Maturity Index" means the original period to maturity of the Treasury Notes (either one, two, three, five, seven, ten, twenty or thirty years) specified in the applicable pricing supplement with respect to which the CMT Rate will be calculated. If no such maturity is specified in the applicable pricing supplement, the Designated CMT Maturity Index shall be two years.

Commercial Paper Rate Notes

Each Commercial Paper Rate Note will bear interest at the rate (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in such Commercial Paper Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, *"Commercial Paper Rate"* means, with respect to any Commercial Paper Rate Interest Determination Date, the Money Market Yield (calculated as described below) of the rate on such date for commercial paper having the Index Maturity designated in the applicable pricing supplement as such rate is published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates," or any successor publication of the Board of Governors ("H.15(519)") under the caption "Commercial Paper — Nonfinancial."

In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Rate Interest Determination Date, then the Commercial Paper Rate shall be the Money Market Yield of the rate on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity designated in the applicable pricing supplement as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Commercial Paper — Nonfinancial."

If by 3:00 P.M., New York City time, on such Calculation Date such rate is not yet published in H.15 Daily Update, then the Commercial Paper Rate for such Commercial Paper Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity designated in the applicable pricing supplement placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized securities rating agency; *provided, however*, that if fewer than three of the dealers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for the commercial paper, quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

Eleventh District Cost of Funds Rate Notes

Eleventh District Cost of Funds Rate Notes will bear interest at the rates (calculated with reference to the Eleventh District Cost of Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable Eleventh District Cost of Funds Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "*Eleventh District Cost of Funds Rate*" means, with respect to any Eleventh District Cost of Funds Rate Interest Determination Date, the rate equal to the monthly weighted average cost of funds for the calendar month preceding such Eleventh District Cost of Funds Rate Interest Determination Date as set forth under the caption "Eleventh District" on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on any related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month preceding the date of such announcement.

If the FHLB of San Francisco fails to announce such rate for the calendar month next preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date will be the Eleventh District Cost of Funds Rate then in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

Federal Funds Rate Notes

Each Federal Funds Rate Note will bear interest at the interest rate (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "*Federal Funds Rate*" means, with respect to any Federal Funds Rate Interest Determination Date, the rate on such date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" and displayed on Bridge Telerate, Inc. (or any successor service) on page 120 (or any other page as may replace the specified page on that service) or, if it does not so appear on Telerate page 120 or is not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Rate Interest Determination Date as published in H.15 Daily Update under the heading "Federal Funds (Effective)."

If such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Rate Interest Determination Date, then the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates as of 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; *provided, however*, that if fewer than three of the brokers selected as aforesaid by the Calculation Agent are quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

J.J. Kenny Rate Notes

J.J. Kenny Rate Notes will bear interest at the rates (calculated with reference to the J.J. Kenny Rate and the Spread and/or Spread Multiplier, if any) specified in the applicable J.J. Kenny Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "*J.J. Kenny Rate*" means, with respect to any J.J. Kenny Rate Interest Determination Date, the high grade weekly index (the "Weekly Index") on such date made available by J.J. Kenny Information Systems ("J.J. Kenny") to the Calculation Agent. The Weekly Index

is, and shall be, based upon 30 day yield evaluations at par of bonds, the interest on which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended, of not less than five high grade component issuers selected by J.J. Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by J.J. Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Internal Revenue Code of 1986, as amended, unless all tax-exempt bonds are subject to such tax.

In the event J.J. Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation in respect of issuers most closely resembling the high grade component issuers selected by J.J. Kenny for its Weekly Index, the interest on which is (A) variable on a weekly basis, (B) exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended, and (C) not subject to a minimum tax or similar tax under the Internal Revenue Code of 1986, as amended, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Rate Interest Determination Date shall be 67% of the rate determined if the Treasury Rate option had been originally selected.

LIBOR Notes

Each LIBOR Note will bear interest at the interest rate (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in such LIBOR Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "LIBOR" means, with respect to any LIBOR Interest Determination Date, the rate determined by the Calculation Agent in accordance with the following provisions:

- (1) With respect to any LIBOR Interest Determination Date, LIBOR will be either:
 - (a) if "LIBOR Reuters" is specified in the note and the applicable pricing supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency (as defined below) having the Index Maturity designated in the note and the applicable pricing supplement, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date (or in the case of Notes with a Designated LIBOR Currency of Pounds Sterling on such LIBOR Interest Determination Date), that appear on the Designated LIBOR Page specified in the note and the applicable pricing supplement as of 11:00 A.M. London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or
 - (b) if "LIBOR Telerate" is specified in the note and the applicable pricing supplement, the rate for deposits in the Designated LIBOR Currency (as defined below) having the Index Maturity designated in the note and the applicable pricing supplement, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date (or in the case of Notes with a Designated LIBOR Currency of Pounds Sterling on such LIBOR Interest Determination Date), that appears on the Designated LIBOR Page specified in the note and the applicable pricing supplement as of 11:00 A.M. London time, on that LIBOR Interest Determination Date. Notwithstanding the foregoing, if fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page with respect to LIBOR Reuters by its terms provides only for a single rate, in which case such single rate shall be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Telerate, whichever may be applicable, LIBOR in respect of the related LIBOR

Interest Determination Date will be determined as if the parties had specified the rate described in clause (2) below.

- (2) With respect to any LIBOR Interest Determination Date on which fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Telerate, as the case may be, the Calculation Agent will request the principal London office of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered rate quotation for deposits in the Designated LIBOR Currency (as defined below) for the period of the Index Maturity designated in the note and the applicable pricing supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date (or in the case of Notes with a Designated LIBOR Currency of Pounds Sterling on such LIBOR Interest Determination Date), to prime banks in the London interbank market as of 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Designated LIBOR Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted as of 11:00 A.M. (or such other time specified in the applicable pricing supplement) in the applicable Principal Financial Center (as defined below), on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity designated in the note and the applicable pricing supplement in a principal amount that is representative for a single transaction in such Designated LIBOR Currency in such market at such time; *provided, however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined on such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means, with respect to any LIBOR Note, the currency (including a composite currency), if any, designated in the note and the applicable pricing supplement as the Designated LIBOR Currency. If no such currency is designated in the note and the applicable pricing supplement, the Designated LIBOR Currency shall be U.S. dollars.

"Designated LIBOR Page" means either

- (a) if "LIBOR Reuters" is designated in the note and the applicable pricing supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Designated LIBOR Currency, or
- (b) if "LIBOR Telerate" is designated in the note and the applicable pricing supplement, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable designated LIBOR Currency.

If neither LIBOR Reuters nor LIBOR Telerate is specified in the note and the applicable pricing supplement, LIBOR for the applicable Designated LIBOR Currency will be determined as if LIBOR Telerate (and, if the U.S. dollar is the Designated LIBOR Currency, page 3750) had been specified.

"Principal Financial Center" means, with respect to any LIBOR Note, unless otherwise specified in the note and the applicable pricing supplement, the capital city of the country that issues as its legal tender the Designated LIBOR Currency of such note, except that with respect to U.S. dollars and euro, the Principal Financial Center shall be The City of New York and Brussels, respectively.

Prime Rate Notes

Each Prime Rate Note will bear interest at the interest rate (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in such Prime Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, "*Prime Rate*" means, with respect to any Prime Rate Interest Determination Date, the rate published in H.15(519) for such date opposite the caption "Bank Prime Loan," or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Prime Rate Interest Determination Date, the rate published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Bank Prime Loan."

If such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Prime Rate Interest Determination Date, then the Prime Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the Reuters Screen USPRIME1 Page as such bank's prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date as quoted on the Reuters Screen USPRIME1 Page as of 11:00 A.M., New York City time, on such Prime Rate Interest Determination Date, or, if fewer than four such rates appear on the Reuters Screen Page for such Prime Rate Interest Determination Date by 3:00 P.M., New York City time, on the related Calculation Date, the rate shall be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Prime Rate Interest Determination Date by three major money center banks in The City of New York selected by the Calculation Agent from which quotations are requested; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in the preceding clause, the Prime Rate with respect to such Prime Rate Interest Determination Date will be the interest rate otherwise in effect on such Prime Rate Interest Determination Date. "Reuters Screen USPRIME1 Page" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (or such other page as may replace page USPRIME1 on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Treasury Rate Notes

Each Treasury Rate Note will bear interest at the interest rate (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in such Treasury Rate Note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the "*Treasury Rate*" means:

- (1) the rate from the auction held on the Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified in the applicable pricing supplement under the caption "INVESTMENT RATE" on the display on Bridge Telerate, Inc. (or any successor service) on page 56 (or any other page as may replace that page on that service) ("Telerate Page 56") or page 57 (or any other page as may replace that page on that service) ("Telerate Page 57"), or
- (2) if the rate referred to in clause (1) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as defined below) of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or another recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/ Treasury Bills/ Auction High", or
- (3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills as announced by the United States Department of the Treasury, or

- (4) if the rate referred to in clause (3) is not so announced by the United States, Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the particular Interest Determination Date of the applicable Treasury Bills as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market", or
- (5) if the rate referred to in clause (4) not so published by 3.00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or another recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market", or
- (6) if the rate referred to in clause (5) is not so published by 3.00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date calculated by the Calculation Agent as the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3.30 P.M., New York City time, on that Interest Determination Date, of three primary United States government securities dealers (which may include the Agents or their affiliates) selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable pricing supplement, or
- (7) if the dealers so selected by the Calculation Agent are not quoting as mentioned in clause (6), the Treasury Rate in effect on the particular Interest Determination Date.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Original Issue Discount Notes

An issuer may from time to time offer Original Issue Discount Notes. The applicable pricing supplement for certain Original Issue Discount Notes may provide that the Holders of such notes will not receive periodic payments of interest. Certain additional considerations relating to any Original Issue Discount Notes may be described in the pricing supplement relating thereto. For the purpose of determining whether holders of the requisite principal amount of notes outstanding under the respective indenture have made a demand or given a notice or waiver or taken any other action, the outstanding principal amount of Original Issue Discount Notes shall be deemed to be the amount of the principal that would be due and payable upon declaration of acceleration of the stated maturity thereof as of the date of such determination.

"Original Issue Discount Note" means

- (1) a Note, including any Zero Coupon Note, that has a stated redemption price at maturity that exceeds its Issue Price (as defined for U.S. Federal income tax purposes) by at least 0.25% of its principal amount multiplied by the number of full years from the Original Issue Date (as defined below) to the stated maturity for such Note and
- (2) any other note designated by an issuer as issued with original issue discount for United States Federal income tax purposes.

Notwithstanding anything in this prospectus supplement to the contrary, unless otherwise specified in the applicable pricing supplement, if a note is an Original Issue Discount Note, the amount payable on such note in

the event of maturity prior to the stated maturity shall be the Amortized Face Amount of such note as of such maturity. Unless otherwise specified in the applicable pricing supplement, if the principal of any Original Issue Discount Note is declared to be due and payable immediately as described in the prospectus under "Description of the Debt Securities and Guarantees — Events of Default and Defaults — Senior Debt Securities" and "— Subordinated Debt Securities," the amount of principal due and payable with respect to such note shall be the Amortized Face Amount of such note as of the date of such declaration. Unless otherwise specified in the applicable pricing supplement the "Amortized Face Amount" of an Original Issue Discount Note that does not bear stated interest shall be an amount equal to the sum of

- (1) the principal amount of such note multiplied by the Issue Price (expressed, for this purpose, as a percentage of the principal amount of the note) specified in the applicable pricing supplement plus
- (2) the portion of the difference between the dollar amount determined pursuant to the preceding clause (1) and the principal amount of such note that has accrued at the yield to maturity set forth in the applicable pricing supplement (computed in accordance with generally accepted financial practices) to such date of declaration,

but in no event shall the Amortized Face Amount of an Original Issue Discount Note exceed its principal amount.

Indexed Notes

General

Amounts due on an Indexed Note in respect of principal, premium, if any, and interest (including additional amounts), if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount, may be determined by reference to

- (a) a currency exchange rate or rates,
- (b) a securities or commodities exchange index or indices,
- (c) the value of a particular security or commodity or particular securities or commodities,
- (d) any other index or indices or
- (e) formula or formulae.

Indices to which principal, premium, if any, and interest (including additional amounts), if any, and in the case of Original Issue Discount Notes, the Amortized Face Amount, may be indexed include

- (1) exchange rates between two or more of the lawful currencies of Australia, Austria, Belgium, Brazil, Canada, Chile, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, Norway, the Philippine Islands, Poland, Portugal, Spain, Sweden, Switzerland, Thailand, Taiwan, Turkey, United Kingdom and the United States (the "Listed Countries");
- (2) interest rate indices for transactions denominated in the lawful currencies of the Listed Countries (*e.g.* Brussels Interbank Offer Rate, Paris Interbank Offer Rate, etc.);
- (3) indices of prices of equity and debt securities of organizations whose principal place of business is a Listed Country (*e.g.* S&P 500, Financial Times 100, etc.); and
- (4) prices of commodities including crude oil or oil products, natural gas, precious metals (including gold, silver and platinum) and base metals (including aluminum, lead, nickel, tin, zinc and copper).

The applicable pricing supplement will specify the method by and terms on which the amount of principal (whether at or prior to the maturity thereof) and interest, if any, and premium on the Amortized Face Amount, if any, will be determined and other information relating to such Indexed Notes.

An investment in notes indexed, as to principal or interest or both, to one or more values of currencies (including exchange rates between currencies), commodities, securities, exchange or interest rate indices entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of such a note is so indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and, if the principal amount of such a note is so indexed, the principal amount payable at maturity may be less than the original purchase price of such note if allowed pursuant to the terms of such note, including the possibility that no principal will be paid. The secondary market for such notes will be affected by a number of factors, independent of the creditworthiness of the respective issuer or the guarantor and the value of the applicable currency, commodity, security, exchange or interest rate index, including the volatility of the applicable currency, commodity, security, exchange or interest rate index, the time remaining to the maturity of such notes, the amount outstanding of such notes and market interest rates. The value of the applicable currency, commodity, security, exchange or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which the issuers and the guarantor have no control. Additionally, if the formula used to determine the principal amount or interest payable with respect to such notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity, security, exchange or interest rate index will be increased. The historical experience of the relevant currencies, commodities, securities, exchange or interest rate indices should not be taken as an indication of future performance of such currencies, commodities, securities, exchange or interest rate indices during the term of any note. The credit ratings from time to time assigned to the medium-term note program are a reflection of Abbey National's credit status and, in no way, are a reflection of the potential impact of the factors discussed above, or any other factors, on the market value of any Indexed Notes. **Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in such notes and the suitability of such notes in light of their particular circumstances.**

Currency Indexed Notes

An issuer may from time to time offer notes, the principal amount payable at maturity and/or the interest rate of which is determined by a formula which makes reference to the rate of exchange between one currency ("Currency I") and another currency ("Currency II"; together with Currency I, the "Selected Currencies," both as specified in the applicable pricing supplement), neither of which need be the Specified Currency of such notes (the "Currency Indexed Notes"). Unless otherwise specified in the applicable pricing supplement, Holders of Currency Indexed Notes will be entitled to receive

- (1) an amount in respect of principal equal to the principal amount of the Currency Indexed Notes plus an adjustment, which may be negative or positive, based on the change in the relationship between Selected Currencies or
- (2) an amount of interest calculated at the stated rate of interest on their Currency Indexed Note plus an adjustment, which may be negative or positive, based on the change in the relationship between the Selected Currencies,

in each case determined as described below under "Payment of Principal and Interest." As specified in the applicable pricing supplement, the exchange rate designated as the base exchange rate (the "Base Exchange Rate") will be the initial rate at which Currency I can be exchanged for Currency II and from which the change in such exchange rate will be measured.

Payment of Principal and Interest. Unless otherwise specified in the applicable pricing supplement, the payment of principal at maturity and interest on each Interest Payment Date (until the payment thereof is paid or

made available for payment) will be payable in the Specified Currency in amounts calculated in the manner described below.

Unless otherwise specified in the applicable pricing supplement, principal at maturity, if indexed, will be payable in an amount equal to the principal amount of the Currency Indexed Note, plus or minus an amount determined by reference to the difference between the Base Exchange Rate specified in the applicable pricing supplement and the rate at which Currency I can be exchanged for Currency II on the second Business Day prior to the maturity (the "Currency Indexed Note Determination Date") of such Currency Indexed Note, as determined by the determination agent specified in the applicable pricing supplement (the "Currency Indexed Note Determination Agent"). Unless otherwise specified in the applicable pricing supplement, the interest payable on any Interest Payment Date, if indexed, will be payable in an amount equal to the stated interest rate of the Currency Indexed Note, plus or minus a rate adjustment determined by reference to the difference between the Base Exchange Rate specified in the applicable pricing supplement and the rate at which Currency I can be exchanged for Currency II on the second Business Day prior to the Interest Payment Date (the "Currency Indexed Interest Determination Date") of such Currency Indexed Note, as determined by the Currency Indexed Determination Agent, applied to the average principal amount outstanding of such note for the period being measured. For the purpose of this section, such rate of exchange on the Currency Indexed Note Determination Date or the Currency Indexed Interest Determination Date, as the case may be, will be the average of quotations for settlement on the maturity Date or the relevant Interest Payment Date, as the case may be, obtained by the Currency Indexed Note Determination Agent from three Reference Dealers in The City of New York at approximately 11:00 A.M., New York City time, on either the Currency Indexed Note Determination Date or the relevant Currency Indexed Interest Determination Date, as the case may be.

The formulas to be used by the Currency Indexed Note Determination Agent to determine the principal amount and/or the stated interest rate of a Currency Indexed Note payable at maturity or any Interest Payment Date will be specified in the applicable pricing supplement by reference to the appropriate formula and unless otherwise specified in the applicable pricing supplement will be as follows:

Principal

A. If principal is to increase when the Spot Rate exceeds the Base Exchange Rate, and if principal is to decrease when the Spot Rate is less than the Base Exchange Rate, the formula to determine the principal amount of a Currency Indexed Note payable at maturity shall equal:

$$\text{Principal Amount plus } (\text{Principal Amount} \times \text{LF} \times \frac{[\text{Spot Rate Base} - \text{Exchange Rate}]}{\text{Spot Rate}})$$

To determine the "Spot Rate" for use in this formula, each Reference Dealer's quotation will be the rate at which such Reference Dealer will sell Currency I in exchange for a single unit of Currency II.

B. If principal is to increase when the Base Exchange Rate exceeds the Spot Rate, and if principal is to decrease when the Base Exchange Rate is less than the Spot Rate, the formula to determine the principal amount of a Currency Indexed Note payable at maturity shall equal:

$$\text{Principal Amount plus } (\text{Principal Amount} \times \text{LF} \times \frac{[\text{Base Exchange Rate} - \text{Spot Rate}]}{\text{Spot Rate}})$$

To determine the "Spot Rate" for use in this formula, each Reference Dealer's quotation will be the rate at which such Reference Dealer will purchase Currency I in exchange for a single unit of Currency II.

Interest

A. If interest is to increase when the Spot Rate exceeds the Base Exchange Rate, and if interest is to decrease when the Spot Rate is less than the Base Exchange Rate, the formula to determine the interest rate payable on any Interest Payment Date on a Currency Indexed Note shall equal:

$$\text{Stated Interest Rate plus LF} \times \frac{(\text{Spot Rate} - \text{Base Exchange Rate})}{\text{Spot Rate}}$$

To determine the "Spot Rate" for use in this formula, each Reference Dealer's quotation will be the rate at which such Reference Dealer will sell Currency I in exchange for a single unit of Currency II.

B. If interest is to increase when the Base Exchange Rate exceeds the Spot Rate, and if interest is to decrease when the Base Exchange Rate is less than the Spot Rate, the formula to determine the interest rate payable on any Interest Payment Date on a Currency Indexed Note shall equal:

$$\text{Stated Interest Rate plus LF} \times \frac{(\text{Base Exchange Rate} - \text{Spot Rate})}{\text{Spot Rate}}$$

To determine the "Spot Rate" for use in this formula, each Reference Dealer's quotation will be the rate at which such Reference Dealer will purchase Currency I in exchange for a single unit of Currency II.

In each of the above formulas "LF" will be the leverage factor, if any, used in such formula and set forth in the applicable pricing supplement.

Dual Currency Notes

An issuer may from time to time offer notes ("Dual Currency Notes") as to which such issuer has a one time option, exercisable on any one of the dates specified in the applicable pricing supplement, of thereafter making all payments of principal, premium, if any, and interest, if any (which payments would otherwise be made in the Specified Currency of such notes) in the optional currency specified in the applicable pricing supplement. The pricing supplement for each issuance of Dual Currency Notes will specify, among other things, the Specified Currency, the optional payment currency, the designated exchange rate, the option election dates and the interest payment dates for such Dual Currency Notes. The amounts payable and the method for calculating such amounts (whether in respect of principal, premium, if any, or interest, if any, and whether at maturity or otherwise) in respect of Dual Currency Notes and any additional terms and conditions of any issue of Dual Currency Notes will be specified in the applicable pricing supplement.

Amortizing Notes

An issuer may from time to time offer notes for which payments of principal and interest are made in installments over the life of the note ("Amortizing Notes"). Interest on each Amortizing Note will be computed as specified in the applicable pricing supplement. Unless otherwise specified in such pricing supplement, payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table, formula or formulae setting forth repayment information with respect to each Amortizing Note will be set forth in the applicable pricing supplement and will be available upon request from the paying agent to the subsequent Holders thereof.

Interest Rate Reset

If an issuer has the option with respect to any note to reset the interest rate, in the case of a fixed rate note, or to reset the Spread and/or Spread Multiplier, in the case of a floating rate note, the pricing supplement relating to such note will indicate such option, and, if so,

- (1) the date or dates on which such interest rate or such Spread and/or Spread Multiplier, as the case may be, may be reset (each an "Optional Reset Date") and

- (2) the basis or formula, if any, for such resetting.

Unless otherwise specified in the applicable pricing supplement, an issuer may exercise such option with respect to a note by notifying the principal paying agent with respect to such note of such exercise at least 45 but not more than 60 days prior to an Optional Reset Date for such Date for such note. Not later than 40 days prior to such Optional Reset Date, such principal paying agent will mail to the holder of such note a notice (the "Reset Notice"), first class, postage prepaid, setting forth

- (1) the election of such issuer to reset the interest rate, in the case of a fixed rate note, or the Spread and/or Spread Multiplier, in the case of a floating rate note,
- (2) such new interest rate or such new Spread and/or Spread Multiplier, as the case may be, and
- (3) the provisions, if any, for redemption during the period from such Optional Reset Date to the next Optional Reset Date or, if there is no such next Optional Reset Date, to the stated maturity of such note (each period an "Optional Reset Interest Period"), including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during such Optional Reset Interest Period.

Notwithstanding the foregoing, unless otherwise specified in the applicable pricing supplement, not later than 20 days prior to an Optional Reset Date for a note, such issuer may, at its option, revoke the interest rate, in the case of a fixed rate note, or the Spread and/or Spread Multiplier, in the case of a floating rate note, in either case provided for in the Reset Notice and establish a higher interest rate, in the case of a fixed rate note, or a higher Spread and/or Spread Multiplier, in the case of a floating rate note, for the Subsequent Interest Period commencing on such Optional Reset Date by mailing or causing such principal paying agent to mail notice of such higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, first class, postage prepaid, to the holder of such note. Such notice shall be irrevocable. All Notes with respect to which the interest rate or Spread and/or Spread Multiplier is reset on an Optional Reset Date will bear such higher interest rate, in the case of a fixed rate note, or higher Spread and/or Spread Multiplier, in the case of a floating rate note.

Unless otherwise specified in the applicable pricing supplement, if an issuer elects to reset the interest rate or the Spread and/or Spread Multiplier of a note, the holder of such note will have the option to elect repayment of such note by such issuer on any Optional Reset Date at a price equal to the principal amount thereof plus any accrued interest to such Optional Reset Date. In order for a note to be so repaid on an Optional Reset Date on which the interest rate is reset, the holder thereof must follow the procedures set forth below under "Repayment at the Option of the Holder" for optional repayment, except that the period for delivery of such note or notification to the paying agent with respect to such note shall be at least 25 but not more than 35 days prior to such Optional Reset Date and except that a holder who has tendered a note for repayment pursuant to a Reset Notice may, by written notice to such principal paying agent, revoke any such tender for repayment until 5:00 p.m. New York City time on the tenth day, whether or not a Business Day, prior to such Optional Reset Date.

Extendible Notes

An issuer may from time to time offer notes whose interest rate or interest rate formula may be adjusted on specified dates and which may be subject to repayment at certain times at the option of the holder or to redemption at certain times at the option of such issuer ("Extendible Notes"). The applicable pricing supplement will indicate whether such issuer has the option to extend the maturity of such note for one or more periods up to but not beyond a date set forth in such pricing supplement (the "Final Extended Maturity Date"). If such issuer has such option with respect to any such notes, the procedures relating thereto will be as specified in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Extendible Notes will be repayable in whole or in part on the day immediately following the end of the initial interest period, as specified in the applicable pricing supplement, and on the day immediately following the end of each Extension Period, at the

option of the holder, at 100% of the principal amount to be repaid, in each case plus accrued interest, if any, to the repayment date. The applicable pricing supplement will specify the procedures that must be followed in order to effect such a repayment. Unless otherwise specified in the applicable pricing supplement, an "Extension Period" will be a period of one or more whole calendar periods (e.g., weeks, months, or years) commencing on the day following the last day of the initial interest period or any subsequent Extension Period.

Renewable Notes

The applicable pricing supplement will indicate whether a note (other than an Amortizing Note) will mature unless the term of all or any portion of any such note is renewed in accordance with the procedures described in such pricing supplement.

Combination of Provisions

If so specified in the applicable pricing supplement, any note may be subject to all of the provisions, or any combination of the provisions, described above under "Interest Rate Reset," "Extendible Notes" and "Renewable Notes."

Redemption at the Option of an Issuer

The notes will be redeemable at the option of the respective issuer prior to the stated maturity, if any, only if an Initial Redemption Date ("Initial Redemption Date") is specified in the applicable pricing supplement. If so specified, and subject to any other terms set forth in the applicable pricing supplement, the notes will be subject to redemption at the option of the respective issuer on any date on and after the applicable Initial Redemption Date in whole or from time to time in part in increments of \$1,000 or the minimum denomination specified in such pricing supplement (provided that any remaining principal amount thereof shall be at least \$1,000 or such minimum denomination), at the applicable Redemption Price (as defined below) on notice given not more than 60 days, if the notes are being redeemed in whole, or 45 days, if the notes are being redeemed in part, nor less than 30 days prior to the date of redemption and in accordance with the provisions of the respective indenture. "Redemption Price," with respect to a Note, means, unless otherwise specified in the applicable pricing supplement, an amount equal to the sum of

- (1) the Initial Redemption Percentage specified in such pricing supplement (as adjusted by the Annual Redemption Percentage Reduction, if applicable (as specified in such pricing supplement)) multiplied by the unpaid principal amount or the portion to be redeemed plus
- (2) accrued interest, if any, to the date of redemption.

Unless otherwise specified in the applicable pricing supplement, the Initial Redemption Percentage, if any, applicable to a note shall decline at each anniversary of the Initial Redemption Date by an amount equal to the applicable Annual Redemption Percentage Reduction, if any, until the Redemption Price is equal to 100% of the unpaid principal amount thereof or the portion thereof to be redeemed.

Under the requirements of the U.K. Financial Services Authority at the date of this prospectus supplement, subordinated notes may not be redeemed prior to their stated maturity, if any, without the prior consent of the U.K. Financial Services Authority.

Unless otherwise specified in the applicable pricing supplement, the notes will not be subject to any sinking fund.

Repayment at the Option of the Holder

If so specified in the applicable pricing supplement, the notes will be repayable by the respective issuer in whole or in part at the option of the holders thereof on their respective optional repayment dates ("Optional Repayment Dates") specified in such pricing supplement. If no Optional Repayment Date is specified with respect to a note, such note will not be repayable at the option of the holder thereof prior to the stated maturity.

Any repayment in part will be in increments of \$1,000 or the minimum denomination specified in the applicable pricing supplement (*provided* that any remaining principal amount thereof shall be at least \$1,000 or such minimum denomination). Unless otherwise specified in the applicable pricing supplement, the repayment price for any note to be repaid means an amount equal to the sum of

- (1) 100% of the unpaid principal amount thereof, or the portion thereof plus
- (2) accrued interest, if any, to the date of repayment.

For any note to be repaid, such note must be received, together with the form thereon entitled "Option to Elect Repayment" duly completed, by the paying agent (or such other address of which the respective issuer shall from time to time notify the holders) not more than 60 nor less than 30 days prior to the date of repayment. Except as otherwise provided for herein or in the applicable pricing supplement, exercise of such repayment option by the holder will be irrevocable.

While the Book-Entry Notes are represented by the Global Notes held by or on behalf of DTC, and registered in the name of DTC or DTC's nominee, the option for repayment may be exercised by the applicable participant that has an account with DTC, on behalf of the beneficial owners of the Global Note or Notes representing such Book-Entry Notes, by delivering a written notice substantially similar to the above mentioned form to the paying agent (or such other address of which the respective issuer shall from time to time notify the holders), not more than 60 nor less than 30 days prior to the date of repayment. Notices of elections from participants on behalf of beneficial owners of the Global Note or Notes representing such Book-Entry Notes to exercise their option to have such Book-Entry Notes repaid must be received by the paying agent by 5:00 P.M., New York City time, on the last day for giving such notice. In order to ensure that a notice is received by the paying agent by a particular day, the beneficial owner of the Global Note or Notes representing such Book-Entry Notes must so direct the applicable participant before such participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners of the Global Note or Notes representing Book-Entry Notes should consult the participants through which they own their interest therein for the respective deadlines for such participants. All notices shall be executed by a duly authorized officer of such participant (with signatures guaranteed) and shall be irrevocable. In addition, beneficial owners of the Global Note or Notes representing Book-Entry Notes shall effect delivery at the time such notices of election are given to DTC by causing the applicable participant to transfer such beneficial owner's interest in the Global Note or Notes representing such Book-Entry Notes, on DTC's records, to the senior trustee. See " — Book-Entry System" below.

While the Global Receipts in respect of the Global Subordinated Notes representing the Subordinated Notes of an Issue are held by or on behalf of DTC, and registered in the name of DTC or DTC's nominee, the option for repayment may be exercised by the applicable participant that has an account with DTC, on behalf of the beneficial owners of interests in the Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing such subordinated notes, by delivering a written notice substantially similar to the above mentioned form to the Global Bearer Security Depositary (as defined herein) (who will forward such notice to the subordinated trustee in accordance with the Deposit and Custody Agreement, as defined herein) at its Corporate Trust Office (or such other address of which the respective issuer shall from time to time notify the holders), not more than 60 nor less than 30 days prior to the date of repayment. Notices of elections from participants on behalf of beneficial owners of interests in the Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing such subordinated notes to exercise their option to have such subordinated notes repaid must be received by the Global Bearer Security Depositary by 5:00 P.M., New York City time, on the last day for giving such notice (in order for the Global Bearer Security Depositary to have sufficient time to forward such notice to the subordinated trustee). In order to ensure that a notice is received by the Global Bearer Security Depositary on a particular day, the beneficial owner of an interest in the Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing such subordinated notes must so direct the applicable participant before such participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their

customers. Accordingly, beneficial owners of interests in the Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing such subordinated notes should consult the participants through which they own their interest therein for the respective deadlines for such participants. All notices shall be executed by a duly authorized officer of such participant (with signatures guaranteed) and shall be irrevocable. In addition, beneficial owners of interests in the Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing such subordinated notes shall effect delivery at the time such notices of election are given to DTC by causing the applicable participant to transfer such beneficial owner's interest in the Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing such subordinated notes, on DTC's records, to the Global Bearer Security Depositary. See " — Special Procedures for Global Subordinated Notes in Bearer Form" below.

Repurchase

The issuers, the guarantor or any subsidiary (as defined in Section 736 of the United Kingdom Companies Act of 1985) may at any time purchase notes at any price or prices in the open market or otherwise. Notes so purchased by the issuers and the guarantor may be held or resold or, at the discretion of the issuers and the guarantor, may be surrendered to the applicable principal paying agent for cancellation. If an issue of notes and any applicable pricing supplement provide for mandatory sinking fund payments with respect to such notes, the indentures provide that in lieu of making all or any part of any mandatory sinking fund payment in cash, the respective issuer may deliver to the applicable principal paying agent notes previously purchased or otherwise acquired by the issuers and the guarantor (to the extent not previously credited).

Under the requirements of the Financial Services Authority at the date of this prospectus supplement, subordinated notes may not be repurchased by the issuer thereof, Abbey National or any Subsidiary, without the prior consent of the U.K. Financial Services Authority.

Other Provisions

Any provisions with respect to the determination of an Interest Rate Basis, the specifications of an Interest Rate Basis, calculation of the interest rate applicable to, or the principal payable at maturity on, any note, its Interest Payment Dates or any other matter relating thereto may be modified by the terms as specified in such note, or in an addendum relating thereto if so specified therein, and in the applicable pricing supplement.

Form, Transfer, Exchange, Denomination

Unless otherwise specified in the applicable pricing supplement, each senior note will be issued initially as either a Book-Entry Note or a Certificated Senior Note in fully registered form without coupons. Except as set forth below under " — Book-Entry System," Book-Entry Notes will not be exchangeable for Certificated Senior Notes.

Unless otherwise specified in the applicable pricing supplement, subordinated notes of an Issue will initially be represented by a Global Subordinated Note or Global Subordinated Notes in bearer form. The Global Subordinated Note or Global Subordinated Notes representing an Issue of subordinated notes will be deposited on or about the issue date with a custodian (the "Custodian") under a Deposit and Custody Agreement (such agreement, as supplemented or amended from time to time, the "Deposit and Custody Agreement") entered into by Citibank, N.A., as depositary (the "Global Bearer Security Depositary"), Citibank, N.A., as Custodian and the Subordinated Note Issuers for certain limited purposes, for the benefit of the holder from time to time of a Global Receipt (the "Global Receipt Holder") and beneficial owners from time to time of interests in such Global Receipt. A Global Receipt in registered form representing an interest in 100% of each Global Subordinated Note in respect of subordinated notes of an Issue will be issued to and deposited with, or on behalf of, DTC in New York, New York, and registered in the name of Cede & Co., as DTC's partnership nominee. Interests in a Global Receipt in respect of a Global Subordinated Note or Global Subordinated Notes representing subordinated notes of an Issue will be shown in, and transfers thereof will be effected only through, records maintained by DTC and its participants until such time, if any, as Certificated Subordinated Notes in respect of such subordinated notes are issued as set forth under "Special Procedures for Subordinated Notes" in this prospectus supplement and

"Description of the Global Receipts Representing Global Bearer Securities" in the prospectus. Pursuant to the terms of the Deposit and Custody Agreement, the Global Subordinated Note or Global Subordinated Notes representing an Issue of subordinated notes may be transferred only to a successor of the Custodian and the Global Receipt or Global Receipts in respect of the Global Subordinated Note or Global Subordinated Notes representing an issue of subordinated notes may be transferred only to a successor of DTC or another nominee of DTC. See "Special Procedures for Global Subordinated Notes in Bearer Form" in this prospectus supplement and "Description of the Global Receipts Representing Global Bearer Securities" in the prospectus.

Certificated Senior Notes and Certificated Subordinated Notes will be exchangeable for other Certificated Senior Notes and Certificated Subordinated Notes, respectively, of any authorized denominations and of a like aggregate principal amount and tenor.

Certificated Notes may be presented to the principal paying agent for registration of transfer or exchange at its principal office which at the date hereof is located at 5 Carmelite Street, London EC4Y 0PA, telephone: +44 20 7508 3815. Certificated Notes may be presented for exchange and transfer in the manner, at the places and subject to the restrictions set forth in the respective indenture and the notes. No service charge will be made for any transfer or exchange of Certificated Notes, but the respective issuer of such notes may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Certificated Notes may be presented for exchange as provided above, and may be presented for registration of transfer (duly endorsed or accompanied by a duly executed written instrument of transfer), at the office of any Note registrar designated by the respective issuer of such notes for such purpose with respect to the notes, without service charge and upon payment of any taxes and other governmental charges as described in the respective indenture. Such transfer or exchange will be effected upon such Note registrar being satisfied with the documents of title and identity of the person making the request. An issuer may at any time rescind the designation of any Note registrar except that each issuer will be required to maintain a Note registrar in The City of New York for Certificated Notes.

In the event of any redemption of notes, the respective issuer of such notes will not be required to:

- (a) register the transfer of or exchange the notes during a period of 15 days next preceding the mailing of the relevant notice of redemption; or
- (b) register the transfer or exchange the notes, or portion thereof, called for redemption, except the unredeemed portion of any of the notes being redeemed in part.

Unless otherwise specified in the applicable pricing supplement, notes will be issuable in U.S. dollars in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. In order to ensure that the notes will be exempt from certain requirements of The Netherlands Securities Act, notes issued by First Capital B.V. will be issued in minimum denominations of \$100,000 (or the equivalent in another currency or currency unit) and integral multiples of \$1,000 in excess thereof. The authorized denominations of any Note denominated in other than U.S. dollars will be the amount of the Specified Currency for such Note equivalent, at the noon buying rate in The City of New York for cable transfers for such Specified Currency as certified for customs purposes by the Federal Reserve Bank of New York (the "Market Exchange Rate") on the first Business Day (as defined below) in The City of New York and the Principal Financial Center (as defined below) of the country issuing such currency (or, in the case of euros, Brussels) next preceding the date on which the respective issuer of such Note accepts the offer to purchase such Note, to U.S. \$1,000, or such other minimum denomination as may be allowed or required from time to time by any relevant central bank or equivalent governmental body, however designated, or by any laws or regulations applicable to the notes or to such Specified Currency. Unless otherwise specified in the applicable pricing supplement, the notes will be issued in integral multiples of 1,000 units of any such Specified Currency in excess of their minimum denominations. If any of the notes are to be denominated in a Specified Currency other than U.S. dollars, or if the principal of and premium, if any, or any interest, if any, on any of the notes not denominated in U.S. dollars is to be payable at the option of the holder or the respective

issuer of such notes in U.S. dollars, the applicable pricing supplement will provide additional information, including applicable exchange rate information, pertaining to the terms of such notes.

Book-Entry System

DTC will act as securities depository for the Book-Entry Notes. The Book-Entry Notes will be issued as fully-registered securities registered in the name of Cede & Co., as DTC's partnership nominee. One fully-registered Global Senior Note will be issued for each Issue of the senior notes, each in the aggregate principal amount of such Issue, and will be deposited with DTC. If, however, the aggregate principal amount of any Issue exceeds \$400 million, one Global Senior Note will be issued with respect to each \$400 million of principal amount and an additional Global Senior Note will be issued with respect to any remaining principal amount of such Issue.

We understand that DTC is a limited-purpose trust company organized under the New York Banking Law, a "Banking Organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("participants") deposit with DTC. DTC also facilitates the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Access to DTC's 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 participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Book-Entry Notes under DTC's system must be made by or through Direct participants, which will receive a credit for the Book-Entry Notes on DTC's records. The ownership interest of each actual purchaser of each Book-Entry Note (the "beneficial owner") is in turn to be recorded on the Direct and Indirect participants' 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 transactions, 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 Book-Entry Notes are to be accomplished by entries made on the books of participants acting on behalf of the beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Book-Entry Notes, except in the event that use of the book-entry system for one or more Book-Entry Notes is discontinued.

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

Conveyance of notices and other communications by DTC to participants, by participants to indirect participants, and by 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 DTC. If less than all of the Book-Entry Notes within an issue are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct participant in such issue to be redeemed.

Neither DTC nor Cede will consent or vote with respect to Book-Entry Notes. Under its usual procedures, DTC will mail an "Omnibus Proxy" to the respective issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those participants to whose accounts the Book-Entry Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Book-Entry Notes will be made to Cede & Co. DTC's practice is to credit participants' accounts on the payable date 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 payable 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, the Agents or the respective issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is the responsibility of the respective issuer or Agent, disbursement of such payments to Direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect participants.

A beneficial owner shall give notice to elect to have its Book-Entry Notes purchased or tendered, through its participant, to the principal paying agent for an issue of notes, and shall effect delivery of such Book-Entry Notes by causing the participant to transfer the participant's interest in the Book-Entry Notes, on DTC's records, to such principal paying agent. The requirement for physical delivery of Book-Entry Notes in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Book-Entry Notes are transferred by participants on DTC's records and followed by a book-entry credit of tendered Book-Entry Notes to the principal paying agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Book-Entry Notes at any time by giving reasonable notice to the Agents. Under such circumstances, in the event that a successor securities depository is not obtained, Certificated Senior Notes will be printed and delivered in exchange for the Book-Entry Notes represented by the Global Senior Notes held by DTC.

An issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificated Senior Notes will be printed and delivered in exchange for the Book-Entry Notes represented by the Global Senior Notes held by DTC.

Neither ANTS, the guarantor, the senior trustee, any paying agent nor any registrar for the senior notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Senior Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Special Procedures for Global Subordinated Notes in Bearer Form

DTC will act as securities depository for the Global Receipts in respect of the Global Subordinated Notes representing subordinated notes. Unless otherwise specified in the applicable pricing supplement, the subordinated notes of an Issue will initially be represented by a Global Subordinated Note or Global Subordinated Notes in bearer form. The Global Subordinated Note or Global subordinated notes representing an Issue of subordinated notes will be deposited on or about the issue date with the Custodian under the Deposit and Custody Agreement. Upon deposit of a Global Subordinated Note with the Custodian, pursuant to the Deposit and Custody Agreement, the Global Bearer Security Depository will cause a Global Receipt in registered form representing an interest in 100% of such Global Subordinated Note representing subordinated notes of an Issue to be issued to and deposited with, or on behalf of, DTC in New York, New York, and registered in the name of Cede, as DTC's partnership nominee. One fully-registered Global Receipt will be issued for each Issue of the subordinated notes represented by Global Subordinated Notes, each in the aggregate principal amount of such Issue, and will be deposited with DTC. If, however, the aggregate principal amount of any Issue exceeds \$150 million, one Global Receipt will be issued with respect to each \$150 million of principal amount (corresponding to each Global Subordinated Note in such amount) and an additional Global Receipt will be issued with respect to any remaining principal amount of such Issue (corresponding to any Global Subordinated Note with respect to any remaining principal amount of such Issue).

So long as the Custodian holds a Global Subordinated Note, the Custodian will be considered the sole owner or holder of such Global Subordinated Note for purposes of the subordinated indenture. Owners of

beneficial interests in a Global Receipt in respect of the Global Subordinated Notes representing an Issue of subordinated notes will not be entitled to have subordinated notes registered in their names, will not receive or be entitled to receive physical delivery of subordinated notes in definitive form, and will not be considered the registered owners or registered holders thereof under the subordinated indenture, unless, in each case, they submit an Optional Definitive Security Request (as defined in the prospectus) as described in the prospectus under "Description of the Debt Securities and Guarantees — Global Securities" and "Description of the Global Receipts Representing Global Bearer Securities — Issuance of Definitive Debt Securities." The subordinated indenture also provides for the issuance of subordinated notes in registered form in exchange for beneficial interests in a Global Receipt in certain other limited circumstances.

Holders of beneficial interests in a Global Receipt should be aware that under current United Kingdom tax law, upon the issuance of definitive subordinated notes in registered form with respect to the subordinated notes of a series represented by such a Global Receipt, United Kingdom income tax at the lower rate (currently 20%) may be required to be withheld on any payments of interest on such subordinated notes as set forth under "Taxation — United Kingdom Tax Considerations" below. If such definitive subordinated notes in registered form are issued pursuant to an Optional Definitive Security Request, the applicable subordinated issuer will not be obligated to pay any additional amounts on such subordinated notes. See "Description of the Debt Securities and the Guarantees — Payment of Additional Amounts" in the prospectus.

Purchases of interests in the Global Receipts under DTC's system must be made by or through Direct participants, which will receive a credit for such interests on DTC's records. The ownership interest of each actual purchaser of each interest in a Global Receipt is in turn to be recorded on the Direct and Indirect participants' 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 transactions, 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 Global Receipts are to be accomplished by entries made on the books of participants acting on behalf of the beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the Global Receipts. In addition, beneficial owners will not receive certificates representing ownership of the underlying Global Subordinated Notes or the subordinated notes, except in the limited circumstances set forth in the prospectus under the heading "Description of the Debt Securities and Guarantees — Global Securities".

To facilitate subsequent transfers, all Global Receipts deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Global Receipts 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 interests in the Global Receipts; DTC's records reflect only the identity of the participants to whose accounts such interests are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants, by participants to indirect participants, and by 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 interests in a Global Receipt in respect of a Global Subordinated Note representing subordinated notes of an issue are being redeemed, DTC's current practice is to determine by lot the amount of the interests of each participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Global Receipts. Under its usual procedures, DTC will mail an "Omnibus Proxy" to the Global Bearer Security Depositary as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those participants to whose accounts the interests in the Global Receipts are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Global Subordinated Notes in bearer form will be made to the Custodian. Pursuant to the Deposit and Custody Agreement, the Custodian will forward such payments to the Depository who will then forward them to DTC. DTC's practice is to credit participants' accounts on the payable date 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 payable date. Payments by direct and indirect participants to beneficial owners of interests in the Global Receipts will be governed by standing instructions and customary practices, as in the case of 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, the Global Bearer Security Depository, the Custodian, the respective 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 respective issuer, disbursement of such payments to participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants.

A beneficial owner shall give notice to elect to have its interests in the Global Receipts purchased or tendered, through its participant, to the principal paying agent for an Issue of subordinated notes (and the related Global Receipts), and shall effect delivery of such interests by causing the Direct participant to transfer such interest, on DTC's records, to such principal paying agent. The requirement for physical delivery of Global Receipts in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership interest in the Global Receipts are transferred by a participant on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Global Receipts at any time by giving reasonable notice to the issuers, the guarantor and the Agents. Under such circumstances, in the event that a successor securities depository is not obtained, Certificated Subordinated Notes will be printed and delivered in exchange for the Global Subordinated Notes represented by the Global Receipts held by DTC.

An issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificated Subordinated Notes will be printed and delivered in exchange for the Global Subordinated Notes represented by the Global Receipts held by DTC.

Neither the subordinated issuers, the guarantor, the Subordinated Note Custodian, the Subordinated Note Depository, the subordinated trustee, the principal paying agent or any other paying agent nor any registrar for the subordinated notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Receipt or a Global Subordinated Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

IMPORTANT CURRENCY INFORMATION

Unless the applicable pricing supplement provides otherwise, purchasers are required to pay for each note in the Specified Currency for such note. Currently, there are limited facilities in the United States for conversion of U.S. dollars into foreign currencies and vice versa, and banks generally do not offer non-U.S. dollar checking or savings account facilities in the United States. However, if requested by a prospective purchaser of notes denominated in a Specified Currency other than U.S. dollars, the Agent soliciting the offer to purchase will arrange for the conversion of U.S. dollars into such Specified Currency to enable the Purchaser to pay for such notes. Such requests must be made on or before the fifth Business Day preceding the date of delivery of the notes, or by such other date as determined by the Agent which presents the offer to the respective issuer. Each such conversion will be made by the relevant Agent on such terms and subject to such conditions, limitations and charges as such Agent may from time to time establish in accordance with its regular foreign exchange practice. All costs of exchange will be borne by the relevant purchaser of the notes.

If the applicable pricing supplement provides for any payments on a non-U.S. dollar denominated note to be made in U.S. dollars, the conversion of the Specified Currency into U.S. dollars will be made by the Currency Determination Agent, based upon the exchange rate as determined by it based on the highest firm bid quotation for U.S. dollars received by it at approximately 11:00 a.m., New York City time, on the second Business Day preceding the payment date, based on bids solicited from three recognized foreign exchange dealers in New York

City selected by it (one of which may be the Currency Determination Agent) for the purchase by the quoting dealer, for settlement on such payment date, of the aggregate amount of the Specified Currency payable on such payment date in respect of all notes denominated in such Specified Currency. The costs of such conversion will be borne by the holder of a note through deductions from such payments. If no such bid quotations are available, payments will be made in the Specified Currency, unless such Specified Currency is unavailable due to the imposition of exchange controls or to other circumstances beyond the control of the issuer thereof, in which case payment will be made as described under "Currency Risks — Payment Currency" below.

Unless otherwise specified in the applicable pricing supplement, a holder of an interest in a Book-Entry Note or a Global Receipt denominated or repayable in a Specified Currency other than U.S. dollars electing to receive payments of principal or interest, if any, in a currency other than U.S. dollars must notify the participant through which its interest is held on or prior to the applicable record date, in the case of a payment of interest, and on or prior to the twelfth day prior to the payment of principal, in the case of principal, of such beneficial owner's election to receive all or a portion of such payment in a Specified Currency other than U.S. dollars, together with wire transfer payment instructions to an account in the Specified Currency. Any such election in respect of a payment of principal or interest shall be irrevocable. In the case of a payment of interest, such participant must notify DTC of such election on or prior to the third Business Day after such Record Date. DTC will notify the principal paying agent of such election on or prior to the fifth Business Day after such Record Date. In the case of a payment of principal, such participant must notify DTC of such election on or prior to the twelfth day prior to the payment of principal. DTC will notify the principal paying agent of such election on or prior to the tenth day prior to the payment of principal. If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the principal paying agent, on or prior to such dates, the beneficial owner will receive payments of principal and or interest in the Specified Currency; otherwise only U.S. dollar payments will be made by the principal paying agent through DTC. If any holder of a Book-Entry Note does not elect to receive principal or interest payments in the Specified Currency in accordance with the rules and procedures of DTC, such payments will be made in U.S. dollars. Conversion of the Specified Currency into U.S. dollars will be made by the Currency Determination Agent. In particular, holders of Book-Entry Notes should be aware that the Currency Determination Agent has the right to deduct from payments made in U.S. dollars all costs of converting amounts in the Specified Currency to U.S. dollars.

CURRENCY RISKS

Risks Relating to Exchange Rates and the Imposition of Exchange Control:

An investment in notes that are denominated in, or the payment of which is determined with reference to, a Specified Currency other than U.S. dollars entails significant risks to you that are not associated with a similar investment in a security denominated in U.S. dollars. Similarly, an investment in an Indexed Note entails significant risks to you that are not associated with an investment in non-Indexed Notes. Such risks include:

- the possibility of significant changes in rates of exchange between U.S. dollars and the Specified Currency including changes resulting from official redenomination with respect to such Specified Currency;
- in the case of each Indexed Note, the rate of exchange between the denominated currency and the indexed currency for such Indexed Note, including changes resulting from official redenomination with respect to the denominated currency or the indexed currency therefor; and
- the possibility of the imposition or modification of foreign exchange controls with respect to the Specified Currency.

Such risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies.

In recent years, rates of exchange between Specified Currencies have been highly volatile, and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the

past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any note. Depreciation of a currency or composite currency in which a note is denominated against the U.S. dollar would result in a decrease in the effective yield of such note below its coupon rate, and in certain circumstances could result in loss to you on a U.S. dollar basis. Similarly, depreciation of the denominated currency with respect to an Indexed Note against the applicable indexed currency would result in the principal amount payable with respect to such Indexed Note at the stated maturity being less than the face amount of such Indexed Note which, in turn would decrease the effective yield of such Indexed Note below its applicable interest rate and could also result in a loss to you.

The notes will provide that, in the event of an official redenomination of a foreign currency (including an official redenomination of a foreign currency that is a composite currency), the obligations of the respective issuer with respect to payments on notes denominated in such currency shall require the payment of an amount of redenomination currency representing the amount of such obligations immediately before such redenomination. Except as expressly *provided* herein or in the applicable pricing supplement, the notes do not provide for any adjustment to any amount payable under the notes as a result of

- (a) any change in the value of a foreign currency relative to any other currency due to fluctuations in exchange rates, or
- (b) any redenomination of any component currency of any composite currency (unless such composite currency is itself officially redenominated).

Governments have from time to time imposed, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a foreign currency for making payments with respect to a note denominated in such currency. We cannot assure you that exchange controls will not restrict or prohibit payments of principal or interest in any currency or composite currency. Even if there are not actual exchange controls, it is possible that, with respect to any particular note, the currency for such note will not be available to the respective issuer (and, if applicable, the guarantor) to make payments of interest and principal then due because of circumstances beyond the control of such issuer (and the guarantor). In that event, the respective issuer (and, if applicable, the guarantor) will make such payment in the manner set forth below under "Payment Currency."

The pricing supplement relating to notes denominated in a Specified Currency other than U.S. dollars or relating to Indexed Notes will contain information concerning historical exchange rates for such Specified Currency or denominated currency against the U.S. dollar or other relevant currency (including, in the case of Indexed Notes, the applicable indexed currency) and any exchange controls affecting such currency or currencies. Information concerning exchange rates is furnished as a matter of information only and should not be regarded as indicative of the range of or trend in fluctuations in currency exchange rates that may occur in the future.

Risks Relating to Unavailability of the Payment Currency

Except as otherwise provided herein or in the applicable pricing supplement, if payment on a note is required to be made in a Specified Currency other than U.S. dollars or in any currency unit and such currency or currency unit is unavailable due to the imposition of exchange controls or other circumstances beyond the control of the respective issuer (and, if applicable, the guarantor) or if such currency is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, then we will make all payments in respect of such note in U.S. dollars until such currency or currency unit is again available or so used. The amount so payable on any date in such currency or currency unit will be converted into U.S. dollars on the basis of the Market Exchange Rate for such currency, or for each Component Currency, as of the Conversion Date. See "Description of the Notes and Guarantees — Payment of Interest and Principal" above. If we make a payment in U.S. dollars made under such circumstances, it will not constitute an event of default under the notes.

If the official unit of any Component Currency is altered by way of combination or subdivision, the number of units of that currency as a Component Currency shall be divided or multiplied in the same Proportion. If two or

more Component Currencies are consolidated into a single currency, the amounts of those currencies as Component Currencies shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated Component Currencies expressed in such single currency. If any Component Currency is divided into two or more currencies, the amount of the original Component Currency shall be replaced by the amounts of such two or more currencies having an aggregate value on the date of division equal to the amount of the former Component Currency immediately before such division.

Currency Obtained Under Foreign Currency Judgments

The notes, the guarantees and the indentures will be governed by and construed in accordance with the laws of the State of New York applicable to instruments made to be performed wholly within such jurisdiction, except that the subordination provisions in the subordinated notes, the subordinated guarantees and in the subordinated indenture will be governed by and construed in accordance with the laws of England and Wales. Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than U.S. dollars. If a note is denominated in a Specified Currency other than U.S. dollars, any judgment under New York law will be rendered in the foreign currency of the underlying obligation and converted into U.S. dollars at a rate of exchange prevailing on the date of entry of the judgment or decree.

Information Limited to United States Holders

The information we have provided in this prospectus supplement (except for certain tax information) is directed to prospective purchasers of notes in the United States and we disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase or holding of, or receipt of payments of principal, premium or interest in respect of, notes. If you are such a person, you should consult your own counsel with regard to such matters.

TAXATION

United States Tax Considerations

The following is a summary of certain United States federal income tax considerations that may be relevant to a holder of a note that is a citizen or resident of the United States, a domestic corporation, or that otherwise is subject to U.S. federal income tax on a net income basis in respect of the note.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change.

This summary deals only with United States holders that will hold notes in registered form as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, persons holding notes along with other positions that affect the tax treatment of the notes (under rules applicable to hedges, straddles or conversion transactions) and persons that have a "functional currency" other than the U.S. dollar. The summary does not discuss the U.S. tax treatment of Indexed Notes, Dual Currency Notes or special rules applicable to notes denominated in hyperinflationary currencies. Tax considerations relevant to holders of such notes will be discussed in the applicable pricing supplement.

Investors should consult their own tax advisors regarding the tax consequences of holding notes, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local and other national tax laws.

Payments of Interest

Payments of interest on a note generally will be taxable to a United States holder as ordinary income at the time that such payments accrue or are received (in accordance with the holder's method of tax accounting). In the case of notes denominated in a currency other than U.S. dollars, the amount of interest income realized by a United States holder using the cash method of accounting for tax purposes will be the U.S. dollar value of the foreign currency payment based on the exchange rate in effect on the date of receipt, regardless of whether the

payment in fact is converted into U.S. dollars. A United States holder using the accrual method of accounting generally must translate interest income at the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, such a holder may elect to translate all interest income on foreign currency-denominated debt obligations at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that includes more than one taxable year) or on the date the interest payment is received if such date is within five days of the end of the accrual period. A holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service. A United States holder that uses the accrual method of accounting will recognize foreign currency gain or loss on the receipt of a foreign currency interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss and generally will not be treated as an adjustment to interest income received on the note. Payments of interest on Perpetual Capital Notes and Perpetual Subordinated Notes generally will be includible in income (and translated into U.S. dollars) on the date of receipt without regard to the holder's method of tax accounting.

Purchase, Sale and Retirement of Notes

A United States holder's tax basis in a note generally will equal the cost of such note to such holder, increased by any amounts includible in income by the holder as original issue discount, market discount or any discount with respect to a short-term note, and reduced by any amortized premium (each as described below) and any payments other than qualified stated interest (as described below). In the case of a note denominated in a foreign currency, the cost of such note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase calculated at the exchange rate in effect on the date of purchase. In the case of a note that is denominated in a foreign currency and traded on an established securities market, a cash basis taxpayer (or if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of such note by translating the amount paid at the exchange rate on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder's tax basis in a note in respect of foreign currency-denominated original issue discount and premium will be determined in the manner described below for such adjustments. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a note, a United States holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the holder's tax basis in the note. If a United States holder receives foreign currency in respect of the sale, exchange or retirement of a note, the amount realized generally will be the U.S. dollar value of the foreign currency received, calculated at the exchange rate in effect at the time of the sale, exchange or retirement. In the case of a note that is denominated in a foreign currency and is traded on an established securities market, a cash basis taxpayer (or if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized by translating such amount at the exchange rate on the settlement date of the sale, exchange or retirement.

The election available to accrual basis taxpayers in respect of the purchase and sale of notes traded on an established securities market, which is discussed in the two preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the Internal Revenue Service.

Except as discussed below with respect to market discount and foreign currency gain or loss, gain or loss recognized by a United States holder on the sale, exchange or retirement of a note generally will be long-term capital gain or loss if the holder has held the note for more than one year at the time of disposition. The distinction between capital gain or loss and ordinary income or loss is important for purposes of the limitations on a U.S. holder's ability to offset capital losses against ordinary income. In addition, U.S. holders that are individuals may be entitled to a preferential tax rate on long-term capital gains.

Notwithstanding the foregoing, gain or loss recognized by a United States holder on the sale, exchange or retirement of a note denominated in a foreign currency generally will be treated as ordinary income or loss to the extent that such gain or loss ("exchange gain or loss") is attributable to changes in exchange rates during the period in which the holder held such note. Such gain or loss generally will not be treated as an adjustment to interest income on the note. These rules generally will not apply to Perpetual Capital Notes or Perpetual Subordinated Notes.

Original Issue Discount

United States holders of notes issued with original issue discount generally will be subject to the special tax accounting rules provided for such obligations by the Internal Revenue Code of 1986, as amended. United States holders of such notes should be aware that, as described in greater detail below, they generally must include original issue discount in ordinary gross income for United States federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

Notes issued with original issue discount for U.S. tax purposes include (1) Original Issue Discount Notes, as defined herein; and (2) any other notes if the difference between the first price at which a substantial amount of the notes that are part of the same issue is sold (other than to an underwriter, placement agent or wholesaler) (the "Issue Price") and the stated redemption price at maturity of the note is at least 0.25% of that stated redemption price multiplied by the number of full years from the issue date of the note until its maturity or, in the case of Amortizing Notes, multiplied by the weighted average maturity. All such notes are referred to herein as Discount Notes. The stated redemption price at maturity of a Discount Note is the total of all payments to be made under the Discount Note other than "qualified stated interest". The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of a Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices.

In general, each United States holder of a Discount Note having a maturity in excess of one year, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of original issue discount on that note for all days during the taxable year that the holder owns the note. The daily portions of original issue discount on a Discount Note are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of a Discount Note, *provided* that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the final day or on the first day of an accrual period. In the case of an initial holder, the amount of original issue discount on a Discount Note allocable to each accrual period is determined by:

- (1) multiplying the "adjusted issue price" (as defined below) of the note by a fraction, the numerator of which is the annual yield to maturity of the note and the denominator of which is the number of accrual periods in a year and
- (2) subtracting from that product the amount (if any) payable as qualified stated interest allocable to that accrual period.

In the case of a Discount Note that is a floating rate note, both the "annual yield to maturity" and the "qualified stated interest" will be determined for these purposes as though the note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the note on its date of issue or, in the case of certain floating rate notes, the rate that reflects the yield that is reasonably expected for the note. (Additional rules may apply if interest on a floating rate note is based on more than one interest index.) The "adjusted issue price" of a Discount Note at the beginning of any accrual period generally will be the sum of its Issue Price (including accrued interest, if any) and the amount of original issue discount allocable to all prior accrual periods, reduced by the amount of all payments other than qualified stated interest payments (if any) made with respect to such Discount Note in all prior accrual periods. For this purpose, all payments on a Discount Note (other than qualified stated interest) generally will be viewed first as payments of previously accrued

original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first, and then as a payment of principal. The "annual yield to maturity" of a note is the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value on the issue date of all payments on the note to equal the Issue Price. As a result of this "constant yield" method of including original issue discount income, the amounts includible in income by a United States holder in respect of a Discount Note denominated in U.S. dollars are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to apply the constant yield method described above to determine the timing of inclusion in income of its entire return on a note (i.e., the excess of all remaining payments to be received on the note, including payments of qualified stated interest, over the amount paid by such holder for such note).

In the case of a Discount Note denominated in a foreign currency, a United States holder should determine the U.S. dollar amount includible in income as original issue discount for each accrual period by

- (1) calculating the amount of original issue discount allocable to each accrual period in the foreign currency using the constant yield method described above, and
- (2) translating the foreign currency amount so derived at the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year).

Alternatively, a holder may translate the foreign currency amount so derived at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that includes more than one taxable year) *provided* that the holder has made an election as described under "Payments of Interest" above. Because exchange rates may fluctuate, a United States holder of a Discount Note denominated in a foreign currency may recognize a different amount of original issue discount income in each accrual period than would the holder of a similar Discount Note denominated in U.S. dollars. Also, as described above, exchange gain or loss will be recognized when the original issue discount is paid or the holder disposes of the Discount Note.

A subsequent United States holder of a Discount Note that purchases the note at a cost less than its remaining redemption amount (as defined below) also generally will be required to include in gross income the daily portions of original issue discount, calculated as described above. However, if the subsequent holder acquires the Discount Note at a price greater than its adjusted issue price, the holder may reduce its periodic inclusions of original issue discount income to reflect the premium paid over the adjusted issue price. The "remaining redemption amount" for a Discount Note is the total of all future payments to be made on the note other than payments of qualified stated interest.

Certain of the Discount Notes may be redeemed prior to their maturity Date, either at the option of the Company or at the option of the holder. Discount Notes containing such features may be subject to rules that differ from the general rules discussed above. Purchasers of Discount Notes with such features should carefully review the applicable pricing supplement and should consult their own tax advisors with respect to such features since the tax treatment of such Discount Notes will depend on their particular terms.

Short-Term Notes

The rules set forth above generally will also apply to Discount Notes having maturities of not more than one year ("Short-Term Notes"), but with certain modifications. The applicable regulations provide that no payments of interest on a Short-Term Note will be considered to be qualified stated interest (and instead treat such interest payments as part of the Short-Term Note's stated redemption price at maturity, thereby giving rise to original issue discount). Thus, all Short-Term Notes will be Discount Notes. A cash basis holder of a Short-Term Note that does not identify the Short-Term Note as part of a hedging transaction generally will not be required to accrue original issue discount currently, but such a holder will be required to treat any gain realized on a sale, exchange or retirement of the Short-Term Note as ordinary income to the extent such gain does not exceed the

original issue discount accrued with respect to the Short-Term Note during the period the holder held the Short-Term Note. Such a holder will be required to defer certain deductions for interest paid on indebtedness incurred or continued to purchase or carry Short-Term Notes. Notwithstanding the foregoing, a cash method holder of a Short-Term Note may elect to include original issue discount in income as it accrues (in which case the limitation on the deductibility of interest described above will not apply). A holder using the accrual method of tax accounting and certain cash method holders (including banks, securities dealers, regulated investment companies and certain trust funds) generally will be required to include original issue discount on the Short-Term Notes in income as it accrues. Original issue discount will be treated as accruing for these purposes on a ratable basis or, at the election of the holder, on a constant yield basis based on daily compounding. Furthermore, any holder (whether cash or accrual method) of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Short-Term Note on current basis. Acquisition discount is the excess of the remaining redemption amount of the Short-Term Note at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing on a ratable basis or, at the election of the holder, under a constant yield method based on daily compounding. If the election to accrue acquisition discount is made, the original issue discount rules will not apply with respect to the Short-Term Note. The market discount rules described below will not apply to Short-Term Notes.

As described above, certain of the notes may be subject to special redemption features. These features may affect the determination of whether a note has a maturity of not more than one year and is thus a Short-Term Note. Purchasers of notes with such features should carefully review the applicable pricing supplement and should consult their own tax advisors with respect to such features.

Premium and Market Discount

A United States holder that purchases a note at a cost greater than its remaining redemption amount (as defined in "Original Issue Discount", above) will be considered to have purchased the note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the note. Such election, once made, generally applies to all bonds held or subsequently acquired by the holder on or after the first day of the first taxable year to which the election applies and may not be revoked without permission of the Internal Revenue Service. A United States holder that elects to amortize such premium must reduce its tax basis in a note by the amount of the premium amortized during its holding period. Discount Notes purchased at a premium will not be subject to the original issue discount rules described above. In the case of a premium note denominated in a foreign currency, a United States holder should calculate the amortization of the premium in the foreign currency. Amortization deductions attributed to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the rate used by the holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on a premium note denominated in a foreign currency based on the difference between the exchange rate computed as described above and the exchange rate on the date on which the United States holder acquired the note. A holder that does not elect to amortize bond premium will include premium in its tax basis for purposes of determining gain or loss realized on the disposition or maturity of the note.

If a United States holder purchases a note at a price that is lower than its remaining redemption amount, or in the case of a Discount Note its adjusted issue price, by 0.25% or more of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the note will be considered to bear "market discount". In such case, gain realized by the United States holder on the sale or retirement of the note generally will be treated as ordinary income to the extent of the market discount that accrued on the note while held by such holder. In addition, the holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or continued to purchase or carry the note. In general terms, market discount on a note will be treated as accruing ratably over the term of such note, or, at the election of the holder, under a constant yield method. Alternatively, a United States holder may elect to include market discount in income currently as it accrues (on either a ratable or constant yield basis), in which case the rule regarding deferral of interest deductions will not apply. Such an election, once made, applies to all market discount bonds acquired by the United States holder on or after the first day of the first taxable year to which such election applies and may not be

revoked without the consent of the Internal Revenue Service. Market discount on a note denominated in a foreign currency will be treated as accruing in the foreign currency. The amount includible in income by a United States holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the note is disposed of by the holder. However, if the United States holder has elected to include market discount in income currently, the amount of accrued market discount includible in income for any accrual period will be determined in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during that accrual period.

Contingent Debt Obligations

Certain of the notes may be subject to special regulations (the "Contingent Payment Regulations") governing the tax treatment of debt obligations that provide for contingent payments ("contingent debt obligations"). The Contingent Payment Regulations generally require accrual of interest income on a constant yield basis in respect of a contingent debt obligation at a yield determined at the time of issuance of the obligation, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to United States holders of any contingent debt obligations will be provided in the applicable pricing supplement.

Backup Withholding and Information Reporting

Information reporting to the Internal Revenue Service will generally be required with respect to payments of principal and interest (including original issue discount) on a note and proceeds of the sale of a note to United States holders other than corporations and other exempt recipients. A 31% "backup" withholding tax will apply to those payments if the holder fails to provide certain identifying information (such as the holder's taxpayer identification number). Persons holding notes who are not United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding tax.

Non-United States Holders

A holder of notes that is not a United States holder will not be subject to United States federal income taxes, including withholding taxes, on payments of interest on the notes (subject to compliance with the procedures described in the preceding paragraph), unless:

(i) the holder is an insurance company carrying on a United States insurance business, within the meaning of the Internal Revenue Code of 1986, to which the interest is attributable, or

(ii) the holder has an office or other fixed place of business in the United States to which the interest is attributable and the interest either (a) is derived in the active conduct of a banking, financing or similar business within the United States or (b) is received by a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

Gain realized on a sale or exchange of the notes by a holder that is not a United States holder will not be subject to United States federal income tax, including withholding tax, unless (i) the gain is effectively connected with the conduct by the holder of a trade or business in the United States or (ii) in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the year of the sale, and certain other conditions are met.

United Kingdom Tax Considerations

The comments below are of a general nature and are based on current United Kingdom law and practice.

Payments of principal in respect of any of the notes (other than premiums treated as interest, as referred to below) made in the United Kingdom are not subject to withholding taxes or duties in the United Kingdom.

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

ANTS, provided that it continues to be an institution authorised under the Banking Act 1987 and the interest on the senior notes is paid in the ordinary course of its business (within the meaning of section 349(3)(b) of the ICTA), is entitled to make payments of interest on the senior notes without withholding or deduction for or on account of United Kingdom tax.

Where Abbey National, as an issuer of subordinated notes, makes payments of interest on subordinated notes and the subordinated notes are in bearer form and are listed on a recognized stock exchange (within the meaning of section 841 of ICTA), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax:

- (1) where payment is made by or through an overseas paying agent; or
- (2) if payment is made by or through a paying agent in the United Kingdom where such notes are held in a recognized clearing system (within the meaning of section 841A of ICTA) or where the person who is the beneficial owner of such notes and beneficially entitled to the interest is not resident in the United Kingdom and, in each case, the person by or through whom the payment is made receives a declaration in the prescribed form that one of those conditions is satisfied.

In all other cases (such as, for instance, where the subordinated notes are in registered form) tax would, subject to any relief available under any applicable double taxation convention, have to be withheld at the lower rate of income tax (currently 20%).

If the notes are in bearer form and are listed on a recognized stock exchange any person in the United Kingdom who, in the course of a trade or profession:

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

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

- (1) the notes are held in a recognized clearing system (as described above) and the collecting agent pays or accounts for the interest directly or indirectly to the recognized clearing system; or
- (2) the notes are held in a recognized clearing system for which the collecting agent is acting as a depositary; or
- (3) the person beneficially entitled to the interest is not resident in the United Kingdom and beneficially owns the notes;

and in cases (1) and (3) a declaration has been made in the prescribed form that one of those conditions is satisfied and the Inland Revenue has not issued an appropriate direction to the effect that the exception does not apply.

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

Payments of interest made by First Capital B.V. on subordinated notes will not be subject to United Kingdom withholding tax when made to a holder of such subordinated notes in a case where the payment is not made by or through a United Kingdom paying or collecting agent.

Payments in respect of interest by Abbey National as guarantor of the subordinated notes issued by First Capital B.V. will not be subject to United Kingdom withholding tax except to the extent that they are regarded as payments of interest. Payments made by Abbey National as guarantor which are regarded as payments of interest may be subject to withholding tax (except to the extent that any withholding tax is reduced or eliminated by a claim duly made under an appropriate double taxation convention) in which case Abbey National may be obliged to pay additional amounts pursuant to the obligations described in the accompanying prospectus under "Description of the Notes and Guarantees — Payment of Additional Amounts." Where Abbey National as guarantor of subordinated notes is obliged to pay such additional amounts such subordinated notes may be redeemed at the option of First Capital B.V.

Any premium over the amount originally subscribed for the notes paid on redemption at maturity or otherwise in accordance with the terms and conditions of the notes will not generally be regarded as interest for withholding tax purposes.

Netherlands Tax Considerations

Due to Netherlands tax considerations, it is expected that First Capital B.V. will only issue Term Subordinated Notes. Accordingly, the discussion below does not address Netherlands tax considerations relating to Perpetual Subordinated Notes or Perpetual Capital Notes. In the event First Capital B.V. does issue such notes, Netherlands tax considerations relevant to Holders of such notes will be discussed in the applicable pricing supplement.

Moreover the information below does not pertain to Notes with a maturity in excess of 30 years, nor to Notes which carry interest or any other payment dependent on the profits of the Company.

Withholding Tax

All payments under the notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

A holder of notes will not be subject to any Netherlands taxes on income or capital gains in respect of any payment under the notes or in respect of any gain realized on the disposal of the notes, *provided that*:

- (1) such holder is neither resident nor deemed to be resident in the Netherlands; and
- (2) the holder is not an individual who has opted to be taxed as a resident in the Netherlands; and
- (3) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the notes are attributable; and
- (4) such holder is an individual who does not have a substantial interest or a deemed substantial interest in the share capital of First Capital B.V.; and
- (5) the holder is not an individual who performs other activities in relation to the Notes in the Netherlands, including but not limited to activities that exceed "normal investment activities".

Generally, a holder of notes will not have a substantial interest if he, his spouse, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, shares representing five per cent or more of

the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of First Capital B.V., or rights to acquire shares, whether or not already issued, that represent at any time (and from time to time) five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of First Capital B.V. or the ownership of certain profit participating certificates that relate to five per cent or more of the annual profit of First Capital B.V. or of the liquidation proceeds of First Capital B.V. A deemed substantial interest is present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

A holder of notes will not be subject to taxation in the Netherlands by reason only of the execution, delivery, and/or enforcement of the indenture and the issue of the notes or the performance by First Capital B.V. of its obligations thereunder or under the notes.

Gift and Estate Taxes

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of notes by way of a gift by, or on the death of, a holder of notes who is neither resident nor deemed to be resident in the Netherlands, unless:

- (1) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the notes are or were attributable; or
- (2) in the case of a gift of notes by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

Turnover Tax

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of the notes or with respect to any payment by First Capital B.V. of principal, interest or premium (if any) on the notes.

Other Taxes and Duties

No Netherlands registration tax, custom duty, stamp duty, capital tax or any other similar tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including the enforcement of any foreign judgement in the Courts of the Netherlands) of the indenture or certain other agreements related thereto or the performance by First Capital B.V. of its obligations thereunder or under the notes, other than capital tax that may be due by First Capital B.V. under the Guarantees.

Proposed EU Savings Directive

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

Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in other jurisdictions should seek independent advice.

SUPPLEMENTAL PLAN OF DISTRIBUTION

The notes are offered on a continuing basis by the issuers through Lehman Brothers Inc., Goldman, Sachs & Co., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chase Securities Inc., Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. (collectively, the "agents") each of which has agreed pursuant to a distribution agreement dated as of February 9, 1996 among the agents and the issuers (such agreement, as amended and supplemented from time to time, the "Distribution Agreement") to use its reasonable best efforts to solicit purchases of the notes. If specified in the applicable pricing supplement, the issuers may offer notes through agents, underwriters or dealers other than the agents on the same terms and conditions as those to which the agents have agreed. If underwriters are used in the sale of notes, notes will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions. Such notes may be offered to the public either through underwriting syndicates represented by managing underwriters or underwriters without a syndicate.

Unless otherwise set forth in the applicable pricing supplement, the obligations of the underwriters to purchase such securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of such notes if any of such notes are purchased. The issuers will pay each agent a commission, which may range from 0.125% to 0.750% of the principal amount of each note, depending upon its stated maturity, sold through such agent. The issuers will have the sole right to accept offers to purchase notes and may reject any such offer in whole or in part. Each agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase notes received by such agent. The issuers also may sell notes to any agent, acting as principal, at a discount to be agreed upon at the time of sale, for resale to one or more investors or to one or more broker-dealers (acting as principal for purposes of resale) at varying prices related to prevailing market prices at the time of resale, as determined by such agent, or, if so agreed, at a fixed public offering price. Unless otherwise indicated in the applicable pricing supplement, if any note is resold by an agent to any broker-dealer at a discount, such discount will not be in excess of 66% of the discount received by such agent from the respective issuer. In addition, unless otherwise specified in the applicable pricing supplement, any note purchased by an agent as principal will be purchased at 100% of the principal amount thereof less a percentage equal to the commission applicable to an agency sale of a note having an identical stated maturity. After the initial public offering of the notes, the public offering price (in the case of notes to be resold on a fixed public offering price basis), the concession and the discount may be changed.

Each of the issuers also reserves the right to sell the notes directly to investors on its own behalf in those jurisdictions where it is authorized to do so or as otherwise provided in the applicable pricing supplement. In such circumstances, such issuer will have the sole right to accept offers to purchase notes and may reject any proposed purchase of notes in whole or in part. In the case of sales made directly by an issuer, no commission will be payable.

The Agents may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. These transactions may include purchasing of the notes prior to the pricing of the offering of the notes for the purpose of maintaining the price of the notes, purchasing of the notes following the pricing of the offering of the notes to cover a syndicate short position in the notes or for the purpose of maintaining the price of the notes and the imposition of penalty bids.

The agents may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). We have agreed to indemnify each agent against certain liabilities, including liabilities under the Securities Act, or to contribute to payments each agent may be required to make in respect thereof. The issuers and the guarantor have agreed to reimburse the agents for certain of the agents' expenses, including, but not limited to, the fees and expenses of counsel to the agents estimated at \$10,000.

We have been advised by each agent that it may from time to time purchase and sell notes in the secondary market, but that it is not obligated to do so. There can be no assurance that there will be a secondary market for the notes or liquidity in the secondary market if one develops. From time to time, each agent may make a market in the notes.

The **Abbey National**
Group