

£150,000,000

# WOOLWICH

— BUILDING SOCIETY —

*(Incorporated in England under the Building Societies Act 1986)*

## Perpetual Subordinated Bonds

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*The issue price of the Perpetual Subordinated Bonds (the "Bonds") is 99.394 per cent. of their principal amount, plus accrued interest (if any).*

*Application has been made to London Stock Exchange Limited (the "London Stock Exchange") for the Bonds to be admitted to the Official List of the London Stock Exchange. Copies of this document, which comprises approved listing particulars under the listing rules made under Section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales as required by Section 149 of that Act.*

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*The Bonds will initially be represented by a temporary global Bond (the "Temporary Global Bond") without interest coupons which will be deposited with a common depositary for Cedel Bank, société anonyme ("Cedel Bank") and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system ("Euroclear") on or about 27th November, 1996 and will be exchangeable for a permanent global Bond (the "Permanent Global Bond") without interest coupons not earlier than 6th January, 1997 upon certification as to non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable for definitive Bonds with interest coupons attached only in the limited circumstances set out in the Permanent Global Bond. See "Summary of Provisions Relating to the Bonds while represented by the Global Bonds".*

CS First Boston

HSBC Markets

Woolwich Building Society ("Woolwich" or the "Society") accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Society (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised in connection with the issue of the Bonds to give any information or make any representation not contained herein and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Society or any of the Managers (as defined under "Subscription and Sale" below). The delivery of this Offering Circular at any time does not imply that the information contained herein is correct at any time subsequent to its date. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Society or any of the Managers to subscribe for or purchase, any of the Bonds. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Society and its consolidated subsidiaries since the date hereof.

The distribution of this Offering Circular and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Society and each of the Managers to inform themselves about and to observe any such restrictions.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exemptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on the distribution of this document, see "Subscription and Sale" below.

All references herein to "£" and "pounds sterling" are to the lawful currency of the United Kingdom.

## TABLE OF CONTENTS

	<i>Page</i>		<i>Page</i>
TERMS AND CONDITIONS OF THE BONDS. . . . .	3	DIRECTORS AND EXECUTIVE MANAGEMENT . . . . .	17
USE OF PROCEEDS . . . . .	11	CAPITALISATION . . . . .	18
SUMMARY OF PROVISIONS RELATING TO THE		SUMMARISED GROUP RESULTS . . . . .	20
BONDS WHILE REPRESENTED BY THE		UNITED KINGDOM TAXATION . . . . .	21
GLOBAL BONDS . . . . .	12	SUBSCRIPTION AND SALE . . . . .	24
WOOLWICH BUILDING SOCIETY. . . . .	14	GENERAL INFORMATION . . . . .	25

**IN CONNECTION WITH THIS ISSUE, CS FIRST BOSTON LIMITED MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## TERMS AND CONDITIONS OF THE BONDS

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

The £150,000,000 Perpetual Subordinated Bonds (the "Bonds", which expression shall in these Terms and Conditions (the "Conditions"), unless the context otherwise requires, include any further bonds issued pursuant to Condition 13 and forming a single series therewith) of Woolwich Building Society (the "Issuer") are constituted by a trust deed (the "Trust Deed") dated 27th November, 1996 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders"). The issue of the Bonds was authorised and approved by resolutions of the Group Management Committee of the Board of Directors of the Issuer passed on 4th November, 1996 and 22nd November, 1996, respectively. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the registered office of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, England and at the specified office of each of the paying agents (the "Paying Agents") referred to below. The Bondholders and the holders (the "Couponholders", which term shall include the holders of talons (the "Talons") for further Coupons) of the interest coupons appertaining to the Bonds (the "Coupons") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed applicable to the Bonds, the Coupons and the Talons.

### 1. Form, Denomination and Title

The Bonds are in bearer form, serially numbered, with 26 Coupons and one Talon attached on issue, in the denominations of £1,000, £10,000 and £100,000 each. Title to the Bonds, Coupons and Talons will pass by delivery. The Issuer, the Trustee and any Paying Agent may deem and treat the bearer of any Bond, Coupon or Talon as the absolute owner thereof (whether or not such Bond, Coupon or Talon shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes. Bonds of one denomination may not be exchanged for Bonds of another denomination.

### 2. Status and Subordination

The Bonds and the Coupons are direct, subordinated and unsecured obligations of the Issuer, conditional as described below.

The rights of the Bondholders are subordinated to the claims of Senior Creditors (as defined below) and accordingly payments of principal and interest are conditional upon the Issuer being solvent at the time for payment by the Issuer and no principal or interest shall be payable in respect of the Bonds except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purpose of this Condition, the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (each as defined below) (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Issuer by two Directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the auditors of the Issuer or, if the Issuer is in winding-up, its liquidator shall in the absence of manifest error be treated and accepted by the Issuer, the Trustee, the Bondholders and all other interested parties as correct and sufficient evidence thereof.

If at any time an order is made or an effective resolution is passed for the winding-up or dissolution in England of the Issuer at a time when the Issuer is a building society (save as a result of an amalgamation, transfer of engagements or transfer of business under section 93, 94 or 97, respectively, of the Building Societies Act 1986 (the "Act")), there shall be payable on each Bond (in lieu of any other payment), subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding-up or dissolution (as the case may be) and thereafter, such Bondholder were the holder of a Deferred Share (within the meaning of section 119 of the Act) in the Issuer issued on terms identical to those on which the Issuer has issued or has power to issue Deferred Shares which may for the purposes of the first criterion of prudential management set out in section 45(3) of the Act be aggregated with reserves of the Issuer save that it is of a class which carries a preferential right to a return of assets in the winding-up or dissolution (as the case may be) over the holders of all other Deferred Shares for the time being in the Issuer and entitles the holder thereof to receive on a return of

assets in such winding-up or dissolution an amount equal to the principal amount of such Bond together with Arrears of Interest (as defined in Condition 3(e)), if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

If at any time an order is made or an effective resolution is passed for the winding-up in England of the Issuer at a time when the Issuer has transferred the whole of its business to a company pursuant to section 97 of the Act, otherwise than in connection with such a transfer by the Issuer, there shall be payable on each Bond (in lieu of any other payment), but subject as provided in this Condition, such amount, if any, as would have been payable to the holder thereof if, on the day prior to the commencement of the winding-up and thereafter, such Bondholder were the holder of a preference share in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of such Bond together with Arrears of Interest, if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

For the purpose of this Condition 2, "Senior Creditors" means (i) all depositors, (ii) all other creditors of the Issuer (other than creditors (if any) in respect of claims which are expressed to rank or rank *pari passu* with or junior to the claims of the Bondholders and Couponholders (whether only in the event of a winding-up or dissolution of the Issuer or otherwise)) and (iii) in respect of a winding-up or dissolution commenced while the Issuer remains a building society, all members holding shares in the Issuer (other than members holding Deferred Shares) as regards the principal of their shares and any interest due in respect of those shares. "Assets" means the unconsolidated gross assets of the Issuer; and "Liabilities" means the unconsolidated gross liabilities of the Issuer, all as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the certifying Directors, the auditors or the liquidator (as the case may be) may determine.

The Bonds rank *pari passu* among themselves. The Bonds rank junior to the Issuer's £200,000,000 11% per cent. Subordinated Bonds due 2001, £100,000,000 10% per cent. Subordinated Bonds due 2017 and £200,000,000 9% per cent. Subordinated Bonds due 2021 but will rank prior to the claims of the holders of any subordinated obligations which rank or are expressed to rank junior to the claims of the Bondholders.

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

*N.B. The obligations of the Issuer in respect of the Bonds and the Coupons are conditional upon the Issuer being solvent for the purpose of this Condition immediately before and after payment by the Issuer. If this condition is not satisfied any amounts which might otherwise have been allocated in or towards payment in respect of the Bonds or the Coupons may be used to absorb losses. In the event of a winding-up or dissolution of the Issuer, each Bondholder will be treated as the holder of a first ranking Deferred Share or preference share, as the case may be, as described above.*

### **3. Interest**

- (a) The Bonds bear interest from, and including, 27th November, 1996 to, but excluding, 27th November, 2021 at the rate of 9% per cent. per annum and thereafter shall bear interest at the Rate of Interest (as defined below), in each case payable, subject as provided below, annually in arrear on 27th November (the "Interest Payment Date") in each year.
- (b) Each Bond will cease to bear interest from the due date (if any) for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused or default is otherwise made in respect of such payment. In either such event, interest will continue to accrue as provided in the Trust Deed.

- (c) Whenever it is necessary to compute an amount of interest in respect of any Bond for a period of less than a full year, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.
- (d) (i) The rate of interest payable in respect of the Bonds from, and including, 27th November, 2021 (the "Rate of Interest") in respect of any Reset Period (as defined below) shall be determined by the agent bank set out at the end of these Conditions or such other person as may be appointed from time to time pursuant to Condition 3(d)(iv) (the "Agent Bank") on the following basis. On the Determination Date (as defined below) relating to such Reset Period the Agent Bank shall determine the then prevailing yield on the then benchmark five-year Gilt (the "Yield") which shall be the arithmetic mean of the offered and bid quotations for the sale or purchase on a spot delivery basis of such benchmark five-year Gilt as at 11.00 a.m. (London time) on the relevant Determination Date (quoted by three brokers and/or gilt-edged market makers or such other three persons operating in the gilt-edged market (approved by the Trustee) as the Agent Bank may select, each of which (I) is acting through its principal London office, (II) agrees with the Agent Bank's nomination of the then benchmark five-year Gilt and (III) is willing to provide the quotations referred to above) applied to the interest rate payable on such Gilt. The Rate of Interest for such Reset Period shall be the aggregate of 2.25 per cent. per annum and the Yield (rounded, if necessary, to four decimal places, with 0.00005 per cent. being rounded upwards), as determined by the Agent Bank.

In these Conditions:

"Determination Date" means, in relation to any Reset Period, the day forty-five days prior to the first day of such Reset Period; provided that if such day is not a day on which banks are open for business in London, it shall be postponed to the next such day;

"Gilt" means a United Kingdom government security;

"Reset Date" means 27th November, 2021 and every fifth successive 27th November; and

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

- (ii) As soon as practicable after 11.00 a.m. (London time) on each Determination Date, the Agent Bank shall determine the Rate of Interest for the relevant Reset Period and calculate the amount of interest payable on the presentation and surrender of each Coupon (with respect to each denomination of Bonds, the "Coupon Amount") on each of the five Interest Payment Dates that fall after the commencement of the Reset Period to which such Determination Date relates. The Coupon Amount shall be calculated by applying such Rate of Interest to the principal amount of one Bond of the relevant denomination. The Issuer shall cause such Rate of Interest and each such Coupon Amount to be notified to the Trustee, each of the Paying Agents and, so long as the Bonds are listed on London Stock Exchange Limited (the "London Stock Exchange"), the London Stock Exchange, as soon as practicable after their determination and calculation and shall procure that the Principal Paying Agent gives notice to the Bondholders thereof in accordance with Condition 10.
- (iii) If the Agent Bank does not at any material time for any reason determine the Rate of Interest for any Reset Period or calculate any Coupon Amount in accordance with this Condition 3(d), the Trustee shall determine such Rate of Interest or calculate such Coupon Amount at such rate or in such amount as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition 3(d)), it shall deem fair and reasonable in all the circumstances, and such determination and calculation shall be deemed to be a determination and calculation thereof by the Agent Bank.

- (iv) The Issuer may, with the prior written approval of the Trustee, from time to time appoint another bank or investment banking firm in London as Agent Bank. In the event of the appointed office of the Agent Bank being unable or unwilling to continue to act as the Agent Bank, the Issuer shall forthwith appoint the London office of such other leading bank or investment banking firm in London as may be approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.
  - (v) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3(d), whether by the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Bondholders and Couponholders and (in the absence as aforesaid) no liability to the Bondholders or Couponholders shall attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise of their powers, duties and discretions.
- (e) Interest payments on the Bonds shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below). On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects and gives notice of such election to the Bondholders in accordance with Condition 3(f), but subject to Condition 2) the interest payable on such Optional Interest Payment Date, but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest not paid on an Interest Payment Date together with any other interest not paid on any other Interest Payment Date shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may, at the option of the Issuer, be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Bondholders in accordance with Condition 10, but all Arrears of Interest on all Bonds outstanding shall (subject to Condition 2) become due in full on whichever is the earliest of (i) the date upon which any interest is next paid on any class of Deferred Shares of the Issuer whilst the Issuer is a building society or upon which a dividend is next paid on any class of share capital of the Issuer following transfer by the Issuer of its business to a company pursuant to section 97 of the Act, (ii) the date set for any redemption pursuant to Condition 4(b) or 4(c) or (iii) the commencement of winding-up or dissolution of the Issuer otherwise than in connection with a transfer by the Issuer of its business as aforesaid or in connection with an amalgamation or transfer of engagements under section 93 or 94, respectively, of the Act. Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to Condition 2) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.
- (f) The Issuer shall give not less than 30 days' notice prior to any Interest Payment Date to the Bondholders in accordance with Condition 10:
- (i) if such Interest Payment Date will be an Optional Interest Payment Date; and
  - (ii) if the Issuer elects to pay or not to pay the interest due on such Optional Interest Payment Date.
- (g) For the purposes of this Condition the following expressions have the following meanings:
- "Compulsory Interest Payment Date" means (i) for so long as the Issuer is a building society within the meaning of the Act, any Interest Payment Date if, in the immediately preceding Interest Period, the Issuer has paid any interest or dividend upon shares of the Issuer of any class other than Deferred Shares or deposits with the Issuer except other subordinated debt (as defined below) or (ii) following a transfer by the Issuer of its business to a company pursuant to section 97 of the Act, any Interest Payment Date if, in the immediately preceding Interest Period, the Issuer has paid any dividend on any class of share capital of the Issuer;
- "Interest Period" means the period from, and including, one Interest Payment Date (or, in the case of the first Interest Period, 27th November, 1996) to, but excluding, the next (or first) Interest Payment Date;

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date; and

“other subordinated debt” means debt ranking before the Bonds but in respect of which no repayment will be made to the creditor in a winding-up except where at least all sums due to other creditors in the winding-up are paid to those creditors in full.

All references in these Conditions to interest shall, unless the context otherwise requires, include Arrears of Interest.

*As discussed in “Recent Developments” on page 15 of this Offering Circular, the Issuer has announced its intention to transfer its business to a public limited company. This proposed conversion is expected to take place, subject to the required approvals and confirmations, in the middle of 1997. The Issuer may not have paid a dividend on any class of its share capital prior to the first Interest Payment Date following such conversion.*

- (h) On and after the Interest Payment Date on which the final Coupon in any Coupon sheet matures, the Talon forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including a further Talon, subject to the provisions of Condition 7 below. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon in the relative Coupon sheet matures.

#### **4. Redemption and Purchase**

- (a) The Bonds shall be redeemable only as provided below.
- (b) If the Issuer satisfies the Trustee immediately prior to giving the notice referred to below that on the occasion of the next payment due in respect of the Bonds or the Coupons (i) the Issuer will be required to pay additional amounts as provided in Condition 6 or to account to any taxing authority in the United Kingdom for any amount (other than any tax withheld or deducted from interest payable on the Bonds or the Coupons) calculated by reference to any amount payable in respect of the Bonds or the Coupons or (ii) the payment of interest on the Bonds would be treated as a “distribution” within the meaning of the Income and Corporation Taxes Act 1988 (as from time to time amended, re-enacted or replaced), the Issuer may at its option (subject to Condition 2), having given not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable) and having obtained prior Relevant Supervisory Consent, redeem all, but not some only, of the Bonds at any time at their principal amount together with interest accrued to, but excluding, the date of redemption and all Arrears of Interest. Upon the expiry of such notice the Issuer shall be bound (subject to Condition 2) to redeem the Bonds accordingly.

For the purposes of these Conditions, “Relevant Supervisory Consent” means the consent to the relevant payment, repayment or purchase, as the case may be, of the Building Societies Commission (if applicable whilst the Issuer is a building society) or the Bank of England (if applicable whilst the Issuer is an authorised institution for the purposes of the Banking Act 1987).

- (c) The Issuer may, subject to Condition 2 and provided that Relevant Supervisory Consent has been obtained, having given not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable), elect to redeem on any Reset Date (as defined in Condition 3(d)) all, but not some only, of the Bonds, at their principal amount plus all Arrears of Interest (if any). Upon the expiration of such notice, the Issuer shall be bound (subject to Condition 2) to redeem the Bonds at their principal amount, together with all Arrears of Interest.
- (d) The Issuer or any of the Subsidiaries (as defined in the Trust Deed) may, provided that Relevant Supervisory Consent has been obtained, at any time purchase Bonds at any price and in any manner provided that all unmatured Coupons and Talons appertaining thereto are attached thereto or

surrendered therewith. If purchases are made by tender, tenders must be available to all Bondholders alike.

- (e) All Bonds which are (i) redeemed or (ii) purchased by or on behalf of the Issuer or any of the Subsidiaries (except purchases made in the ordinary course of business of a dealer in securities) will be cancelled forthwith (together with all relative unmatured Coupons and Talons purchased therewith) and such Bonds may not be reissued or resold.

## **5. Payments**

Payments in respect of principal and interest will be made in Sterling against surrender of Bonds or, as the case may be, Coupons at the specified office of any of the Paying Agents. Such payments will be made at the specified office of any Paying Agent by Sterling cheque drawn on, or by transfer to a Sterling account maintained by the payee with, a bank in London, subject in all cases to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 6.

The names of the initial Principal Paying Agent, the other initial Paying Agents and their initial specified offices are set out below.

The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent and an Agent Bank, each having a specified office in a city approved by the Trustee in continental Europe and, so long as the Bonds are listed on the London Stock Exchange, a Paying Agent with a specified office in London. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Bondholders in accordance with Condition 10.

Each Bond should be presented for payment together with all unmatured Coupons and the Talon (if any) appertaining thereto. Upon the date on which any Bond becomes due and repayable, all unmatured Coupons and the Talon (if any) appertaining thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. If the due date for redemption of any Bond is not an Interest Payment Date, interest accrued from the immediately preceding Interest Payment Date or, as the case may be, 27th November, 1996 shall be payable only upon presentation of the relevant Bond.

If the date for payment of any amount of principal or interest in respect of any Bond or Coupon is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount due until the next following business day at that place of payment and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 5, "business day" means any day (not being a Saturday or a Sunday) on which banks are open for business in the relevant place of payment and in London.

## **6. Taxation**

All payments of principal and interest in respect of the Bonds and the Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders and Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds or, as the case may be, Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Bond or Coupon presented for payment:

- (a) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (ii) is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by the holding of such Bond or Coupon; or

- (b) in the United Kingdom; or
- (c) more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the thirtieth such day.

As used herein, the "relevant date" means the date on which such payment first becomes due, but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly published in accordance with Condition 10. Any reference in these Terms and Conditions to principal or interest shall be deemed also to refer to any additional amounts which may be payable pursuant to this Condition or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

#### **7. Prescription**

Bonds and Coupons will become void unless presented for payment within periods of twelve years and six years, respectively, from the relevant date (as defined in Condition 6) in respect thereof. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 7 or Condition 5.

#### **8. Enforcement**

- (a) If the Issuer shall not make any payment of principal in respect of the Bonds for a period of seven days or more after the due date for the same or shall not make payment of interest for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory the Trustee may institute proceedings in England (but not elsewhere) for the winding-up of the Issuer. For the purpose of this paragraph a payment otherwise due (in the case of principal) or compulsory (in the case of interest) shall be deemed so due or compulsory notwithstanding that the condition set out in Condition 2 is not satisfied.
- (b) The Trustee shall not be bound to take the action referred to in Condition 8(a) to enforce the obligations of the Issuer in respect of the Bonds unless (i) it shall have been so requested by Extraordinary Resolution of the Bondholders or in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (c) No Bondholder shall be entitled to proceed against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure shall be continuing, in which case the Bondholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No Bondholder shall be entitled to institute proceedings for the winding-up of the Issuer or to prove in such winding-up, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so, or, being able to prove in such winding-up, fails to do so, in either case within a reasonable period and such failure shall be continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up in England (but not elsewhere) of the Issuer and/or prove in such winding-up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do. No remedy against the Issuer, other than the institution of proceedings for the winding-up of the Issuer in England or the proving or claiming in any winding-up of the Issuer, shall be available to the Trustee or the Bondholders, whether for the recovery of amounts owing in respect of the Bonds or under the Trust Deed or in respect of any breach by the Issuer of any of its obligations under the Trust Deed or the Bonds (other than for recovery of the Trustee's remuneration or expenses in its capacity as trustee).

#### **9. Replacement of Bonds, Coupons and Talons**

Should any Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent for the time being upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity

as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

#### **10. Notices**

All notices to the Bondholders will be valid if published in the *Financial Times* or any other leading daily English language newspaper in London or, if this is not practicable, such other leading daily English language newspaper with general circulation in Europe as the Trustee may approve. Such notices shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notices will be valid if given in such other manner, and shall be deemed to have been given on such dates, as the Trustee shall determine. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition 10.

#### **11. Meetings of Bondholders, Modification, Waiver, Transfer of Business and Substitution**

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting, the business of which includes the modification of certain of these Terms and Conditions or of certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than one-quarter, of the principal amount of the Bonds for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting, and on all Couponholders. The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error. The Trust Deed further provides that the Trustee shall not exercise its powers of modification, waiver or authorisation in contravention of any express direction given by Extraordinary Resolution of the Bondholders.

If the Issuer shall amalgamate with one or more other building societies pursuant to section 93 of the Act, or transfer all or (on terms which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders) part (where the part includes its obligations as principal debtor under the Trust Deed, the Bonds and the Coupons) of its engagements (where such engagements include its liability as principal debtor and obligor under the Trust Deed, the Bonds and the Coupons) to another building society pursuant to section 94 of the Act, or transfer its business to a company pursuant to section 97 of the Act, the successor (the "Successor under the Act") in each case will, pursuant to such provisions, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed, the Bonds and the Coupons without any prior approval thereof being required from any of the Bondholders, the Couponholders or the Trustee.

The Issuer has covenanted with the Trustee in the Trust Deed that:

- (a) it will not enter into any arrangement for the transfer of its engagements to another building society pursuant to section 94 of the Act unless it transfers all its engagements to such society or such transfer has been approved by the Trustee or by an Extraordinary Resolution of the Bondholders; and
- (b) it will not transfer its business to a company in accordance with section 97 of the Act unless either it has satisfied the Trustee that, upon such transfer becoming effective, the Successor under the Act

will be or (as the case may be) remain an authorised institution for the purposes of the Banking Act 1987 or such transfer has been approved by an Extraordinary Resolution of the Bondholders.

Subject as provided in the Trust Deed, the Trustee may agree, without the consent of the Bondholders or the Couponholders, to the substitution at any time or times of any successor company (as defined in the Trust Deed), not being a Successor under the Act, or any Subsidiary or any subsidiary of any such successor company, as the principal debtor under the Trust Deed, the Bonds, the Coupons and the Talons subject to (in the case of the substitution of any company which is a Subsidiary or a subsidiary of such successor company) the irrevocable and unconditional guarantee on a subordinated basis equivalent to that mentioned in Condition 2 in respect of the Trust Deed, the Bonds, the Coupons and the Talons by the Issuer or such successor company.

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except to the extent already provided for in Condition 6 and/or any undertaking given in addition to, or in substitution for, Condition 6 pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 10.

## **12. Indemnification of, and Transactions by, the Trustee**

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

## **13. Further Issues**

The Issuer is at liberty from time to time without the consent of the Bondholders or Couponholders to create and issue further bonds and/or notes either ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding bonds and/or notes of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental thereto or upon such terms as to ranking, interest, conversion, premium, redemption and otherwise as the Issuer may at the time of issue thereof determine. Any further bonds or notes forming a single series with the outstanding bonds or notes of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental thereto shall, and any other further bonds or notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or notes of other series in certain circumstances where the Trustee so decides.

## **14. Governing Law**

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

## **USE OF PROCEEDS**

The net proceeds of the issue of the Bonds, which are estimated to amount to £148,128,500 will be used by the Society for the general purposes of its business.

**SUMMARY OF PROVISIONS RELATING TO THE BONDS  
WHILE REPRESENTED BY THE GLOBAL BONDS**

**The following is a summary of the provisions to be contained in the Trust Deed constituting the Bonds and in the Global Bonds (as defined below) which will apply to, and in some cases modify, the Terms and Conditions of the Bonds while the Bonds are represented by the Temporary Global Bond and/or the Permanent Global Bond (together the "Global Bonds").**

(1) The Permanent Global Bond will be exchangeable (free of charge to the holder) for definitive Bonds described below if (i) either Euroclear or Cedel Bank is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Trustee is available, or (ii) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Cedel Bank which would not be suffered were the Bonds in definitive form and a certificate to such effect is given to the Trustee. Thereupon (in the case of (i) above) the holder may give notice to the Trustee and the Issuer and (in the case of (ii) above) the Issuer may give notice to the Trustee and the Bondholders, of the exchange of the Permanent Global Bond for definitive Bonds on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date the holder of the Permanent Global Bond may surrender the Permanent Global Bond to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds (having attached to them 26 Coupons in respect of interest which has not already been paid on the Permanent Global Bond and one Talon), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Second Schedule to the Trust Deed. On exchange in full of the Permanent Global Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant definitive Bonds.

"Exchange Date" means a day falling not less than 45 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (i) above, in the city in which the relevant clearing system is located.

(2) No payment will be made on the Temporary Global Bond unless exchange for an interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal and interest in respect of Bonds represented by a Global Bond will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of such Global Bond to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purposes. A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Bond by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Bonds. Payments of interest on the Temporary Global Bond will only be made upon certification as to non-U.S. beneficial ownership.

(3) For so long as all the Bonds are represented by one or both of the Global Bonds and such Global Bond is, or Global Bonds are, as the case may be, held on behalf of Euroclear and/or Cedel Bank, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Cedel Bank (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 10. Any such notice shall be deemed to have been given to the Bondholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Cedel Bank (as the case may be) as aforesaid.

(4) For so long as any of the Bonds is represented by a Global Bond and such Global Bond is held on behalf of Euroclear and/or Cedel Bank, each person who is for the time being shown in the records of Euroclear or Cedel Bank as the holder of a particular principal amount of such Bonds (each an

“Accountholder”) (in which regard any certificate or other document issued by Euroclear or Cedel Bank as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders) other than with respect to the payment of principal and interest on such Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Cedel Bank, as the case may be, for its share of each payment made to the bearer of the relevant Global Bond.

(5) Claims against the Issuer in respect of principal and interest on the Bonds represented by a Global Bond will be prescribed after 12 years (in the case of principal) and six years (in the case of interest) from the relevant date (as defined in Condition 6).

(6) Cancellation of any Bond represented by a Global Bond and required by the Terms and Conditions of the Bonds to be cancelled following its purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Bond on the relevant schedule thereto.

## WOOLWICH BUILDING SOCIETY

Woolwich is a building society under the Act. Its principal office is at Corporate Headquarters, Watling Street, Bexleyheath, Kent DA6 7RR. It is registered with the Registry of Friendly Societies (Register Number 683B) at 15 Great Marlborough Street, London W1V 2SX. It operates under the Act, certain statutory instruments and the Society's own Memorandum and Rules. The group accounts of the Society comprise the accounts of the Society and all its operating subsidiaries.

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Acts, does not have equity shareholders. A share in the Society is not the same as a share in a company and voting power is not weighted according to the number or value of shares held. Holders of investment shares may withdraw funds from their share accounts subject to the Rules of the Society and the terms upon which their shares are issued. Depositors with and lenders to the Society are not members and, accordingly, have no voting rights.

### History

The Woolwich is the third largest building society in the United Kingdom with total assets of some £28 billion at the end of 1995.

The Society has a history dating back to 1847 when it was first established in the town of Woolwich, which was then a small industrial town situated seven miles downstream from London on the River Thames but is now a suburb of London. The principal office is now situated some six miles to the south-east at Bexleyheath, Kent although the Society maintains its links with the town of Woolwich.

In the 19th and early 20th centuries, which were periods of consolidation for the building society industry as a whole, the Woolwich began to expand. The decision in the 1920s to open branches outside the immediate Woolwich region was a key factor in its development. By 1947, 100 years after its formation, the Society ranked as the fourth largest building society in the United Kingdom with assets of £50 million.

The most rapid growth for the Society, however, has occurred since 1947. State funding of council houses limited the potential for growth in the 1940s and 1950s but in the 1960s and 1970s the factors which caused the rapid growth of building societies in general were felt particularly in the Society's main area of operation—London and the South East of England. Strong demand for mortgages led the Society to expand its savings base, enabling it to spread its high street branch network to cover the entire country. It was the first building society to computerise its branch network by means of counter-top terminals with on-line links to a central computer. The catch-phrase 'We're with the Woolwich' became well-known as a result of the Society's TV advertising in the 1970s.

At 31st December, 1995, the Society had 565,000 borrowers and over 3,500,000 investing members serviced by a network of 488 branches and 247 branch agencies throughout the United Kingdom. The branch environment has received much attention, with many branches now being open-plan, ensuring that customers receive more personal service. Advanced computer technology links each branch to head office so that the wide range of financial services available is delivered to the customer both speedily and efficiently.

In the 1980s the Woolwich expanded its operations into the wholesale money markets. The treasury activities of the core business and subsidiary companies are controlled centrally. The wholesale funding policy is to obtain funds from diversified sources with no undue dependence on any instrument, facility or market. Eurobonds have been issued in Sterling, U.S. Dollars, ECU, Swiss francs and Deutsche Marks, the Woolwich being the first building society to issue in the latter two currencies. A U.S. Dollar commercial paper programme introduced in 1990 is now an important source of funds. This programme has a maximum principal amount of U.S.\$2.0 billion and is operated by three dealers: Lehman Commercial Paper, Inc., Merrill Lynch Money Markets Incorporated and Goldman Sachs Money Markets L.P. In 1992, the Society established a U.S.\$1.5 billion Note Programme for the issue of Euro Medium Term Notes, Deposit Notes and Subordinated Notes, which was arranged by Merrill Lynch International. On 22nd April, 1996, the size of this Note Programme was increased to U.S.\$2.0 billion.

Since 1987, when building societies received wider statutory powers to provide certain additional financial services, the Woolwich has made a number of strategic moves into new areas of operation through

the development of subsidiaries. An estate agency network of 191 branches has been built up by Woolwich Property Services Limited which makes a significant contribution to the Society's total lending through mortgage introductions and to the business performance of Woolwich Life Assurance Company Limited. In 1993, the surveying operations of both Woolwich Property Services Limited and the Society were merged into a separate subsidiary, Woolwich Surveying Services Limited, trading as Ekins, which has demonstrated consistent profitable growth and has strengthened its external client base.

In 1990 and 1991, the Society established three subsidiary companies each of which provides financial products that complement the existing range. Woolwich Life Assurance Company Limited (a member of PIA) is 90 per cent. owned by the Woolwich with the remaining 10 per cent. held by the Sun Alliance and London Insurance plc. Woolwich Unit Trust Managers Limited (a member of PIA and IMRO) sells its own unit trust products throughout the Society's branch network. The Woolwich acts as an appointed representative of these two subsidiaries for the purposes of advising on and selling life assurance and investment products of these companies. Customers seeking a wider range of products are served by Woolwich Independent Financial Advisory Services Limited which is an independent financial adviser regulated by the PIA for Financial Services Act 1986 investment business.

The Woolwich has been at the forefront of the movement by building societies into continental Europe. In 1990, Woolwich SpA was established as a subsidiary in Milan, with agreements in place with a number of Italian distribution networks to originate clients as prospective borrowers. In October 1995, after receiving authorisation from the Bank of Italy, it became Banca Woolwich SpA. In July 1991, another subsidiary, Banque Woolwich, incorporated as a bank under French law, purchased the mortgage lending network of Banque Immobilière de Crédit, a subsidiary of Midland Bank S.A. Banque Woolwich has its Head Office in the centre of Paris and 19 branch offices located throughout France. Woolwich Guernsey Limited, the Society's off-shore company, has customers in over 60 countries.

In December 1993, the Society became the first UK building society to launch a captive insurance company. Winguard Insurance Company Limited, a wholly-owned subsidiary based in Guernsey, satisfies part of the Society's requirements for mortgage indemnity insurance.

### **Recent Developments**

On 11th January, 1996 the Society announced its intention to seek the approval of its members to convert to a public limited company listed on the London Stock Exchange. Economic, demographic and technological developments are all creating increasing change, pressures and opportunities in the personal financial services industry. The result has been greater competition and diversification, as well as considerable regrouping among businesses operating within the industry. The Society perceives that in future organisations will either have to be providers of a full range of personal financial services or smaller niche players. The Society wishes to remain a significant player at the forefront of industry developments and to pursue vigorously every opportunity to provide customers with services and products that meet their needs and are among the very best in terms of value, cost and range. As a result of expanding its products and services beyond the traditional building society business of mortgages and savings, an increasing number of customers are purchasing products and services which do not confer membership rights. Since the Society wishes to develop these activities further, it has concluded that mutuality is no longer appropriate. After detailed consideration of strategic options, the Society has decided that conversion and flotation are in its best interests and those of its members, its other customers and employees.

The greater freedom permitted by the legislative regime governing UK banks will give the Society wider operational flexibility to grow and broaden its business with a wider range of products and services, as well as greater freedom in accessing the wholesale money markets and in the acquisition and funding of its assets. As a listed company, the Society will have the ability to raise additional capital more easily than it can do currently. The Society believes that this offers more scope for profitable growth through the expansion of the existing businesses, some of which may be by acquisition. This in turn would enable the Society to broaden geographical and product coverage and generate economies of scale.

Conversion and flotation are subject to a number of conditions, including the separate approvals of those investing and borrowing members eligible to vote, confirmation by the Building Societies Commission and authorisation of the successor company of the Society as a bank by the Bank of England.

The conversion timetable will depend on a range of factors including the completion of the legal and regulatory processes, as well as prevailing market conditions. It is expected that the process will be completed around the middle of 1997.

On conversion to a public listed company, in accordance with the Act all property, rights and liabilities of the Society (including those in relation to the Bonds) will vest in such public listed company.

## DIRECTORS AND EXECUTIVE MANAGEMENT

### Board of Directors

The Directors of the Society, their responsibilities within the Society and their principal outside activities, are as follows:

<i>Board of Directors</i>	<i>Responsibility within the Society</i>	<i>Principal Outside Activities</i>
Sir Brian Jenkins GBE, MA, FCA	Chairman	
William H. Yates FRICS	Deputy Chairman	
John M. Stewart BA, ACII, FCIB*	Group Chief Executive	
The Rt. Hon. the Lord Borrie QC	Director	
Peter C. Burton ACIB*	Group Resources	
	Director	
John H. Bushell FCA	Director	Chairman of Dencora PLC
Maurice Crichton CBE, CA	Director	Director of Irvine Development Corporation
Bryan C. Hines ACII	Director	
Susan B. S. Homersham	Director	
Robert C. H. Jeens BA (Hons), MA, FCA*	Group Finance Director	
The Rt. Hon. The Earl of Kinnoull FRICS	Director	
Donald H. Kirkham CBE, DBA (Hon), FCIS, FCIB, CIMgt	Director	
Lynne Peacock BA (Hons)*	Group Operations	
	Director	
Jean B. Solandt	Director	Director of Schroders PLC
Michael E. Tuke FCCA, FRSA*	Group Executive Director	

The business address of the Directors is Woolwich Building Society, Corporate Headquarters, Watling Street, Bexleyheath, Kent DA6 7RR.

\*Executive Director.

### Executive Management

#### *Executive Directors*

John M. Stewart BA, ACII, FCIB	Group Chief Executive
Peter C. Burton ACIB	Group Resources Director
Robert C. H. Jeens BA (Hons), MA, FCA	Group Finance Director
Lynne Peacock BA (Hons)	Group Operations Director
Michael E. Tuke FCCA, FRSA	Group Executive Director

#### *General Manager*

Trevor C. Baker BSc (Econ), FCIS, FCIB	Retail Operations
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#### *Heads of Function*

Frank D. Bartlett FCIB	Group Lending
David Benaron	Computer Services
David Blake MIPR, FRSA	Corporate Communications
John Crane BA (Hons), MSc	Computer Development
Stanley W. J. Cummings FCA, FCIB	Consultancy Services
Geoffrey C. Dalby BSc (Eng), ACGI, C. Eng. MICE	Corporate Projects
Michael J. Gould BA (Hons), AIPM	Human Resources
Peter T. Hanlon BSc (Hons) (Econ)	Group Treasury
Michael A. Jennings Dip. Land Admin. ARICS	Estates and Facilities
Steven P. Martin BA (Hons), MA, PhD	Corporate Planning
Ian Poston FCII	Group Financial Services
Jacqueline L. Riley BSc (Hons) (Econ)	Group Compliance
Susan A. Scott LLB (Hons), Solicitor	Legal Services
Iain D. Smith BA (Hons), FCA	Group Finance
Ian P. M. Stewart IPFA	Group Audit
Janet E. Thomson BA (Hons), MBA	Strategic Projects
Nigel D. Wright BA (Hons), FCIB, MABE, MIMgt	Marketing & Internal Communications

## CAPITALISATION

The following table is a summary of the capitalisation of the Society, and of the Society and its subsidiaries, extracted from the consolidated audited annual accounts of the Society and its subsidiaries for the year ended 31st December, 1995 and the unaudited capitalisation of the Society and its consolidated subsidiaries as at 30th June, 1996.

	<i>31st December, 1995</i>	<i>31st December, 1995</i>	<i>30th June, 1996</i>
	<i>The Society (Audited) £m</i>	<i>Consolidated (Audited) £m</i>	<i>Consolidated (Unaudited) £m</i>
<b>Shareholders' Funds</b>			
Shares . . . . .	18,807.3	18,807.3	18,610.3
General reserve . . . . .	1,692.4	1,669.6	1,785.7
Revaluation reserve . . . . .	12.1	3.2	5.8
<b>Total shareholders' funds . . . . .</b>	<b>20,511.8</b>	<b>20,480.1</b>	<b>20,401.8</b>
<b>Indebtedness</b>			
Time deposits . . . . .	766.4	790.9	810.6
Deposits and loans from banks <sup>(1)</sup> . . . . .	299.3	526.2	1,222.3
Other deposits and loans . . . . .	1,495.6	1,459.4	1,866.8
Certificates of deposit . . . . .	1,174.2	1,384.2	1,975.3
Sterling floating rate loan notes . . . . .	677.3	677.3	576.8
ECU floating rate loan notes . . . . .	106.1	106.1	—
Sterling fixed rate loan notes . . . . .	463.4	463.4	313.8
French franc fixed rate loan notes <sup>(2)</sup> . . . . .	—	4.1	4.0
U.S.\$ commercial paper <sup>(2)</sup> . . . . .	550.2	550.2	689.2
ECP sterling . . . . .	9.9	9.9	4.9
ECP euro dollar . . . . .	108.3	108.3	—
U.S.\$ note programme <sup>(5)</sup> . . . . .	545.7	545.7	865.9
Subordinated floating rate loan notes <sup>(4)</sup> . . . . .	33.8	33.8	33.7
Subordinated fixed rate loan notes <sup>(3)</sup> . . . . .	310.7	310.7	314.8
<b>Total indebtedness . . . . .</b>	<b>6,540.9</b>	<b>6,970.2</b>	<b>8,678.1</b>
<b>Total capitalisation<sup>(6)</sup> . . . . .</b>	<b>27,052.7</b>	<b>27,450.3</b>	<b>29,079.9</b>

### Notes:

- (1) Includes certain uncommitted short-term bank facilities of Banca Woolwich SpA and Banque Woolwich guaranteed by the Society.
- (2) French franc fixed rate loan notes and U.S.\$ commercial paper represent FF30,000,000 and U.S.\$1,050,000,000 as at 30th June, 1996 exchanged into Sterling. The exchange rates used for the conversions into Sterling were £1.00 : FF8.00 and £1.00 : U.S.\$1.55, respectively.
- (3) Does not include £200,000,000 9½ per cent. Subordinated Bonds due 2021 issued by the Society on 7th August, 1996, nor £150,000,000 Perpetual Subordinated Bonds to be issued by the Society on 27th November, 1996.
- (4) On 30th August, 1996 the Society redeemed in whole its £33,000,000 Subordinated Floating Rate Notes due 2001.
- (5) On 12th November, 1996 the Society launched an issue of U.S.\$300,000,000 Floating Rate Notes due 2001 pursuant to its U.S.\$2,000,000,000 Note Programme. It is expected that these Notes will be issued on or about 3rd December, 1996.
- (6) Save as disclosed above, there has been no material change in the capitalisation of the Society and its subsidiaries since 30th June, 1996.

At 30th June, 1996 obligations under finance leases included in other liabilities in the balance sheet of the Society and its subsidiaries amounted to £4.7 million.

The maturity of these obligations was as follows:

	<i>£m</i>
Under one year . . . . .	1.9
Second to fifth year . . . . .	2.8
	<hr/>
	4.7
	<hr/> <hr/>

At 30th June, 1996 the Society and its subsidiaries had outstanding commitments in respect of operating leases payable within one year of £29.9 million with contractual terms expiring in the following periods:

	<i>£m</i>
Under one year . . . . .	0.9
Second to fifth year . . . . .	2.3
Over five years . . . . .	26.7
	<hr/>
	29.9
	<hr/> <hr/>

Save as disclosed above, the Society and its subsidiaries did not have outstanding on 30th June, 1996 any loan capital issued, or created but unissued, or any borrowing or indebtedness in the nature of borrowings, including bank overdrafts, term loans and liabilities under acceptances or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities.

## SUMMARISED GROUP RESULTS

The following summarised results of the Society and its subsidiaries are extracted from the consolidated audited annual accounts of the Society and its subsidiaries for the year ended 31st December, 1995 and the consolidated, unaudited results for the six months ended 30th June, 1995 and 1996.

### Income and Expenditure Account

	6 months to 30th June, 1996 (Unaudited) £m	6 months to 30th June, 1995 (Unaudited) £m	12 months to 31st December, 1995 (Audited) £m
Net interest receivable . . . . .	303.4	263.5	559.8
Other income and charges . . . . .	84.5	72.8	182.5
<b>Total net income . . . . .</b>	<b>387.9</b>	<b>336.3</b>	<b>742.3</b>
Administrative expenses – conversion costs . . . . .	6.4	—	—
– redundancy costs . . . . .	—	—	12.0
– other . . . . .	177.9	172.8	351.1
	<b>184.3</b>	<b>172.8</b>	<b>363.1</b>
	203.6	163.5	379.2
Provisions for bad and doubtful debts . . . . .	22.9	21.7	46.2
Net profit on disposal/termination of operations . . . . .	2.4	—	—
	<b>183.1</b>	<b>141.8</b>	<b>333.0</b>
<b>Profit on ordinary activities before tax. . . . .</b>	<b>62.7</b>	<b>47.5</b>	<b>109.9</b>
Tax on profit on ordinary activities . . . . .			
	<b>120.4</b>	<b>94.3</b>	<b>223.1</b>
<b>Profit on ordinary activities after tax . . . . .</b>			

### Balance Sheet

	at 30th June, 1996 £m	at 30th June, 1995 £m	at 31st December, 1995 £m
<b>Assets</b>			
Liquid assets . . . . .	4,739	4,740	4,822
Commercial assets. . . . .	24,116	21,793	22,480
Fixed and other assets . . . . .	577	470	475
Long term life assurance business assets . . . . .	276	203	228
<b>Total assets . . . . .</b>	<b>29,708</b>	<b>27,206</b>	<b>28,005</b>
<b>Liabilities</b>			
Retail funds and deposits . . . . .	20,231	19,841	19,986
Non-retail funds and deposits. . . . .	6,709	4,984	5,447
Other liabilities. . . . .	342	270	318
Subordinated liabilities . . . . .	349	350	344
Reserves and minority interest . . . . .	1,801	1,558	1,682
Long term life assurance business liabilities . . . . .	276	203	228
<b>Total liabilities. . . . .</b>	<b>29,708</b>	<b>27,206</b>	<b>28,005</b>

The interim results above have been prepared using the same bases as the 1995 Annual Accounts.

## UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to the taxation of the Bonds. It relates only to the position of persons who are the absolute beneficial owners of their Bonds and Coupons and may not apply to certain classes of taxpayer (such as dealers). Prospective Bondholders who are in doubt as to their personal tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

### Interest on the Bonds

1. The Bonds will constitute "quoted Eurobonds" within the meaning of section 124 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") as long as they continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Taxes Act. The London Stock Exchange is currently so recognised. Accordingly, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax:

- (a) where payment is made by or through an overseas paying agent; or
- (b) where payment is made by or through a person who is in the United Kingdom but either:
  - (i) the beneficial owner of the Bonds and the related Coupons is not resident in the United Kingdom and a declaration to that effect in the form required by law has been given, on the occasion of each payment, to the person by or through whom the payment is made or the Inland Revenue has given notice to that effect to the person by or through whom the payment is made; or
  - (ii) the Bonds are held in a "recognised clearing system" and a declaration to that effect in the form required by law has been given to the person by or through whom the payment is made or the Inland Revenue has given notice to that effect to the person by or through whom the payment is made.

Provided that the Inland Revenue has not issued a notice to the effect that neither of the conditions in (i) and (ii) are satisfied.

In all other cases an amount must be withheld on account of income tax at the lower rate, currently 20 per cent., subject to any direction to the contrary by the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

2. Where a United Kingdom collecting agent, either:
- (a) acts as custodian of the Bonds and receives interest on the Bonds or directs that interest on the Bonds be paid to another person or consents to such payment; or
  - (b) collects or secures payment of or receives interest on the Bonds for a Bondholder or a Couponholder (except by means of clearing a cheque or arranging for the clearing of a cheque),

the collecting agent will be required to withhold on account of United Kingdom income tax at the lower rate unless:

- (i) the relevant Bonds are held in a "recognised clearing system" and the collecting agent either:
  - (A) pays or accounts for the interest directly or indirectly to the "recognised clearing system" and the collecting agent has obtained a declaration in a form required by law made by the depository for the "recognised clearing system", or
  - (B) is acting as depository for the "recognised clearing system"; or
- (ii) the person beneficially entitled to the interest is either not resident in the United Kingdom or is within a class of persons specified by regulations and beneficially owns the relevant Bonds; or

- (iii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, *inter alia*, none of the beneficiaries of the trust is resident in the United Kingdom); or
- (iv) the person beneficially entitled to the interest is eligible for certain reliefs from United Kingdom tax in respect of the interest; or
- (v) the interest falls to be treated as the income of, or of the government of, a sovereign power or of an international organisation.

In the case of each of the above exceptions, further administrative and other conditions imposed by regulations (including a requirement that a declaration in the form required by law has been given to the collecting agent) will generally have to be satisfied for the relevant exception to be available.

3. Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be assessable to United Kingdom tax in the hands of a Bondholder who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable, in which case tax may be levied on the United Kingdom branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

4. Holders of the Bonds should note that the provisions relating to additional amounts set out in Condition 6 of the Bonds above would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on that interest. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

#### **U.K. Corporation Tax Payers**

Bondholders within the charge to United Kingdom corporation tax will be charged to tax on all profits and gains arising from the Bonds as income, broadly in accordance with their statutory accounting treatment. Such Bondholders will generally be charged to tax in each accounting period by reference to interest and to any profits and gains (or relieved for any loss) arising, in accordance with such Bondholders' authorised accounting methods, in that period.

#### **Other Bondholders**

##### *Accrued Income Scheme*

1. The Bonds will be regarded by the Inland Revenue as variable rate securities. Accordingly, a transfer of a Bond by a holder who is not within the charge to United Kingdom corporation tax and who is resident or ordinarily resident in the United Kingdom or a holder who carries on a trade in the United Kingdom through a branch or agency to which the Bond is attributable, may give rise to a charge to tax on income in respect of interest on the Bond which has accrued since the preceding interest payment date in such an amount as the Inland Revenue deem just and reasonable. A transferee of Bonds with accrued interest will not be entitled to any corresponding allowance under the Accrued Income Scheme.

##### *Taxation of Chargeable Gains*

2. The Bonds will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

##### *Taxation of Discount*

3. Based on the Issuer's understanding of the Inland Revenue's practice in this area, it is considered that the Bonds will not be treated as constituting "relevant discounted securities" for the purposes of the Finance Act 1996.

**Stamp Duty and SDRT**

No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue of the Bonds or on a transfer of the Bonds by delivery or on redemption.

**In view of the current uncertainties surrounding the way in which the Finance Act 1996 will be applied, Bondholders are advised to seek independent advice in relation to their tax position.**

## SUBSCRIPTION AND SALE

CS First Boston Limited and Midland Bank plc (together the "Managers") have, pursuant to a subscription agreement (the "Subscription Agreement") dated 26th November, 1996, agreed with the Society, subject to the satisfaction of certain conditions, to purchase the Bonds at the issue price of 99.394 per cent. of the principal amount of the Bonds less a selling commission of 0.375 per cent. of the principal amount thereof and a management and underwriting commission of 0.25 per cent. of such principal amount. The Subscription Agreement entitles the Managers to be released and discharged from their obligations thereunder in certain circumstances prior to payment to the Society.

The issue of the Bonds has been fully underwritten by the Managers on a joint and several basis and no separate sub-underwriting group has been formed.

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are in bearer form, are subject to U.S. tax law requirements and may not be offered or sold within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

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

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

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

## **GENERAL INFORMATION**

### **Listing**

The listing of the Bonds on the London Stock Exchange will be expressed as a percentage of their principal amount (excluding accrued interest). Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. It is anticipated that such listing will be granted on or around 27th November, 1996 subject to the issue of the Temporary Global Bond. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.

### **Material Change**

Save as disclosed herein, there has been no significant change in the financial or trading position of the Society and its subsidiaries since 31st December, 1995, being the end of the last financial period for which accounts have been published, and there has been no material adverse change in the financial position or prospects of the Society or the Society and its subsidiaries since that date.

### **Litigation**

There are no legal or arbitration proceedings, nor to the knowledge of the Board of Directors are any pending or threatened, involving the Society or any of its subsidiaries which may have or have had during the previous twelve months a significant effect on the financial position of the Society and its subsidiaries.

### **Auditors**

The accounts for the two years ended 31st December, 1994 have been audited in accordance with approved auditing standards by Clark Whitehill, Chartered Accountants, of 25 New Street Square, London EC4N 3LN and have been reported on without qualification. The accounts for the year ended 31st December, 1995 have been audited in accordance with approved auditing standards by KPMG, Chartered Accountants, and Clark Whitehill, Chartered Accountants, as joint auditors, and have been reported on without qualification.

### **U.S. Legend**

Each Bond and Coupon will carry substantially the following legend:

“Any United States person who holds this obligation will be subject to limitations under United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The Sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss on the Bonds and will not be entitled to capital gains treatment of any gain on any sale, disposition or redemption of the Bonds.

### **Clearing Systems**

The Bonds have been accepted for clearance through Cedel Bank and Euroclear. The Common Code is 7125291. The ISIN for the Bonds is XS0071252919.

### **Documents for Inspection**

Copies of the following documents may be inspected during usual business hours on any business day at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA during the period of fourteen days from the date of this document:

- (i) the Memorandum and Rules of the Society and the Building Societies Act 1986;
- (ii) the consolidated audited accounts and the annual reports of the Society and its subsidiaries for the years ended 31st December, 1994 and 31st December, 1995 and the consolidated unaudited accounts of the Society and its subsidiaries for the six months ended 30th June, 1996;

- (iii) the Subscription Agreement; and
- (iv) drafts (subject to modification) of the Trust Deed (incorporating the forms of the Temporary Global Bond, the Permanent Global Bond, the Bonds, the Coupons and the Talons) and the Paying Agency and Agent Bank Agreement.

**PRINCIPAL OFFICE OF WOOLWICH BUILDING SOCIETY**

Corporate Headquarters,  
Watling Street,  
Bexleyheath,  
Kent DA6 7RR

**TRUSTEE**

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

**PRINCIPAL PAYING AGENT AND AGENT BANK**

**Morgan Guaranty Trust Company of New York**  
60 Victoria Embankment,  
London EC4Y 0JP

**PAYING AGENTS**

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10A Boulevard Royal,  
L-2093 Luxembourg

**Morgan Guaranty Trust Company of New York**  
Avenue des Arts 35,  
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*To the Managers and the Trustee*  
**Allen & Overy**  
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**AUDITORS**

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London EC4Y 8BB

**LISTING AGENT**

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London E14 4QJ